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## Post Hearing Information Pack of

# Kindstar Globalgene Technology, Inc.
# 康聖環球基因技術有限公司

*(Incorporated in the Cayman Islands with limited liability)*

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# Kindstar Globalgene Technology, Inc.

康聖環球基因技術有限公司

*(Incorporated in the Cayman Islands with limited liability)*

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| **Number of [REDACTED] under the [REDACTED]** | **:** | **[REDACTED] Shares (subject to the [REDACTED])** |
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| **Number of [REDACTED]** | **:** | **[REDACTED] Shares (subject to adjustment and the [REDACTED])** |
| **Maximum [REDACTED]** | **:** | **HK$[REDACTED] per [REDACTED], plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong Dollars and subject to refund)** |
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# IMPORTANT

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## [REDACTED]

# EXPECTED TIMETABLE[1]

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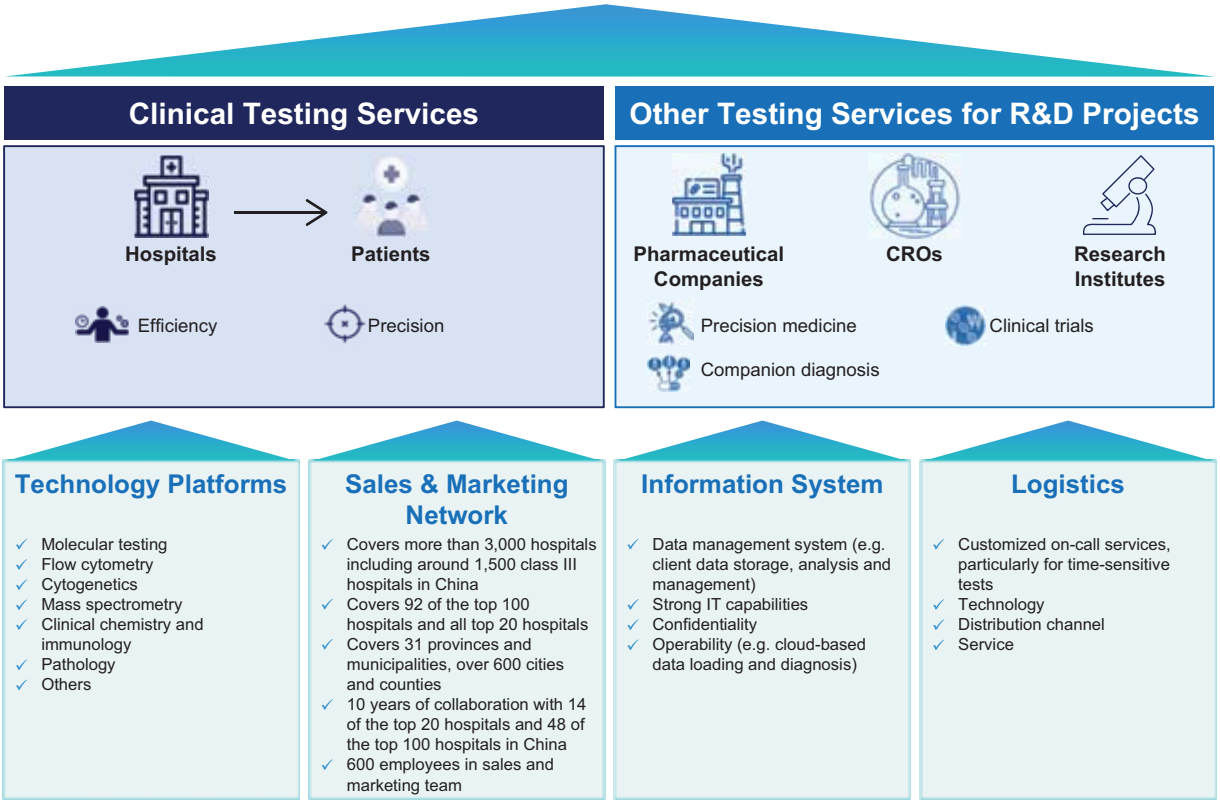
***This summary aims to give you an overview of the information contained in this Document. As this is a summary, it does not contain all the information that may be important to you. You should read the entire document before you decide to* [REDACTED] *in the* [REDACTED]. *There are risks associated with any* [REDACTED]. *Some of the particular risks in* [REDACTED] *in the* [REDACTED] *are set out in the section headed "Risk Factors" in this Document. You should read that section carefully before you decide to* [REDACTED] *in the* [REDACTED]. *Various expressions used in this section are defined in the sections headed "Definitions" and "Glossary of Technical Terms" in this Document.***

## OVERVIEW

We are a leading independent esoteric clinical testing service provider in China. We have the largest esoteric testing portfolio among all the independent esoteric testing providers in China, with over 3,500 testing items in our service menu, which includes over 2,300 testing items for hematology. Over 1,100 testing items were developed fully internally, and approximately 2,400 testing items were developed by or in-licensed from third parties. Our mission is to offer patients and physicians worldwide broad and high-quality specialty testing services and promote the application of precision medicine.

Since our inception in 2003, we have strategically focused on esoteric clinical tests to address the significant unmet medical needs in China. We started from hematology as it is a leading specialty area for the development of novel therapies and adoption of new clinical diagnostic tests. We have successfully established a leading position in China's independent hematology esoteric clinical testing industry, accounting for the largest or 42.3% of the market share by revenue in 2020, as well as a leading position in the overall independent esoteric testing market, accounting for the fifth largest or 4.1% market share in terms of revenue, according to Frost & Sullivan. We offer one of the most extensive hematology testing portfolios worldwide, according to Frost & Sullivan. Leveraging our experience in hematology, we have been expanding our services into other adjacent specialty areas. We primarily target specialty areas with substantial growth potential or significant synergy with our hematology esoteric testing services, including genetic diseases and rare diseases, infectious diseases, oncology and neurology. The esoteric testing market for each specialty area on which we focus has been growing rapidly; for example, genetic diseases and rare diseases, infectious diseases, oncology and neurology testing market grew at a CAGR of 23.3%, 26.6%, 18.0% and 33.6% from 2016 to 2020, respectively, and is expected to further grow at a CAGR of 33.3%, 35.1%, 16.0% and 40.2% to RMB2,637.2 million, RMB4,511.9 million, RMB7,764.3 million and RMB1,023.6 million in 2025, respectively.

## OUR SOLUTIONS



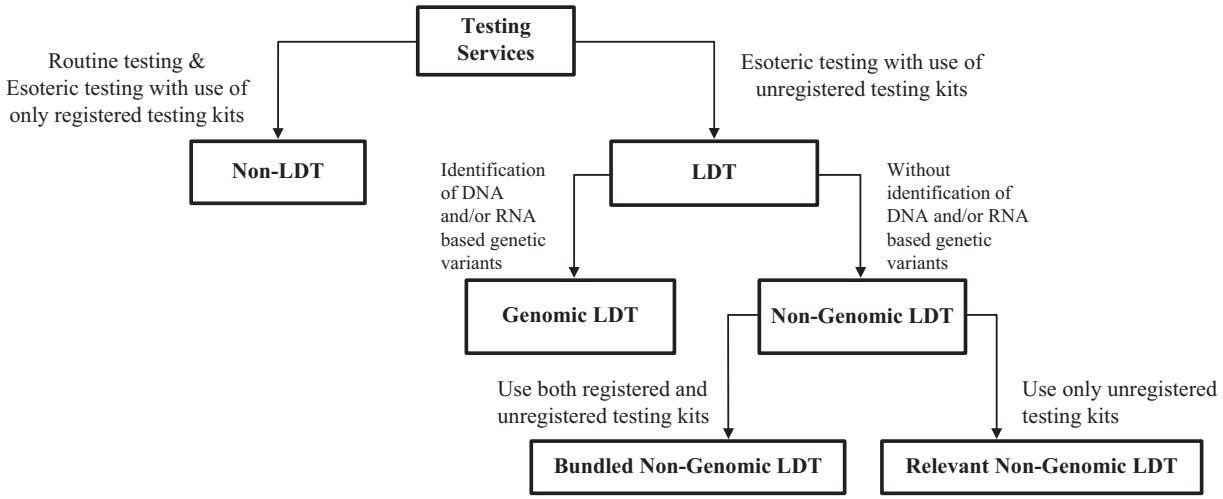

Our testing services include: (i) clinical testing services, where we provide comprehensive testing services to hospitals, or through them, individual patients, ranging from sample collection and transportation, testing, to analysis of testing results and issue of clinical reports, and (ii) testing services for R&D projects and others, where we provide testing services for CROs, sponsors of clinical trials, pharmaceutical companies and research institutes, for scientific research and development of precision medicine as well as forensic testing services.

### Laboratory Developed Tests

In connection with implementation of relevant testing services, we may adopt laboratory developed test, or LDT, to conduct certain testing services. A LDT is typically not a standalone testing service or business, but a self-developed procedure where testing reagents ("testing kits") developed in-house or purchased from suppliers that are not registered with the NMPA ("unregistered testing kits") are used or consumed. LDTs are developed and performed by independent laboratories to address unmet medical needs, and are often used to diagnose rare and complex medical conditions, to guide better treatment or prevention options for patients. Based on the type of testing technology and testing kits used, we categorize our testing services carried out by LDT into Genomic LDT, Bundled Non-Genomic LDT and Relevant Non-Genomic LDT. The diagram below summarizes the sub-classification of our testing services carried out by LDT. For details, please refer to "Business – Laboratory Developed Test".

*Classification of LDT*

The diagram below summarizes the sub-classification of our testing services carried out by LDT.




In the year ended December 31, 2018, 2019 and 2020, revenue generated from our Genomic LDT represented approximately 21.9%, 21.6% and 20.5% of our total revenue, respectively; revenue generated from our Bundled Non-Genomic LDT represented approximately 11.4%, 14.3% and 12.9% of our total revenue, respectively; and revenue generated from our Relevant Non-Genomic LDTs represented approximately 3.6%, 5.2% and 5.0% of the our total revenue, respectively.

*Regulation of LDT*

The regulation of LDTs has been evolving over the past decades, driven in large part by the significant increase in the number and complexity of genetic tests. However, due to the relatively short history of the LDT industry in China, a comprehensive regulatory framework governing the LDT industry has not been established.

Governmental authorities which will be involved in the regulation of LDTs and use of unregistered testing kits mainly include NHC and NMPA, among which, (i) the provision of Genomic LDTs should be regulated by NHC and its provincial or municipal counterparts, and (ii) the provision of Non-Genomic LDTs should be regulated by NHC and its provincial or municipal counterparts. In addition, the use of unregistered testing kits during the provision of Non-Genomic LDTs shall be regulated by NMPA and its provincial or municipal counterparts. NMPA may further, together with NHC, enact detailed administrative rules to regulate internal use of unregistered in vitro diagnostics testing kits by a medical institution in the future. For details of the regulatory framework over LDTs and the risks associated with the uncertainties and changes in the regulation of LDT in the PRC, please refer to "Regulation – Regulations on LDTs" and "Risk Factors – Risks Relating to Our Business and Industry – We may be adversely affected by the uncertainties and changes in the regulation of LDT in the PRC, and any lack of requisite approvals, permits, registrations or filings in relation to our LDT may have a material adverse effect on our business, results of operations and prospects."

As advised by our PRC Legal Advisor, our provision of Genomic LDTs, Bundled Non-Genomic LDTs and the use of unregistered testing kits during the provision of Bundled Non-Genomic LDTs are in compliance with the laws and regulations of the PRC in all material aspects.

**Genomic LDT**: Legal issues involved in our provision of Genomic LDTs mainly include (i) the utilization of NGS technology to provide Genomic LDTs; and (ii) the use of unregistered testing kits, both of which are in compliance with laws and regulations of PRC in all material aspects as advised by our PRC Legal Advisor and based on the Governmental Consultation.

*Utilization of NGS technology*: Pursuant to the Governmental Consultations, the pilot enterprises identified by the National Health and Family Planning Commission (國家衛生和計劃生育委員會,"NHFPC", predecessor of the NHC) pursuant to the Notice on Commencement of Pilot Program on NGS Technology Clinical Use (關於開展高通量基因測序技術臨床應用試點工作的通知) issued by the NHFPC in 2014, can carry out NGS testing for pilot clinical use, and if the results of such pilot clinical use were promising, NGS technology may be adopted for wider clinical use. However, except for the NGS testing on prenatal screening and diagnosis which has been adopted for wider clinical use, pilot scheme with respect to remaining three identified projects (i.e., genetic disease diagnosis, tumor screening and diagnosis and preimplantation embryo genetic diagnosis) has not led to wide clinical use of NGS technology and the pilot scheme was brought to an end with no conclusive regulatory guidance. Pursuant to the Governmental Consultations, as there are market demand and clinical needs for independent clinical laboratories conducting NGS testing, the clinical laboratories conducting Genomic LDTs, including us, may in practice continue to provide NGS-based testing services before final regulations are promulgated.

*Use of unregistered testing kits*: Based on Joint Notice No. 25 and Governmental Consultations, there is no regulatory risk in connection with the use of unregistered testing kits during the provision of Genomic LDTs, including for research, clinical development and commercial use, provided that there is no distribution of unregistered testing kits during provision of the Genomic LDTs. Further, based on Governmental Consultations, use of unregistered testing kits during provision of Genomic LDTs will not be viewed by governmental authorities as distribution of such testing kits.

**Bundled Non-Genomic LDT**: Based on the Governmental Consultations and as advised by our PRC Legal Advisor, unregistered testing kits are allowed to be used during the provision of Non-Genomic LDTs as long as unregistered testing kits are not monetized during the provision of Non-Genomic LDTs, i.e., (i) we do not charge for unregistered testing kits; and (ii) no distribution or sale of unregistered testing kits is involved in the provision of Non-Genomic LDTs.

Price of our Bundled Non-Genomic LDT is determined either on cost-plus basis or on standard market price basis. Cost-plus pricing mainly reflects the cost of services provided and procurement cost of testing kits, plus a service premium (the "Standard Price"). Service premium takes into account the required skills, knowledge, experience and medical background associated with the provision of testing and medical consultation service, and does not include the cost of unregistered testing kits, as confirmed by our Directors. For Bundled Non-Genomic LDT determined on cost-plus basis, the cost of unregistered testing kits to be used in providing such LDT is excluded when formulating the Standard Price. As for Bundled Non-Genomic LDT determined on standard market price basis, the standard market price is calculated based on quantity of only registered testing kits to be used in providing such LDT multiplied by the unit price of such registered testing kits formulated by certain official price manual on medical service (the "Standard Market Price"). We additionally offer a discount to the Standard Market Price. Therefore, the unregistered Testing Kits are provided free of charge.

Based on the Governmental Consultations, it is confirmed that (i) our pricing mechanism of Bundled Non-Genomic LDT is acceptable; and we will not be considered as charging money for the unregistered testing kits under such pricing mechanism by charging service fee for LDTs; (ii) we will not be considered as distribution and sale of unregistered testing kits for use of unregistered testing kits during Non-Genomic LDTs; and (iii) the use of unregistered testing kits during the provision of LDTs will not alter the nature of the provision of LDTs.

**Relevant Non-Genomic LDT**: As advised by our PRC Legal Advisor, pursuant to the Regulations on Supervision and Administration of Medical Devices (Revised in 2020 and became effective on June 1, 2021) (《醫療器械監督管理條例》(2020年修訂並於2021年6月1日生效)), use of unregistered medical device may be subject to a fine of not less than five times but not more than ten times the value of unregistered medical device, and unregistered medical device may be confiscated by NMPA or its local counterpart.

We believe the risks and likelihood of being penalized for using unregistered testing kits in Relevant Non-Genomic LDT by the NMPA and its provisional counterparts is relatively low because: (i) based on the Governmental Consultations, none of Hubei NMPA, Beijing NMPA and Sichuan NMPA was aware of any penalties imposed on ICLs in connection with use of unregistered testing kits during provisions of LDTs; Beijing NMPA further indicated that there is no regulatory risk over use of unregistered testing kits during LDTs (which includes Relevant Non-Genomic LDTs) in Beijing so long as there is no distribution or sale of unregistered testing kits. In addition, our PRC Legal Advisor is of the view that NMPA and their provincial counterparts adopt consistent approach with regard to this issue; and (ii) our use of unregistered testing kits during provision of LDTs falls under the scope of Article 53 of the Regulations on Supervision and Administration of Medical Devices (Revised in 2020 and became effective on June 1, 2021) (《醫療器械監督管理條例》（2020年修訂並於2021年6月1日生效）) which allows qualified medical institutions to research and develop in vitro diagnostics testing kits with no same category of products available on market in China and to use such in vitro diagnostics testing kits internally pursuant to licensed physician's guidance, substantially reducing the risk of being penalized for use of unregistered testing kits.

Notwithstanding the above, we undertake that we will take the following measures to ensure its compliance with current laws and regulations for the provision of Relevant Non-Genomic LDTs before the **[REDACTED]** according to our business strategy including: (i) converting around 178 Relevant Non-Genomic LDTs into Bundled Non-Genomic LDTs or testings with registered testing kits only; (ii) (a) ceasing the rest of Relevant Non-Genomic LDTs, or (b) applying such Relevant Non-Genomic LDTs for research purpose use only, if R&D funds can be provided by external parties, and no R&D works will be carried out if no party is willing to provide funds to entrust us to research on such Relevant Non- Genomic LDTs; and (iii) liaising with suppliers from which we procure unregistered testing kits to register such unregistered testing kits before the **[REDACTED]**.

Such measures with respect to our Relevant Non-Genomic LDTs will not significantly affect our operation and financial conditions since (i) the Group has a diversified portfolio of testing products and there will not be significant difficulty in converting Relevant Non-Genomic LDTs into testing with registered testing kits only or Bundled Non-Genomic LDTs; and (ii) considering that the revenue contribution by the Relevant Non-Genomic LDTs for the year ended December 31, 2020 was only approximately 5.0%, such ratification measures are not expected to materially adversely affect our results of operations.

With respect to our provision of Relevant Non-Genomic LDT, although we believe, and as advised by our PRC Legal Advisor, that the risks and likelihood of being penalized for using unregistered testing kits in the provision of Relevant Non-Genomic LDT by the National Medical Products Administration ("NMPA") and its provisional counterparts is relatively low, we will take necessary measures to ensure compliance with current laws and regulations for the provision of Relevant Non-Genomic LDTs before the **[REDACTED]** to reduce compliance risks. For detailed discussion on our compliance with LDT regulation in China, please refer to "Business – Laboratory Developed Test".

With respect to those testing services implemented and carried out by non-LDT procedure, they fall under routine testing services and other regular esoteric testing services without application of unregistered testing kits, and in consideration of the fact that each of our labs complied with applicable regulations on medical test lab and has procured medical practice license, we believe that it is in compliance with applicable laws and regulations in material aspects in terms of those testing services implemented and carried out by non-LDT procedure.

**Clinical Testing Services**

We provide clinical testing services to hospitals and their patients primarily in six major specialty areas in esoteric testing, including hematology, genetic diseases and rare diseases, infectious diseases, oncology, neurology and maternity-related diseases. In addition to esoteric tests in these six major specialty areas, we also provide COVID-19-related testing services and routine tests that are traditionally and routinely offered in many medical institutions. See "Business – Clinical Testing Services".

***Hematology Testing***

We offered over 2,300 testing items for the diagnosis and treatment of a wide array of hematology diseases as of the Latest Practicable Date, including benign and malignant hematological disorders and key sub-sectors, such as leukemia, proliferative bone marrow disorders, multiple myeloma, lymphoma, and coagulopathy. We were the largest hematology esoteric testing service provider in China in 2020 in terms of revenue, accounting for 42.3% of the market share, and generated revenue of RMB406.7 million, RMB482.8 million and RMB469.3 million in 2018, 2019 and 2020, respectively.

The table below sets forth the number of testing items we provided for hematology by major disease types as of the Latest Practicable Date:

| Disease type | Number of testing items | Number of self-developed testing items | Percentage of self-developed testing items |
|---|---|---|---|
| MM | 86 | 71 | 83% |
| ALL | 154 | 146 | 95% |
| AML | 227 | 214 | 94% |
| Lymphoma | 145 | 118 | 81% |
| MDS+MPN | 218 | 191 | 88% |
| Coagulopathy | 82 | 38 | 46% |
| Others* | 1,473 | 556 | 38% |
| **Total**** | **2,339** | **1,289** | **55%** |

* Others include testing that are widely adopted across a range of diseases, such as karyotype analysis, immunophenotyping, bone marrow biopsy and immunohistochemistry.

** Certain of the testing items in hematology could be used for the diagnosis of multiple diseases

***Genetic Diseases and Rare Diseases***

We offered around 400 testing items for a wide array of applications in genetic diseases and rare diseases testing as of the Latest Practicable Date. Our testing services have enabled the diagnosis and treatment of various genetic diseases, such as hepatolenticular degeneration, cholestasis and hereditary hemochromatosis. We generated revenue of RMB32.5 million, RMB41.6 million and RMB36.2 million in 2018, 2019 and 2020, respectively.

The table below sets forth the number of testing items we provided for genetic diseases and rare diseases by major disease types as of the Latest Practicable Date:

| Disease type | Number of testing items | Number of self-developed testing items | Percentage of self-developed testing items |
|---|---|---|---|
| Epilepsy | 89 | 12 | 13% |
| Endocrine and Metabolic Disorders | 164 | 45 | 27% |
| Neuromuscular Disorders | 46 | 20 | 43% |
| Others | 93 | 38 | 41% |
| **Total** | **392** | **115** | **29%** |

***Infectious Diseases***

We offered over 200 testing items for a wide array of applications in infectious diseases as of the Latest Practicable Date. Our testing services have enabled the diagnosis and treatment of over 40 infectious diseases, including key sub-sectors, such as tuberculosis, fungal infection and other infectious diseases. We were the fourth largest infectious disease esoteric testing service provider in China in 2019 in terms of revenue, accounting for 6.2% of the market share. We generated revenue of RMB53.7 million, RMB64.4 million and RMB50.4 million in 2018, 2019 and 2020, respectively.

The table below sets forth the number of testing items we provided for infectious diseases by major disease types as of the Latest Practicable Date:

| Disease type | Number of testing items | Number of self-developed testing items | Percentage of self-developed testing items |
|---|---|---|---|
| Tuberculosis | 11 | 2 | 18% |
| Fungal infection | 15 | 0 | 0% |
| Liver disease | 59 | 25 | 42% |
| Others | 141 | 28 | 20% |
| **Total** | **226** | **55** | **24%** |

***Oncology***

We offered over 400 testing items for a wide array of applications in oncology as of the Latest Practicable Date. Our testing services have enabled the diagnosis and treatment of over 30 oncology indications, primarily including lung cancer, breast cancer, colorectal cancer, prostate cancer, ovarian cancer, glioma and thyroid cancer. We generated revenue of RMB7.2 million, RMB6.8 million and RMB7.6 million from oncology testing in 2018, 2019 and 2020, respectively.

The table below sets forth the number of testing items we provided for oncology by major disease types as of the Latest Practicable Date:

| Disease type | Number of testing items | Number of self-developed testing items | Percentage of self-developed testing items |
|---|---|---|---|
| Lung cancer | 44 | 10 | 23% |
| Colorectal cancer | 24 | 2 | 8% |
| Giloma | 10 | 4 | 40% |
| Breast cancer | 26 | 11 | 42% |
| Others | 358 | 88 | 25% |
| **Total** | **462** | **115** | **25%** |

***Neurology***

We offered over 100 testing items for a wide array of applications in neurology as of the Latest Practicable Date. We were the second largest neurology specialty esoteric testing service provider in China in 2019 in terms of revenue, accounting for 40.9% of the market share, and generated revenue of RMB60.2 million, RMB81.2 million and RMB76.0 million from neurology testing in 2018, 2019 and 2020, respectively.

The table below sets forth the number of testing items we provided for neurology by major disease types as of the Latest Practicable Date:

| Disease type | Number of testing items | Number of self-developed testing items | Percentage of self-developed testing items |
|---|---|---|---|
| Nervous system infections | 6 | 1 | 17% |
| Neuroimmune disorders | 92 | 34 | 37% |
| Neurogenetics disorders | 4 | 0 | 0% |
| Drug-related tests | 1 | 0 | 0% |
| Others | 3 | 3 | 100% |
| **Total** | **106** | **38** | **36%** |

***Maternity-Related Testing***

We offered 218 maternity-related testing items as of the Latest Practicable Date. We conducted 333.4 thousand, 353.8 thousand and 268.0 thousand maternity-related esoteric tests in 2018, 2019 and 2020, respectively. We generated RMB62.2 million, RMB64.1 million and RMB52.1 million revenues from maternity-related testing in 2018, 2019 and 2020, respectively.

The table below sets forth the number of testing items we provided for neurology by major disease types as of the Latest Practicable Date:

| Disease type | Number of testing items | Number of self-developed testing items | Percentage of self-developed testing items |
|---|---|---|---|
| Gynecological infections | 34 | 10 | 29% |
| Gynecologic oncology | 38 | 3 | 8% |
| Paternity/maternity testing | 12 | 0 | 0% |
| Reproductive-related testing | 96 | 31 | 32% |
| Newborn screening | 4 | 3 | 75% |
| Prenatal testing | 34 | 5 | 15% |
| **Total** | **218** | **52** | **24%** |

***COVID-19-Related Testing***

With COVID-19 remaining a threat to the world, we have turned our COVID-19-related testing services into a regular line of service and continue to offer testing services to those who are in need. The turnaround time for our COVID-19 testing is around half a day, starting from the time when the samples are delivered to our labs. As of the Latest Practicable Date, we had finished nearly 2.2 million COVID-19-related tests. For 2020, we generated revenue of RMB117.9 million from COVID-19 related testing.

***Routine Testing***

We provide routine testing service in biochemistry, immunology, blood and microbiology, such as examining liver and kidney function, blood lipids and blood sugar, various hormones, tumor markers, bacterial/fungal culture identification and drug sensitivity test. We offered more than 1,700 testing items in routine testing as of the Latest Practicable Date. We conducted in total 1,116.6 thousand, 1,337.2 thousand and 983.4 thousand routine tests in 2018, 2019 and 2020, respectively, and generated revenues of RMB78.9 million, RMB82.4 million and RMB67.5 million in the respective periods.

**Our Testing Services for R&D Projects and Others**

We work with CROs and pharmaceutical companies to provide clinical testing support for their scientific research and clinical trials as well as with other clients in serving their testing needs such as forensics. The samples taken from human bodies, such as bone marrow, blood, urine, cerebrospinal fluid and tissues are sent to our laboratories and then we use (i) commercial in-vitro diagnostics, and/or (ii) tests designed, manufactured and developed in-house to conduct analysis and generate research data for our clients. We deliver an analysis report upon completion of services, which may be customized depending on the need of our clients. In addition to offering testing service, we provide consultation and evaluation services and specimen storage service. See "Business – Our Testing Services for R&D Projects and Others".

**OUR COMPETITIVE STRENGTHS**

We believe the following strengths differentiate us from our competitors:

- Leading independent esoteric clinical testing service provider in China

- Scalable business model with a proven track record
- Comprehensive portfolio of esoteric tests delivered through industry leading technology platforms by a highly experienced team
- Continuous value-accretive innovation driven by strong proprietary R&D and business development capability
- Integrated nationwide sales and logistics network
- Experienced and visionary management team with strong shareholder support

## OUR STRATEGIES

We plan to execute the following strategies to fulfill our mission:

- Strengthen our leading position in hematology esoteric clinical testing in China
- Replicate our success in hematology esoteric testing to expedite growth in other specialty areas
- Deepen our strategic collaboration with leading industry participants
- Migrate across the industry value chain to enhance business competitiveness
- Expand our testing footprints to global scale

## OUR TECHNOLOGY

Through the combinatory use of different technologies, we provide comprehensive testing services and solutions to our customers. Our technology platforms include molecular testing, flow cytometry, molecular cytogenetics, mass spectrometry, clinical chemistry and immunology under clinical pathology as well as technologies under anatomic pathology such as bone marrow biopsy. See "Business – Our Technology – Testing Technologies Platforms".

### *Molecular Testing*

Most molecular techniques rely on the analysis of DNA and/or RNA, as well as the structure and function of genes at the molecular level. As of the Latest Practicable Date, we offered 754 testing items based on our molecular testing platform, through testing techniques primarily including PCR, Sanger sequencing, NGS, genechip and Luminex.

### *Flow Cytometry*

Flow cytometry is a technique utilized to measure the characteristics of cell populations, including the relative size, granularity or internal complexity and fluorescence intensity, which provide insight as to the abnormal and/or malignant cell populations. As of the Latest Practicable Date, we offered 40 testing items based on our flow cytometry platform, through implementing various testing methods, primarily including immunophenotyping, flow cytometry detection of MRD, lymphocyte subset testing and HLA-B27 analysis.

### *Molecular cytogenetics*

Molecular cytogenetics involves analyzing the chromosome structure to identify changes from patterns seen in normal chromosomes. As of the Latest Practicable Date, we offered 65 testing items based on our molecular cytogenetics platform, through testing methods such as karyotype analysis, FISH, magnetic beads sorting technology, chromosomal aberration and micronucleus detection technologies.

***Mass Spectrometry***

Mass spectrometry is an analytical technique that measures the mass-to-charge ratio of ions. The results are typically presented as a mass spectrum, a plot of intensity as a function of the mass-to-charge ratio. As of the Latest Practicable Date, we offered 14 testing items based on our mass spectrometry platform, through testing methods, including LC-MS, GC-MS and SELDI-TOF-MS.

***Clinical Chemistry and Immunology***

Clinical chemistry uses biochemical reactions to perform testing, while clinical immunology uses antibody reaction to perform testing. As of the Latest Practicable Date, our clinical chemistry testing service offered 129 testing items. As of the same date, our clinical immunology testing service offered 376 testing items.

***Anatomic Pathology***

Anatomic pathology involves the study and diagnosis of disease through the examination of surgically removed organs, tissues (biopsy samples) and bodily fluids. As of the Latest Practicable Date, we offered 13 testing items based on our anatomic pathology platform.

**RESEARCH AND DEVELOPMENT**

We have internally developed over 1,100 testing items since our inception and over 289 testing items during the Track Record Period. We conduct our research and development activities primarily through our in-house R&D team. See "Business – Research and Development".

Our R&D team is led by Dr. Li Xiaoqing, who has over 15 years of experience in molecular biology and hematology and Ph.D. in internal medicine. Our R&D team consists of medical and scientific experts in hematology, genetics, oncology and other specially areas. As of the Latest Practicable Date, we had a R&D team of 253 members, with 34 of them holding master degrees and four holding Ph.D. degrees. Our R&D personnel have on average over five years of experience in hematology disease, hereditary disease, oncology and other diseases.

In addition, we also cooperate with medical and academic institutions to develop new testing services. See "Business – Research and Development – Collaboration with Third parties".

**SALES AND MARKETING**

To effectively increase the market shares of our service offerings, we have designed specific sales and distribution models catering each of our services. We currently serve over 3,000 hospitals in China in 31 provinces and municipalities, and in over 600 cities and counties. During the Track Record Period, we supported CROs, pharmaceutical companies and biotechnology companies on 26 clinical trials, providing medical research, clinical trial services and translational medicine study services.

## OUR CUSTOMERS

We have an extensive customer base, including hospitals, CROs, pharmaceutical companies and others. For the years ended December 31, 2018, 2019 and 2020, 99.7%, 99.3% and 99.1% of our revenues were generated by providing testing services to hospitals and their patients. As of December 31, 2020, our five largest customers had maintained a working relationship with us for over 10 years on average. For the years ended December 31, 2018, 2019 and 2020, our five largest customers together generated RMB41.8 million, RMB54.2 million and RMB56.9 million of revenue, respectively, accounting for approximately 6.0%, 6.5%, and 6.4% of our total revenue, respectively.

## OUR SUPPLIERS

We have maintained stable and long-term relationships with our major suppliers and procure a wide variety of raw materials, mainly consumables and equipment, used for our testing services. We consider several factors in the evaluation and selection of suppliers, including but not limited to the supplier's background, reputation, and industry experience, and most importantly the quality and price of their supplies. For the years ended December 31, 2018 and 2019 and 2020, our five largest suppliers accounted for RMB56.1 million, RMB73.8 million, and RMB91.4 million, representing 20.0%, 21.4% and 23.8% of the total purchases made from our suppliers, respectively.

## INTELLECTUAL PROPERTY

We develop and use a number of proprietary methodologies, analytics, systems, technologies, trade secrets, know-how and other intellectual property during the conduct of our business. As of the Latest Practicable Date, we had a variety of registered trademarks, trademark applications registered patents, patent applications and software copyrights in mainland China to protect our intellectual properties. See "Statutory and General Information – 2. Further Information about Our Business – B. Our Intellectual Property Rights" in Appendix IV to this Document for further details of our material intellectual property rights. We also maintain various licenses to use the intellectual property of third parties.

## EMPLOYEES

As of the Latest Practicable Date, we had 2,727 employees in total, including 2,131 full-time employees and they were located in 30 different provinces, autonomous regions and municipalities, and most of them were located in Hubei and Sichuan Provinces, Beijing and Shanghai. We believe that we maintain a good working relationship with our employees, and we have not experienced any significant labor disputes or any difficulty in recruiting staff for our operations during the Track Record Period. See "Business – Employees".

We are headquartered in Wuhan, Hubei Province, and are maintaining and operating 7 Proprietary Labs across China, including one laboratory in Wuhan, one laboratory in Beijing, one laboratory in Shanghai, two laboratories in Chengdu, one laboratory in Urumqi and one laboratory in Tianjin. Each of our Proprietary Labs has obtained Practice License of Medical Institution, and other than Chengdu Shengyuan and Tianjin Kindstar, all other Proprietary Labs have also obtained PCR Laboratory Certification and Biological Safety Level 2 Laboratory Certificate. Each of Wuhan Kindstar, Beijing Hightrust and Shanghai SimpleGene has been accredited with IS015189. For more details, see "Business – Testing Facilities" in this Document.

The table below sets forth location of each of our Proprietary Labs as of the Latest Practical Date:

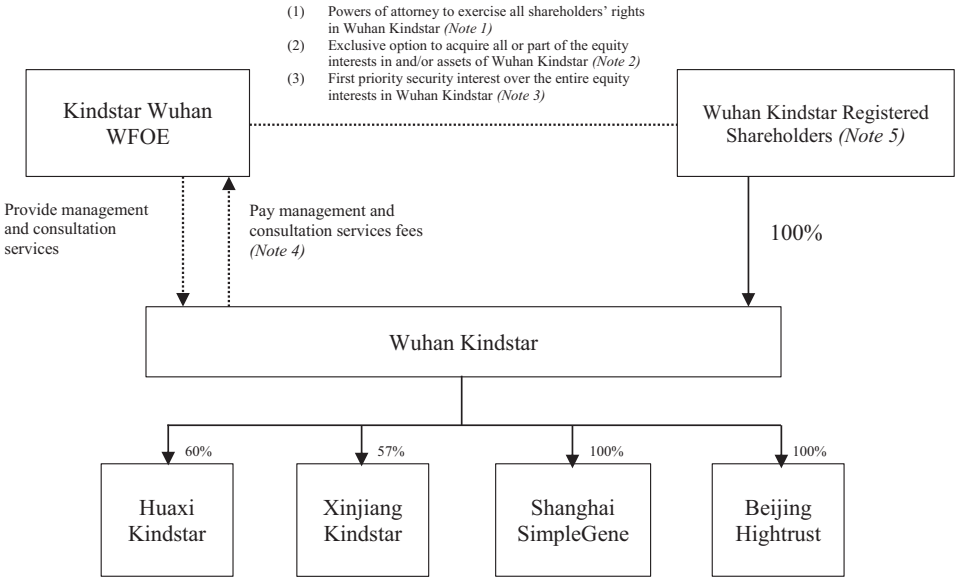
| Laboratory | Location |
|---|---|
| Wuhan Kindstar | Wuhan |
| Beijing Hightrust | Beijing |
| Shanghai SimpleGene | Shanghai |
| Huaxi Kindstar | Chengdu |
| Chengdu Shengyuan | Chengdu |
| Xinjiang Kindstar | Urumqi |
| Tianjin Kindstar | Tianjin |

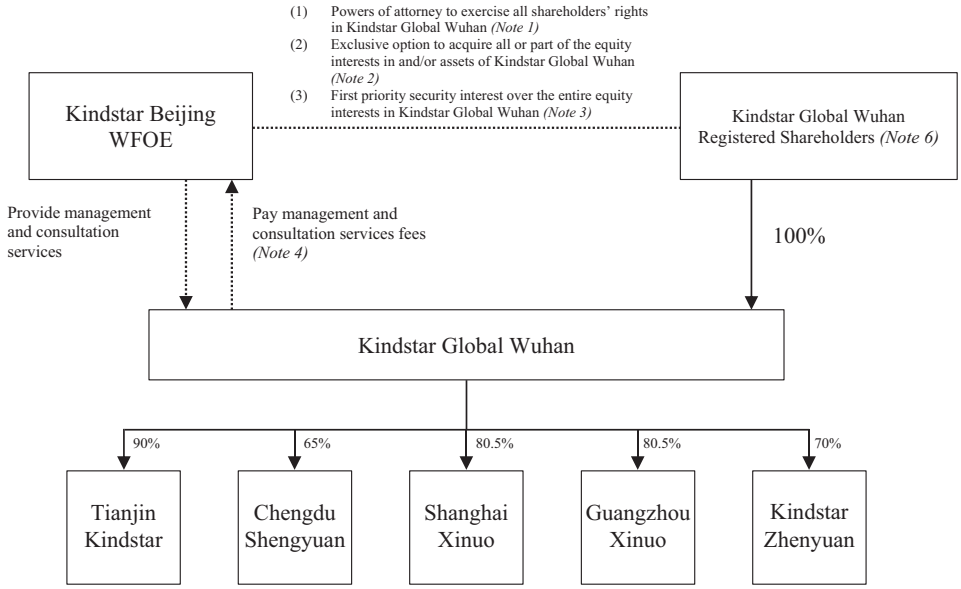
## OUR SUBSTANTIAL SHAREHOLDERS

Immediately following the completion of the **[REDACTED]** and the Share Subdivision (assuming the **[REDACTED]** is not exercised and no additional Shares are issued pursuant to the **[REDACTED]** Stock Incentive Plans and no Shares are issued pursuant to the **[REDACTED]** Share Schemes), substantial shareholders of our Company include (i) Ms. Guo, the spouse of Dr. Huang, one of our Executive Directors, Chief Executive Officer and Chairman, holding approximately **[REDACTED]**% of the total voting rights of our Company, (ii) Mr. Huang Zuie-Chin, holding approximately **[REDACTED]**% of the total voting rights of our Company, and (iii) HCA Investments, holding approximately **[REDACTED]**% of the total voting rights of our Company. See "Substantial Shareholders" in this Document for more information.

## CONTRACTUAL ARRANGEMENTS

The following simplified diagrams illustrate the flow of economic benefits from the PRC Consolidated Entities to our Group stipulated under the Contractual Arrangements:






*Notes:*

See "Contractual Arrangements" for details on our contractual arrangements.

## [REDACTED] INVESTMENTS

Since the incorporation of our Company, we have received several rounds of **[REDACTED]** Investments, with the final round completed in 2020. Our broad and diverse base of **[REDACTED]** Investors consists of private equity funds and corporations focusing on the biotech and/or healthcare industry. For further details of the identity and background of the **[REDACTED]** Investors, see the section headed "History, Development and Corporate Structure – **[REDACTED]** Investments – Information about the **[REDACTED]** Investors" in this Document. For further details, see "History, Development and Corporate Structure – **[REDACTED]** Investments."

## SUMMARY OF FINANCIAL INFORMATION

The following tables summarize our consolidated financial results during the Track Record Period and should be read in conjunction with the section headed "Financial Information" of this Document and the accountants' report set out in Appendix I to this Document, together with the respective accompanying notes.

## Summary of Consolidated Statements of Profit or Loss

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | **2018** | **%** | **2019** | **%** | **2020** | **%** |
| | *(RMB in thousands, except for percentage)* | | | | | |
| Revenue | 706,202 | 100.0 | 832,791 | 100.0 | 891,391 | 100.0 |
| Cost of sales | (327,806) | (46.4) | (380,577) | (45.7) | (430,410) | (48.3) |
| Gross profit | 378,396 | 53.6 | 452,214 | 54.3 | 460,981 | 51.7 |
| Other income and gains | 13,829 | 2.0 | 16,870 | 2.0 | 39,598 | 4.4 |
| Selling and marketing expenses | (249,528) | (35.3) | (274,599) | (33.0) | (248,521) | (27.9) |
| Administrative expenses | (41,890) | (5.9) | (48,734) | (5.9) | (52,320) | (5.9) |
| Research and development costs | (73,583) | (10.4) | (79,023) | (9.5) | (75,282) | (8.4) |
| Other expenses | (9,248) | (1.3) | (8,889) | (1.1) | (22,382) | (2.5) |
| **[REDACTED]** expenses | **[REDACTED]** | **[REDACTED]** | **[REDACTED]** | **[REDACTED]** | **[REDACTED]** | **[REDACTED]** |
| Finance costs | (4,189) | (0.6) | (3,536) | (0.4) | (2,327) | (0.3) |
| Profit before fair value loss on financial liabilities at fair value through profit or loss ("FVTPL") and tax | 13,787 | 2.0 | 54,303 | 6.5 | 84,243 | 9.5 |
| Fair value loss on financial liabilities at FVTPL | (73,202) | (10.4) | (222,908) | (26.8) | (1,046,595) | (117.4) |
| Loss before tax | (59,415) | (8.4) | (168,605) | (20.2) | (962,352) | (108.0) |
| Income tax credit/ (expense) | 5,066 | 0.7 | (977) | (0.1) | (7,768) | (0.9) |
| **Loss for the year** | **(54,349)** | **(7.7)** | **(169,582)** | **(20.4)** | **(970,120)** | **(108.8)** |
| Attributable to: | | | | | | |
| Owners of the parent | (52,674) | | (169,788) | | (974,020) | |
| Non-controlling interests | (1,675) | | 206 | | 3,900 | |
| **Non-IFRS Measure:** | | | | | | |
| Adjusted net income | 18,853 | 2.7 | 53,326 | 6.4 | 91,979 | 10.3 |

We organize our businesses into nine segments, including hematology testing, genetic disease and rare disease testing, infectious disease testing, oncology testing, neurology testing, maternity-related testing, COVID-19-related testing, routine testing and others. Others mainly include services we provide for contract research organizations. We recorded revenue of RMB706.2 million, RMB832.8 million and RMB891.4 million for the years ended December 31, 2018 and 2019 and 2020, respectively. The table below sets forth our segment revenue by operating segment for the years presented.

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | | 2019 | | 2020 | |
| | *RMB* | *%* | *RMB* | *%* | *RMB* | *%* |
| | *(in thousands, except for percentages)* | | | | | |
| **Revenue** | | | | | | |
| Hematology testing | 406,692 | 57.6 | 482,833 | 58.0 | 469,329 | 52.7 |
| Genetic disease and rare disease testing | 32,492 | 4.6 | 41,610 | 5.0 | 36,177 | 4.1 |
| Infectious disease testing | 53,708 | 7.6 | 64,422 | 7.7 | 50,441 | 5.7 |
| Oncology testing | 7,204 | 1.0 | 6,786 | 0.8 | 7,597 | 0.9 |
| Neurology testing | 60,217 | 8.5 | 81,196 | 9.7 | 76,042 | 8.5 |
| Maternity-related testing | 62,204 | 8.8 | 64,122 | 7.7 | 52,119 | 5.8 |
| COVID-19-related testing | – | – | – | – | 117,851 | 13.2 |
| Routine testing | 78,925 | 11.2 | 82,438 | 9.9 | 67,540 | 7.6 |
| Others | 4,760 | 0.7 | 9,384 | 1.1 | 14,295 | 1.6 |
| **Total** | **706,202** | **100.0** | **832,791** | **100.0** | **891,391** | **100.0** |

The table below sets forth the number of tests we performed by type of testing services for the years presented.

| | For the year ended December 31, | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| | **Testing Volume (in thousands)** | **Testing Volume (in thousands)** | **Testing Volume (in thousands)** |
| Hematology testing | 688 | 870 | 736 |
| Neurology testing | 88 | 68 | 90 |
| Maternity testing | 333 | 354 | 268 |
| Genetic disease and rare disease testing | 109 | 148 | 126 |
| Infectious disease testing | 317 | 293 | 234 |
| Oncology testing | 8 | 10 | 12 |
| COVID-19-related testing | – | – | 1,861 |
| Routine testing | 1,117 | 1,337 | 983 |
| **Total** | **2,660** | **3,080** | **4,309** |

**Non-IFRS Measure: Adjusted Net Income**

To supplement our consolidated results which are prepared and presented in accordance with IFRS, we also use adjusted net income as additional financial measure, which is not required by, or presented in accordance with IFRS. We believe that this non-IFRS measure facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance such as certain non-cash items. We added back fair value loss on financial liabilities at FVTPL, which was caused by an increase in the fair value of our convertible redeemable preferred shares and convertible bonds issued by us. The convertible bonds have been converted into convertible redeemable preferred shares in 2020, which will be automatically converted into Shares upon **[REDACTED]**, after which we do not expect to recognize any further loss on fair value changes from the convertible redeemable preferred shares. We also added back **[REDACTED]** expenses as these are also non-recurring in nature and are not directly related to our operating activities. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under IFRS. In addition, this non-IFRS financial measure may be defined differently from similar terms used by other companies. The following tables set forth the reconciliations of our non-IFRS financial measure for the years ended December 31, 2018, 2019 and 2020 to the nearest measure prepared in accordance with IFRS:

| | For the year ended December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *(RMB in thousands)* | | |
| Loss for the year | (54,349) | (169,582) | (970,120) |
| Add: | | | |
| Fair value loss on financial liabilities at FVTPL | 73,202 | 222,908 | 1,046,595 |
| **[REDACTED]** expenses | **[REDACTED]** | **[REDACTED]** | **[REDACTED]** |
| **Adjusted net income** | **18,853** | **53,326** | **91,979** |

Substantially all of our losses resulted from cost of sales, selling and marketing expenses, administrative expenses, research and development expenses and fair value loss on financial liabilities at FVTPL. For a detailed discussion of fair value loss on financial liabilities at FVTPL and of the historical changes in certain other key items in our consolidated statements of profit or loss, see the section headed "Financial Information – Discussion of Results of Operations" of this Document.

We organize our businesses into nine segments, including hematology testing, genetic disease and rare disease testing, infectious disease testing, oncology testing, neurology testing, maternity-related testing, COVID-19-related testing, routine testing and others. Others mainly include services we provide for contract research organizations. We recorded revenue of RMB706.2 million, RMB832.8 million and RMB891.4 million for the years ended December 31, 2018 and 2019 and 2020, respectively. For detail discussion of our revenue and segment results by segment, see "Financial Information – Description of key Statement of Profit or Loss Items – Revenue" and "Financial Information – Description of key Statement of Profit or Loss Items – Gross Profit, Gross Profit Margin and Segment Results".

**Summary of Consolidated Statements of Financial Position**

| | As of December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *(RMB in thousands)* | | |
| Total non-current assets | 262,859 | 218,296 | 221,724 |
| Total current assets | 313,678 | 446,127 | 1,355,235 |
| **Total assets** | **576,537** | **664,423** | **1,576,959** |
| Total current liabilities | 1,153,861 | 1,434,900 | 530,661 |
| **Net current (liabilities)/assets** | **(840,183)** | **(988,773)** | **824,574** |
| **Total assets less current liabilities** | **(577,324)** | **(770,477)** | **1,046,298** |
| Total non-current liabilities | 40,600 | 28,944 | 2,880,713 |
| **Total liabilities** | **1,194,461** | **1,463,844** | **3,411,374** |
| **Net liabilities** | **(617,924)** | **(799,421)** | **(1,834,415)** |
| Share capital | 178 | 178 | 242 |
| Reserves | (622,280) | (804,303) | (1,844,044) |
| Non-controlling interests | 4,178 | 4,704 | 9,387 |
| **Total deficit** | **(617,924)** | **(799,421)** | **(1,834,415)** |

We recorded net liabilities of RMB617.9 million, RMB799.4 million and RMB1,834.4 million respectively, as of December 31, 2018, 2019 and 2020. The continued increase in our net liabilities throughout the Track Record Period was primarily due to the issuance of convertible redeemable preferred shares and an increase in the financial liabilities at FVTPL, as a result of an increase in the fair value of our convertible redeemable preferred shares and convertible bonds. We also recorded net current liabilities of RMB840.2 million and RMB988.8 million and net current asset of RMB824.6 million as of December 31, 2018, 2019 and 2020. The increase in our net current liabilities position from 2018 to 2019 was primarily due to an increase in our valuation which resulted an increase in financial liabilities at FVTPL. Our net current liabilities position as of December 31, 2019 turned into a net current asset position as of December 31, 2020 primarily due to the reclassification of our financial liabilities at FVTPL from being current liabilities to non-current liabilities because of redemption rights change as part of the Series D financing in 2020. For more information, please see Note 32 and Note 33 of the accountants' report set out in Appendix I to this Document. All of the convertible bonds we issued have been converted into convertible redeemable preferred shares in 2020. Upon the completion of the **[REDACTED]**, all of our convertible redeemable preferred shares will be automatically converted into ordinary shares and the carrying amount of the financial liabilities at that time will be transferred to equity, which will result in the change from a net liability position to a net asset position on our statement of financial position. For a detailed discussion of the historical changes in certain key items in our consolidated statements of financial position, see the section headed "Financial Information – Discussion of Selected Items from the Consolidated Statements of Financial Position" of this Document.

**Summary Data from Consolidated Statements of Cash Flows**

| | Year ended December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *(RMB in thousands)* | | |
| Net cash generated from operating activities | 53,895 | 99,448 | 73,462 |
| Net cash used in investing activities | (73,708) | (47,547) | (121,960) |
| Net cash (used in)/generated from financing activities | (3,081) | (18,902) | 851,925 |
| Net (decrease)/increase in cash and cash equivalents | (22,894) | 32,999 | 803,427 |
| Cash and cash equivalents at the beginning of the year | 49,288 | 26,620 | 59,510 |
| Effect of foreign exchange rate changes, net | 226 | (109) | (21,710) |
| **Cash and cash equivalents at the end of the year** | **26,620** | **59,510** | **841,227** |

For a detailed discussion of the historical changes in certain key items in our consolidated statements of cash flows, see the section headed "Financial Information – Liquidity and Capital Resources" of this Document.

## KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates and for the years/periods indicated.

| | As of or for the Year ended December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| Gross margin[1] | 53.6% | 54.3% | 51.7% |
| Current Ratio[2] | 0.3 | 0.3 | 2.6 |

*Notes:*

(1) Gross margin equals gross profit divided by revenue for the year.

(2) Current ratio equals current assets divided by current liabilities as of the end of the year.

## SUMMARY OF MATERIAL RISK FACTORS

Our business and the **[REDACTED]** involve certain risks, which are set out in the section headed "Risk Factors." You should read that section in its entirety carefully before you decide to **[REDACTED]** in our Shares. Some of the major risks we face are relating to: (i) failure to gain or maintain significant commercial market acceptance for our independent esoteric testing services, or any future services may adversely affect our business and results of operations; (ii) we conduct our business in a heavily regulated industry. We may be adversely affected by the uncertainties and changes in PRC regulations with respect to esoteric testing service industry, and any lack of requisite approvals, permits, registrations, or filings in relation to our business may have a material adverse effect on our business, results of operations and

prospects; (iii) if our proprietary clinical laboratories fail to comply with applicable licensing requirements, or become damaged or inoperable, our ability to perform tests may be jeopardized; (iv) failure in service quality control may adversely affect our operating result, reputation and business; (v) if we are not able to obtain, or experience delays in obtaining, required regulatory approvals, we might not be able to commercialize new services promptly, or at all, and our ability to generate revenue will be materially impaired; (vi) we may be unable to expand our business lines to innovate testing service offerings, or develop and commercialize our new hematological esoteric testing services on a timely basis, or at all, which may harm our growth opportunities and prospects; (vii) our revenue generated from COVID-19-related testing service may not be sustainable; (viii) if we fail to keep up with industry and technology developments or implement technology conversion into clinical fields in a timely and cost-effective manner, we may be unable to compete effectively and our business and prospects could suffer; (ix) if we cannot maintain or further develop our collaborations with hospitals and physicians, our results of operations and prospects could be adversely affected.

## RECENT DEVELOPMENT

### Impact of the COVID-19 Outbreak

In December 2019, a respiratory illness known as COVID-19 caused by a novel strain of coronavirus emerged and has spread globally since then. COVID-19 outbreak disrupted the normal life and daily routine of the global population and in amidst of this global pandemic, the performance of and access to many of our testing services were disrupted. Due to social distancing, lock-down, temporary shut-down and other disruptions, the COVID-19 outbreak had significantly impacted the esoteric testing industry because of the restricted access to medical institutions, including hospitals which we generate the vast majority of our revenues from. Therefore, our revenue and profitability have been negatively affected by the COVID-19 outbreak in 2020. For example, in January 2020, we suspended our operation in Hubei Province because of a complete city lock-down imposed to contain the COVID-19 outbreak, and we did not start the transition into normal operating schedules until April 2020. Our operation in locations outside of Hubei Province were also impacted during the same period and started to normalize as hospitals and our other clients began to normalize their operation in April 2020. During such period, our clients experienced difficulties in collecting testing samples, significantly reduced patient visits and other disruptions to their normal operations. We had also experienced difficulties in securing adequate supplies for raw materials at the beginning of the COVID-19 outbreak where there was a lack of supply, price increase and logistics disruptions. As a result, our revenue from hematology, genetic disease and rare disease, infectious disease, neurology, maternity-related and routine testing services was RMB469.3 million, RMB36.2 million, RMB50.4 million, RMB76.0 million, RMB52.1 million and RMB67.5 million for the year ended December 31, 2020, representing a year-over-year decrease of 2.8%, 13.1%, 21.7%, 6.3%, 18.7%, and 18.1% compared to the year ended December 31, 2019. Excluding the revenue and profit from COVID-19 testing services, total revenues decreased 7.1% from RMB832.8 million in 2019 to RMB773.5 million in 2020, and our total loss increased 472.1% from RMB169.6 million in 2019 to RMB970.1 million in 2020. Such decreases were offset by the COVID-19 testing services we started providing in response to the pandemic and sale of COVID-19 test reagents. Our revenue generated from COVID-19-related testing service was RMB117.9 million and the revenues generated from sales of COVID-19 test reagents amounted to RMB11.9 million in 2020, respectively. In the four months ended April 30, 2021, our revenue and gross profit experienced an increase compared to the four months ended April 30, 2020, as our business operations in Hubei and elsewhere in China resumed regular operations.

In view of our cash inflow from operating activities for each of the three years ended December 31, 2020, net current assets and net liabilities as at December 31, 2020, and based on our cash flow projections and taking into account the available financial resources, including cash and cash equivalents on hand, as well as the fact that the convertible redeemable preferred shares will be automatically converted into our Shares upon the **[REDACTED]**, the Directors are of the view that we have sufficient working capital to meet our present and future requirements for the next 12 months from the date of this Document without considering the amount of the net **[REDACTED]** from the **[REDACTED]**. Assuming we will not generate any revenue from providing clinical testing services in 2021 and beyond compared with year 2020 while the amount of fixed cost and expenses such as direct labor and rental expenses for 2021 and beyond maintains the same as in 2020, and taken into account prudent estimates of settlement of trade and bills receivables on hand based on our historical settlement pattern and settlement of trade payables on hand when they are due for payment, we estimate that our cash and cash equivalents as of December 31, 2020 will be able to sustain our financial viability for about 21 months or, if we take into account 10% of the estimated net **[REDACTED]** from the **[REDACTED]** (namely, the portion allocated for our working capital and other general corporate purposes), 25 months. We will continue to monitor our cash flows from operations closely, and expect we will not need to raise a new round of financing for at least the next 12 months even if without considering the **[REDACTED]** to be received from the **[REDACTED]**.

For more details about the impact of the COVID-19 outbreak on our business and financial performance, please see "Business – Impact of the COVID-19 Outbreak."

**No Material Adverse Change**

Save as otherwise disclosed above, our Directors confirm that, as of the date of this Document, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects of our Group since December 31, 2020, the end of the period reported on in the Accountants' Report set out in Appendix I to this Document.

**Our Performance Subsequent to the Track Record Period**

As our business has gradually recovered from the impact from the COVID-19 outbreak, we have experienced significant business activity rebound in the first fourth months ended April 30, 2021 compared with 2020. For the first four months ended April 30, 2021, our unaudited revenue increased by approximately 28.9% to RMB291.3 million from RMB226.0 million for the same period in 2020, our unaudited gross profit increased by approximately 38.0% to RMB156.0 million from RMB113.1 million for the same period in 2020, and our gross profit margin increased by 3.6% to 53.6% compared to that for the same period in 2020. Our unaudited trade and bills receivables increased by approximately 3.1% from RMB310.4 million as of December 31, 2020 to RMB320.1 million as of April 30, 2021. The unaudited revenue and gross profit for the four months ended April 30, 2021 and the unaudited trade and bills receivables as of April 30, 2021 disclosed above are extracted from our unaudited condensed consolidated interim financial statements for the four months ended April 30, 2021, which have been reviewed by our reporting accountants in accordance with Hong Kong Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Hong Kong Institute of Certified Public Accountants. Our net loss is expected to increase in 2021, primarily due to expected increases in (i) the fair value loss on financial liabilities at fair value through profit or loss; (ii)

administrative expenses driven by the **[REDACTED]**; (iii) marketing expenses associated with increased academic-driven marketing activities such as various academic conferences, seminars and symposia, and (iv) research and development costs.

## APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

We are applying for **[REDACTED]** and satisfy the market capitalization/revenue test under Rule 8.05(3) of the Listing Rules such that (i) our revenue for the year ended December 31, 2020 exceeded HK$500 million; and (ii) our expected market capitalization at the time of **[REDACTED]**, which, based on the low-end of the indicative **[REDACTED]**, exceeds HK$4 billion.

We have applied to the Listing Committee for the **[REDACTED]** of, and permission to deal in, the Shares in issue (including the Shares on conversion of Preference Shares and after the Share Subdivision) and to be issued pursuant to (i) the **[REDACTED]**; (ii) the **[REDACTED]**; and (iii) the **[REDACTED]** Stock Incentive Plans and the **[REDACTED]** Share Schemes.

Dealings in the Shares on the Stock Exchange are expected to commence on **[REDACTED]**. No part of our Shares or loan capital is **[REDACTED]** on or dealt in on any other stock exchange and no such **[REDACTED]** or permission to **[REDACTED]** is being or proposed to be sought. All **[REDACTED]** will be registered on the Hong Kong Share Register of our Company in order to enable them to be traded on the Stock Exchange.

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

## DIVIDENDS

Any declaration and payment of dividends will be subject to our constitutional documents and the Cayman Companies Act. The declaration and payment of any dividends in the future will be determined by our Board of Directors, in its discretion. As we are a holding company incorporated under the laws of the Cayman Islands, our Cayman Islands counsel advised that the payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries, and will depend on a number of factors, including our earnings, capital requirements, overall financial conditions, contractual and applicable legal restrictions and other factors. Our Cayman Islands counsel also advised that our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board, and under the Cayman Islands law a company may declare and pay a dividend out of either profits or reserves of our Company lawfully available for distribution including share premium provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. As advised by our Cayman counsel, assuming that forementioned applicable conditions are met, we are not prohibited from paying a dividend as a result only of our net liabilities position. We may, however, pay a dividend out of our share premium account unless the paying of such a dividend would result in our Company being unable to pay our debts as they fall due in the ordinary course of business. Our future declarations of dividends may or

may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board. There is no assurance that dividends of any amount will be declared to be distributed in any year.

We declared special dividends in November 2020 and December 2020 in the amount of US$15,000,000 and US$10,000,000, respectively. Through option surrender and netting off loans receivables, we have completed the settlement of such special dividends declared as of the Latest Practicable Date. For more information please see note 44 of Appendix I of this Document. Other than the aforementioned special dividend, no dividend has been paid or declared by the Company and its subsidiaries during the years ended December 31, 2018, 2019 and 2020. We currently expect to retain all future earnings for use in the operation and expansion of our business and do not anticipate paying cash dividends in the foreseeable future.

**[REDACTED] EXPENSES**

**[REDACTED]** expenses mainly comprise legal and other professional fees paid and payable to the professional parties, **[REDACTED]** payable to the **[REDACTED]**, and printing and other expenses for their services rendered in relation to the **[REDACTED]** and the **[REDACTED]**. **[REDACTED]** expenses for the **[REDACTED]** are estimated to be approximately RMB**[REDACTED]** (including **[REDACTED]**, assuming an **[REDACTED]** of HK$**[REDACTED]** per Share, being the mid-point of the indicative **[REDACTED]** of HK$**[REDACTED]** to HK$**[REDACTED]** per Share), which represents approximately **[REDACTED]**% of the gross **[REDACTED]** we expect to receive from this **[REDACTED]** assuming no additional Shares are issued pursuant to the **[REDACTED]**. No such expenses were recognized and charged to our consolidated statements of profit or loss for the years ended December 31, 2018, 2019 and 2020, and RMB**[REDACTED]** was recognized and charged to our consolidated statements of profit or loss for the year ended December 31, 2020. After December 31, 2020, approximately RMB**[REDACTED]** is expected to be charged to our consolidated statements of profit or loss, and approximately RMB**[REDACTED]** is expected to be charged against equity upon the **[REDACTED]**. The **[REDACTED]** expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

## [REDACTED]

# [REDACTED]

## USE OF [REDACTED]

We estimate that we will receive net **[REDACTED]** of approximately HK$**[REDACTED]** after deducting the **[REDACTED]** fees and expenses payable by us in the **[REDACTED]**, assuming no **[REDACTED]** is exercised and assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, being the mid-point of the indicative **[REDACTED]** of HK$**[REDACTED]** to HK$**[REDACTED]** per **[REDACTED]** in this Document. If the **[REDACTED]** is set at HK$**[REDACTED]** per Share, being the high end of the indicative **[REDACTED]**, the net **[REDACTED]** from the **[REDACTED]** will increase by approximately HK$**[REDACTED]**. If the **[REDACTED]** is set at HK$**[REDACTED]** per Share, being the low end of the indicative **[REDACTED]**, the net **[REDACTED]** from the **[REDACTED]** will decrease by approximately HK$**[REDACTED]**.

We intend to use the net **[REDACTED]** we will receive from this **[REDACTED]** for the following purposes:

(i) Approximately **[REDACTED]**% or HK$**[REDACTED]** million will be allocated to the sales and marketing of our existing esoteric testing service lines to cover more hospitals, especially Class III hospitals, including (i) conducting marketing and promotional activities such as organizing and sponsoring domestic and international science and technology conferences as part of our academic-driven marketing approach; and (ii) the expansion of our sales and marketing team in China.

(ii) Approximately **[REDACTED]**% or HK$**[REDACTED]** will be allocated to research and development of our existing esoteric testing service lines to adopt innovative testing technologies and continuously expand our testing portfolio.

(iii) Approximately **[REDACTED]**% or HK$**[REDACTED]** will be allocated to the development and commercialization of new lines of esoteric testing services, such as gastroenterology, pulmonology, endocrinology, anesthesiology and rheumatology to further expand our service coverage.

(iv) Approximately **[REDACTED]**% or HK$**[REDACTED]**, will be allocated to fund our expansion across the industry value chain by acquiring attractive technology or testing-related companies that are complementary and synergistic to our existing businesses.

(v) Approximately **[REDACTED]**% or HK$**[REDACTED]** will be allocated to increase our testing capacity, including the expansion and upgrade of our testing facilities, testing equipment and instrument and recruitment of additional technician in testing and diagnosis.

(vi) Approximately **[REDACTED]**% or HK$**[REDACTED]** will be allocated to overseas expansion into markets outside of China, with the goal of serving unmet medical needs in developing countries in Southeast Asia and Middle East.

(vii) Approximately **[REDACTED]**% or HK$**[REDACTED]** is expected to be used for working capital and other general corporate purposes.

For further details, please see "Future Plans and Use of **[REDACTED]**".

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

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| "Articles of Association" or "Articles" | articles of association of our Company adopted on [●], 2021, as amended from time to time, a summary of which is set out in "Appendix III – Summary of the Constitution of our Company and Cayman Companies Act" to this Document |
| "associate(s)" | has the meaning ascribed to it under the Listing Rules |
| "Audit Committee" | the audit committee of the Board |
| "Baird Capital" | Baird Capital Partners Asia I Limited Partnership, Baird Capital Partners Asia I (Cayman) Limited Partnership and BCPA I Affiliates Fund Limited Partnership, our Series B Investors and Series C Investors |
| "Beijing Hightrust" | Beijing Hightrust Medical Laboratory Co., Ltd. (北京海思特醫學檢驗實驗室有限公司) (formerly known as Beijing Hightrust Clinical Laboratory Co., Ltd. (北京海思特臨床檢驗所有限公司)), a limited liability company established in the PRC on August 26, 2005 and one of our PRC Consolidated Entities |
| "Board" | the board of Directors |
| "BOCI Financial Products" | BOCI Financial Products Limited, a company incorporated in the BVI and one of the Series E Investors |
| "Business Day" | a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong |
| "BVI" | the British Virgin Islands |
| "CCASS" | the Central Clearing and Settlement System established and operated by HKSCC |
| "CCASS Clearing Participant" | a person admitted to participate in CCASS as a direct clearing participant or general clearing participant |
| "CCASS Custodian Participant" | a person admitted to participate in CCASS as a custodian participant |

## [REDACTED]

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| "CCASS Investor Participant" | a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation |
| "CCASS Participant" | a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant |
| "CFDA" | China Food and Drug Administration (國家食品藥品監督管理總局) of the PRC |
| "Chairman" | the chairman of our Board |
| "Changzhou Huasheng" | Changzhou Huasheng Health Investment Limited Liability Partnership (常州市華升健康投資合夥企業(有限合夥)), a limited partnership established in the PRC and one of the Series D Investors |
| "Changjiang Yuantong" | Changjiang Yuantong (Wuhan) NEEQ II Investment Fund Partnership (Limited Partnership) (長江源通(武漢)新三板貳號投資基金合夥企業(有限合夥)), a limited partnership established in the PRC and one of the **[REDACTED]** Investors |
| "Chengdu Shengyuan" | Chengdu Shengyuan Medical Laboratory Co., Ltd. (成都聖元醫學檢驗實驗室有限公司), a limited liability company established in the PRC on October 16, 2018 and one of our PRC Consolidated Entities |
| "Chief Executive Officer" | the chief executive officer of our Company |
| "Chief Financial Officer" | the chief financial officer of our Company |
| "Chief Medical Officer" | the chief medical officer of our Group |
| "Chief Operating Officer" | the chief operating officer of our Company |

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| "China," "mainland China," "PRC" or "State" | People's Republic of China, but for the purpose of this Document and for geographical reference only and except where the context requires otherwise, references in this Document to "China" and the "PRC" do not apply to Hong Kong, Macau Special Administrative Region and Taiwan |
| "China Healthcare" | China Healthcare Opportunities KS 1 Pte. Ltd., a limited liability company incorporated in Singapore and one of the Series E Investors |
| "CK Lab Tech" | CK Lab Tech Investment Limited, a company incorporated in the BVI and one of the Series E Investors |
| "close associate(s)" | has the meaning ascribed thereto under the Listing Rules |
| "Code" | the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules |
| "Companies Act" or "Cayman Companies Act" | the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time |
| "Companies Ordinance" | the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time |
| "Companies (Winding Up and Miscellaneous Provisions) Ordinance" | the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time |
| "Company", "our Company", or "the Company" | Kindstar Globalgene Technology, Inc. 康聖環球基因技術有限公司, an exempted company with limited liability incorporated under the laws of the Cayman Islands on August 24, 2007 |
| "connected person(s)" | has the meaning ascribed thereto under the Listing Rules |
| "connected transaction(s)" | has the meaning ascribed thereto under the Listing Rules |
| "Contractual Arrangements" | the series of contractual arrangements entered into between, among others, the WFOEs, the PRC Consolidated Entities and the Registered Shareholders, as detailed in the section headed "Contractual Arrangements" in this Document |
| "core connected person(s)" | has the meaning ascribed to it under the Listing Rules |
| "CSRC" | China Securities Regulatory Commission (中國證券監督管理委員會) |

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| "DBR Capital" | Deep Blue Ridge Capital L.P., an exempted limited partnership registered in the Cayman Islands and one of the Series E Investors |
| "Director(s)" | the directors of our Company, including all executive, non-executive and independent non-executive directors |
| "Dr. Huang" | Dr. Huang Shiang (黃士昂), one of our executive Directors, the Chairman, Chief Executive Officer, Chief Medical Officer, and one of the substantial shareholders of our Company |
| "Ever Prospect" | Ever Prospect Global Limited, a limited liability company incorporated in the BVI, the entire share capital of which is controlled by Mr. Tu, one of our executive Directors and Chief Operating Officer of our Company |
| "Extreme Conditions" | extreme conditions caused by a super typhoon as announced by the government of Hong Kong |
| "Frost & Sullivan" | Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party |
| "Frost & Sullivan Report" | an independent market research report commissioned by us and prepared by Frost & Sullivan for the purpose of this Document |
| "Giant Hero" | Giant Hero Ventures Limited (巨雄創投有限公司), a company incorporated in the BVI and one of the Series E Investors |
| | **[REDACTED]** |
| "Golden Talent – Hua Zhi" | Golden Talent Global Merit Selection Fund Series SPC – Hua Zhi Global Merit Selection Investment Fund SP (華智全球精選投資基金), a segregated portfolio company registered in the Cayman Islands and one of the Series E Investors |
| "Grantee(s)" | any employee or officer of our Company or any subsidiary including (without limitation) any executive or non-executive director in the employment of or holding office in our Company or any our subsidiary, who accepts the offer or grant of an Option in accordance with the terms of the **[REDACTED]** Option Scheme or (where the context so permits) a person or persons who is or becomes entitled to exercise any such Option under the terms of the **[REDACTED]** Option Scheme or by operation of law, either in consequences of the death or incapacity of the aforementioned individuals or otherwise |

**[REDACTED]**

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| "Group", "our Group, "our", "we" or "us" | our Company, its subsidiaries and PRC Consolidated Entities from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries and PRC Consolidated Entities, such subsidiaries and PRC Consolidated Entities as if they were subsidiaries and PRC Consolidated Entities of our Company at the relevant time |
| "Guangzhou Xinuo" | Guangzhou Xinuo Medical Laboratory Co., Ltd. (廣州希諾醫學檢驗實驗室有限公司), a limited liability company established in the PRC on October 10, 2019 and one of our PRC Consolidated Entities |

**[REDACTED]**

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| "HK$" or "Hong Kong Dollars" | Hong Kong dollars, the lawful currency of Hong Kong |
| "HKSCC" | Hong Kong Securities Clearing Company Limited, a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited |
| "HKSCC Nominees" | HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |

**[REDACTED]**

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| "Hong Kong Stock Exchange" or "Stock Exchange" | The Stock Exchange of Hong Kong Limited, a wholly owned subsidiary of Hong Kong Exchange and Clearing Limited |
| "Hong Kong Takeovers Code" or "Takeover Code" | the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time |

**[REDACTED]**

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| "Huaxi Kindstar" | Sichuan Huaxi Kindstar Medical Laboratory Co., Ltd. (四川華西康聖達醫學檢驗有限公司), a limited liability company established in the PRC on December 29, 2017 and one of our PRC Consolidated Entities |
| "Hubei NHC" | Health Commission of Hubei Province (湖北省衛生健康委員會) |
| "ICP License" | the internet content provider license for the provision of internet information services |
| "Independent Third Party(ies)" | person(s) or company(ies) who/which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is/are not our connected persons |

**[REDACTED]**

## [REDACTED]

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| "Jackson Hole" | Jackson Hole Trust Company, an independent and professional trustee acting as the trustee of each of the Gui-Rong Guo Trust and the Shiang Huang Family Trust |

## [REDACTED]

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| "Joint Sponsors" | Goldman Sachs (Asia) L.L.C., China International Capital Corporation Hong Kong Securities Limited and Credit Suisse (Hong Kong) Limited |
| "Kindstar Beijing WFOE" | Kindstar Global (Beijing) Technology, Inc. (康聖環球(北京)醫學技術有限公司) (formerly known as Kangxing Shengda (Beijing) Technology Co., Ltd. (康興聖達(北京)科技有限公司)), a limited liability company established in the PRC on November 20, 2007 and one of our Company's subsidiaries |
| "Kindstar Global Wuhan" | Kindstar Global (Wuhan) Medical Esoteric Technology Co., Ltd. (康聖環球(武漢)醫學特檢技術有限公司), a limited liability company established in the PRC on September 5, 2017 and one of our PRC Consolidated Entities |
| "Kindstar Global Wuhan Registered Shareholders" | the registered shareholders of Kindstar Global Wuhan, namely, Dr. Huang and Mr. Tu, holding approximately 99.01% and 0.99% of the equity interest in Kindstar Global Wuhan, respectively |
| "Kindstar HK" | Kindstar Globalgene (HK) Limited (康聖環球基因(香港)有限公司) (formerly known as Kindstar Diagnostic (HK) Limited (康達檢驗(香港)有限公司)), a limited liability company incorporated in Hong Kong on August 30, 2007 and one of our Company's subsidiaries |

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| "Kindstar Rui An" | Kindstar Rui An Medical Technology Company Limited (康聖瑞安醫學技術有限公司), a limited liability company incorporated in Hong Kong on June 28, 2019, the entire share capital of which is indirectly owned by Dr. Huang |
| "Kindstar Singapore Holdings" | Kindstar Singapore Holdings Pte. Ltd., a limited liability company incorporated in Singapore on September 11, 2019 and one of our Company's subsidiaries |
| "Kindstar Wuhan WFOE" | Kindstar Global Medical Technology (Wuhan) Co., Ltd. (康聖環球醫學科技(武漢)有限公司), a limited liability company established in the PRC on September 11, 2020 and one of our Company's subsidiaries |
| "Kindstar Zhenyuan" | Wuhan Kindstar Zhenyuan Medical Laboratory Co., Ltd. (武漢康聖真源醫學檢驗所有限公司), a limited liability company established in the PRC on February 3, 2021 and one of our PRC Consolidated Entities |
| "KPCB China Fund I" | KPCB China Founders Fund, L.P. and KPCB China Fund, L.P., each of which an exempted limited partnership registered in the Cayman Islands and the Series C Investors |
| "KPCB China Fund II" | KPCB China Fund II, L.P., an exempted limited partnership registered in the Cayman Islands and one of the Series C Investors |
| "Latest Practicable Date" | June 4, 2021, being the latest practicable date for the purpose of ascertaining certain information contained in this Document prior to its publication |
| | **[REDACTED]** |
| "Listing Committee" | the listing committee of the Hong Kong Stock Exchange |
| | **[REDACTED]** |
| "Listing Rules" | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time |
| "M&A Rules" | Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (《關於外國投資者併購境內企業的規定》), which were jointly promulgated by MOFCOM, the State-owned Assets Supervision and Administration Commission, the STA, the |

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| | SAIC, the CSRC, and the SAFE on August 8, 2006, and came into effect on September 8, 2006 and subsequently amended on June 22, 2009, as amended, supplemented or otherwise modified from time to time |
| "Main Board" | the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the GEM of the Stock Exchange |
| "MOFCOM" or "Ministry of Commerce" | the Ministry of Commerce of the PRC (中華人民共和國商務部) |
| "Mr. Tu" | Mr. Tu Zanbing (涂贊兵), one of our executive Directors and the Chief Operating Officer |
| "Ms. Guo" | Ms. Guo Gui-Rong, one of our substantial shareholders and the spouse of Dr. Huang |
| "NDRC" | the National Development and Reform Commission (中華人民共和國國家發展和改革委員會) |
| "NHC" | the National Health Commission of the PRC (中華人民共和國國家衛生健康委員會) |
| "Ningbo Ruifu" | Ningbo Meishan Bonded Port Zone Ruifu Bojian Investment Management Co., Ltd. (寧波梅山保税港區瑞伏博健投資管理有限公司), a limited liability company established in the PRC |
| "Ningbo Xinyue" | Ningbo Meishan Bonded Port Zone Xinyue Kangsheng Equity Investment Limited Liability Partnership (寧波梅山保税港區新岳康聖股權投資合夥企業(有限合夥)), a limited partnership established in the PRC and one of the Series D Investors |
| "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 |
| "Offer Date" | the date of the letter by which an Option is offered to an employee or officer of our Company or any subsidiary including (without limitation) any executive or non-executive director in the employment of or holding office in our Company or any our subsidiary |

## [REDACTED]

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| "Onshore Holdcos" | Wuhan Kindstar and Kindstar Global Wuhan collectively |
| "Option" | a right to subscribe for Shares granted pursuant to the terms of the **[REDACTED]** Option Scheme |
| "Option Period" | in respect of any particular Option, the period to be determined and notified by the Board to each Grantee during which the Grantee may exercise such Option. Such period may commence on any day after the date upon which the Option is accepted or deemed to be accepted in accordance with the **[REDACTED]** Option Scheme, and in any event shall end not later than the 10th anniversary of the relevant Offer Date, subject to the provisions for early termination contained in the **[REDACTED]** Option Scheme or the relevant document of grant or other notification issued by the Board |

## [REDACTED]

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| "Panacea" | Panacea Venture Healthcare Fund I, L.P, an exempted limited partnership registered in the Cayman Islands and one of the **[REDACTED]** Investors |
| "PBOC" | the People's Bank of China (中國人民銀行), the central bank of the PRC |
| "Perfect Tactic" | Perfect Tactic Group Limited, a limited liability company incorporated in the BVI, which is held as to 99.8% and 0.2% by Infinite Prosperity Holdings LLC, a wholly-owned subsidiary of Jackson Hole, and Kindstar Rui An, respectively |

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| "**[REDACTED]** Option Scheme" | the **[REDACTED]** share option scheme adopted by our Company on [●], 2021, the principal terms of which are set out in the section headed "Appendix IV – Statutory and General Information – F. **[REDACTED]** Option Scheme" in this Document |
| "**[REDACTED]** RSU Scheme" | the **[REDACTED]** restricted share unit scheme adopted by our Company on [●], 2021, the principal terms of which are set out in the section headed "Appendix IV – Statutory and General Information – E. **[REDACTED]** RSU Scheme" in this Document |
| "**[REDACTED]** Share Schemes" | the **[REDACTED]** RSU Scheme and the **[REDACTED]** Option Scheme |
| "PRC Consolidated Entity(ies)" | Beijing Hightrust, Chengdu Shengyuan, Guangzhou Xinuo, Huaxi Kindstar, Kindstar Global Wuhan, Kindstar Zhenyuan, Shanghai SimpleGene, Shanghai Xinuo, Tianjin Kindstar, Wuhan Kindstar and Xinjiang Kindstar, the financial results of which have been consolidated and accounted for as subsidiaries of our Company by virtue of the Contractual Arrangements |
| "PRC Legal Advisor" | Han Kun Law Offices |
| "Preference Shares" | collectively, Series A Preference Shares, Series B Preference Shares, Series B1 Preference Shares, Series C Preference Shares, Series D Preference Shares, Series D+ Preference Shares and Series E Preference Shares |
| "**[REDACTED]** Investment(s)" | the **[REDACTED]** investment(s) in our Group undertaken by the **[REDACTED]** Investors, details of which are set out in the section headed "History, Development and Corporate Structure – **[REDACTED]** Investments" in this Document |
| "**[REDACTED]** Investor(s)" | collectively, the Series A Investors, Series B Investors, Series B1 Investor, Series C Investors, Series D Investors, Series D+ Investor, Series E Investor, Changjiang Yuantong and Panacea |
| "**[REDACTED]** Shareholders' Agreement" | the sixth amended and restated shareholders' agreement dated October 27, 2020 as amended on December 4, 2020, entered into by, among others, our Company and holders of our Shares and Preference Shares |
| "**[REDACTED]** Stock Incentive Plans" | the **[REDACTED]** stock incentive plans adopted on March 14, 2013, December 20, 2015, December 1, 2016, respectively, the principal terms of which are set out in the section headed "Appendix IV – Statutory and General Information – D. **[REDACTED]** Stock Incentive Plans" in this Document |

## [REDACTED]

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| "QIB" | qualified institutional buyer within the meaning of Rule 144A |
| "Registered Shareholders" | direct shareholders of Wuhan Kindstar and Kindstar Global Wuhan who have entered into the Contractual Arrangements, being Dr. Huang and Mr. Tu, respectively |
| "Regulation S" | Regulation S under the U.S. Securities Act |
| "Renminbi" or "RMB" | the lawful currency of the PRC |
| "Remuneration Committee" | the remuneration committee of our Board |
| "Right Goodness" | Right Goodness Limited (榮正有限公司), a company incorporated in the BVI and one of the Series E Investors |
| "Rongheng" | Rongheng Global Gene Technology (Beijing) Co., Ltd. (融恒環球基因技術(北京)有限公司), a limited liability company established in the PRC and deregistered on January 22, 2019 |
| "Rule 144A" | Rule 144A under the U.S. Securities Act |
| "SAFE" | the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局) |
| "SAIC" | the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局) |
| "SAMR" | the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局), formerly known as the SAIC |
| "STA" | State Taxation Administration of the PRC (中華人民共和國國家稅務總局) |

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| "Series A Investor" or "HCA Investments" | HCA Health Investments Inc., a limited liability company incorporated in the BVI, further details of which are set out in "History, Development and Corporate Structure – **[REDACTED]** Investments – Information about the **[REDACTED]** Investors" in this Document |
| "Series A Preference Share(s)" | the series A preference share(s) of our Company |
| "Series B Investor(s)" | singly or collectively, Baird Capital, HCA Investments, Mayo Clinic and WI Harper, further details of which are set out in the section headed "History, Development and Corporate Structure – **[REDACTED]** Investments – Information about the **[REDACTED]** Investors" in this Document |
| "Series B Preference Share(s)" | the series B preference share(s) of our Company |
| "Series B1 Investor" or "Mayo Foundation" | Mayo Foundation for Medical Education and Research, further details of which are set out in the section headed "History, Development and Corporate Structure – **[REDACTED]** Investments – Information about the **[REDACTED]** Investors" in this Document |
| "Series B1 Preference Share(s)" | the series B1 preference share(s) of our Company |
| "Series C Investor(s)" | singly or collectively, Baird Capital, KPCB China Fund I, KPCB China Fund II, Mayo Clinic and WI Harper, further details of which are set out in the section headed "History, Development and Corporate Structure – **[REDACTED]** Investments – Information about the **[REDACTED]** Investors" in this Document |
| "Series C Preference Share(s)" | the series C preference share(s) of our Company |
| "Series D Investor(s)" | singly or collectively, Changzhou Huasheng, Ningbo Xinyue and Wuhan Ruifu, further details of which are set out in the section headed "History, Development and Corporate Structure – **[REDACTED]** Investments – Information about the **[REDACTED]** Investors" in this Document |
| "Series D Preference Share(s)" | the series D preference share(s) of our Company |
| "Series D+ Investor" or "Forebright" | Forebright Virtuous Profit Limited, a limited liability company incorporated in the BVI, further details of which are set out in the section headed "History, Development and Corporate Structure – **[REDACTED]** Investments – Information about the **[REDACTED]** Investors" in this Document |
| "Series D+ Preference Share(s)" | the series D+ preference share(s) of our Company |

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| "Series E Investor(s)" | singly or collectively, BOCI Financial Products, China Healthcare, CK Lab Tech, DBR Capital, Giant Hero, Golden Talent – Hua Zhi and Right Goodness, further details of which are set out in the section headed "History, Development and Corporate Structure – **[REDACTED]** Investments – Information about the **[REDACTED]** Investors" in this Document |
| "Series E Preference Share(s)" | the series E preference share(s) of our Company |
| "SFC" | the Securities and Futures Commission of Hong Kong |
| "SFO" | the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time |
| "Shanghai SimpleGene" | Shanghai SimpleGene Medical Laboratory Co., Ltd. (上海新培晶醫學檢驗所有限公司) (formerly known as Shanghai Meizhong Clinical Testing Center Co., Ltd. (上海美眾臨床檢驗中心有限公司) and Shanghai Meizhong Medical Laboratory Co., Ltd. (上海美眾醫學檢驗所有限公司)), a limited liability company established in the PRC on September 28, 2004 and one of our PRC Consolidated Entities |
| "Shanghai Xinuo" | Shanghai Xinuo Medical Laboratory Co., Ltd. (上海希諾醫學檢驗實驗室有限公司), a limited liability company established in the PRC on October 15, 2019 and one of our PRC Consolidated Entities |
| "Share Subdivision" | the share subdivision referred to in "Appendix IV – Statutory and General Information – A. Further Information about Our Company and Our Subsidiaries – 4. Written Resolutions Passed by Our Shareholders on [●], 2021" in this Document |
| "Share(s)" | ordinary shares in the share capital of our Company with a par value of US$[0.00025] each following the Share Subdivision |
| "Shareholder(s)" | holder(s) of our Share(s) |
| "Singapore" | the Republic of Singapore |

**[REDACTED]**

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| "State Council" | the State Council of the PRC (中華人民共和國國務院) |
| "Stock Exchange" or "Hong Kong Stock Exchange" | The Stock Exchange of Hong Kong Limited |

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| "subsidiary(ies)" | has the meaning ascribed to it in section 15 of the Companies Ordinance |
| "substantial shareholder(s)" | has the meaning ascribed to it under the Listing Rules |
| "Tianjin Kindstar" | Tianjin Kindstar Medical Laboratory Co., Ltd. (天津康聖達醫學檢驗實驗室有限公司) (formerly known as Ounuoan (Tianjin) Medical Technology Co., Ltd. (歐諾安(天津)醫學科技有限公司)), a limited liability company established in the PRC on October 27, 2017 and one of our PRC Consolidated Entities |
| "Track Record Period" | the financial years ended December 31, 2018, 2019 and 2020 |

**[REDACTED]**

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| "U.S." or "United States" | the United States of America, its territories, its possessions and all areas subject to its jurisdiction |
| "U.S. persons" | U.S. persons as defined in Regulation S |
| "U.S. Securities Act" | United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time |
| "US$" or "U.S. dollars" | United State dollars, the lawful currency for the time being of the United States |
| "VAT" | value-added tax; all amounts are exclusive of VAT in this Document except where indicated otherwise |
| "WFOEs" | Kindstar Beijing WFOE and Kindstar Wuhan WFOE collectively |
| "WI Harper" | WI Harper Fund VII LP, an exempted limited partnership registered in the Cayman Islands and one of the **[REDACTED]** Investors |
| "Wuhan Kindstar" | Wuhan Kindstar Medical Laboratory Co., Ltd. (武漢康聖達醫學檢驗所有限公司), a limited liability company established in the PRC on August 8, 2003 and one of our PRC Consolidated Entities |
| "Wuhan Kindstar Registered Shareholders" | the registered shareholders of Wuhan Kindstar, namely, Dr. Huang and Mr. Tu, holding approximately 96.29% and 3.71% of the equity interest in Wuhan Kindstar, respectively |

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| "Wuhan Ruifu" | Wuhan Ruifu Medical Health Equity Investment Limited Liability Partnership (武漢瑞伏醫療健康股權投資合夥企業(有限合夥)), a limited liability company established in the PRC and one of the Series D Investors |
| "Xinjiang Kindstar" | Xinjiang Kindstar Yijiali Medical Laboratory Co., Ltd. (新疆康聖達醫嘉利醫學檢驗所(有限公司)), a limited liability company established in the PRC on April 6, 2017 and one of our PRC Consolidated Entities |

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

# GLOSSARY OF TECHNICAL TERMS

***This glossary contains definitions of certain terms used in this Document in connection with our Company and our business.***

***These terms and their definitions may not correspond to any industry standard definitions, and may not be directly comparable to similarly titled terms adopted by other companies operating in the same industries as our Company.***

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| **"ABCB4"** | A gene on chromosome 7q21.1 that encodes a membrane-associated protein of the superfamily of ATP-binding cassette (ABC) transporters, MDR/TAP subfamily, which is involved in multi-drug resistance and antigen presentation |
| **"ABCB11"** | A gene on chromosome 2q24 that encodes an ATP-binding cassette (ABC) transporter superfamily of integral membrane proteins, MDR/TAP subfamily, which is involved in multi-drug resistance and is major canalicular bile salt export pump |
| **"acylcarnitine"** | an acetylated form of L-carnitine, a chemical similar to an amino acid that is produced in the body |
| **"ADAMTS13"** | a disintegrin and metalloproteinase with a thrombospondin type 1 motif, member 13, a zinc-containing metalloprotease enzyme that cleaves von Willebrand factor (vWf), a large protein involved in blood clotting |
| **"AIDS"** | Acquired immunodeficiency syndrome, a chronic, potentially life-threatening condition caused by the human immunodeficiency virus |
| **"ALL"** | acute lymphoblastic leukemia, a cancer of the lymphoid line of blood cells characterized by the development of large numbers of immature lymphocytes |
| **"Alzheimer's disease"** | a progressive neurologic disorder that causes the brain to shrink (atrophy) and brain cells to die |
| **"AML"** | acute myeloid leukemia, a cancer of the myeloid line of blood cells, characterized by the rapid growth of abnormal cells that build up in the bone marrow and blood and interfere with normal blood cell production |
| **"anaplastic oligodendroglioma"** | a neuroepithelial tumor which is believed to originate from oligodendrocytes, a cell type of the glia |
| **"anatomic pathology"** | a medical specialty that is concerned with the diagnosis of disease based on the macroscopic, microscopic, biochemical, immunologic and molecular examination of organs and tissues |

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| **"anesthesiology"** | the medical specialty concerned with the total perioperative care of patients before, during and after surgery |
| **"ankylosing spondylitis"** | a type of arthritis in which there is a long-term inflammation of the joints of the spine |
| **"anticoagulant"** | a chemical substance that prevent or reduce coagulation of blood, prolonging the clotting time |
| **"antigen"** | a molecule or molecular structure, such as may be present on the outside of a pathogen, that can be bound by an antigen-specific antibody or B-cell antigen receptor |
| **"AQP4"** | aquaporin-4, a water channel protein encoded by the AQP4 gene in humans |
| **"atomic absorption"** | a special application in which ground-state atoms of metals absorb light at very specific wavelengths corresponding to the energy needed to cause electronic transitions in their electron orbitals |
| **"ATP8B1"** | a protein coding gene encodes a member of the P-type cation transport ATPase family, which belongs to the subfamily of aminophospholipid-transporting ATPases |
| **"autoimmune encephalitis"** | a type of brain inflammation where the body's immune system attacks healthy cells and tissues in the brain or spinal cord |
| **"B cell"** | a type of white blood cell of the lymphocyte subtype. It functions in the humoral immunity component of the adaptive immune system by secreting antibodies |
| **"BCR-ABL"** | a mutation that is formed by the combination of two genes, known as BCR and ABL |
| **"biopsy"** | a procedure to remove a piece of tissue or a sample of cells from the body so that it can be analyzed in a laboratory |
| **"bioinformatics"** | a subdiscipline of biology and computer science concerned with the acquisition, storage, analysis, and dissemination of biological data, most often DNA and amino acid sequences |
| **"B-NHL"** | B-cell non-Hodgkin lymphoma, a number of clinic pathologic subsets of lymphoid neoplasms having heterogeneous features |
| **"bone marrow biopsy"** | a medical test in which a doctor requests the collection and examination of a sample of bone marrow. This is done to check if the tissue is healthy and blood cell production is normal |

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| **"Bouin's solution"** | a compound fixative used in histology composed of picric acid, acetic acid and formaldehyde in an aqueous solution |
| **"BRAF"** | a human gene that encodes a protein called B-Raf |
| **"bronchopulmonary aspergillosis"** | a condition characterized by an exaggerated response of the immune system (a hypersensitivity response) to the fungus Aspergillus |
| **"CAGR"** | compound annual growth rate |
| **"capillary electrophoresis"** | an analytical technique that separates ions based on their electrophoretic mobility with the use of an applied voltage |
| **"carnitine"** | a quaternary ammonium compound involved in metabolism in most mammals, plants, and some bacteria |
| **"cccDNA"** | a special DNA structure that arises during the propagation of some viruses in the cell nucleus and may remain permanently there |
| **"cerebrospinal fluid"** | a clear, colorless body fluid found in the brain and spinal cord |
| **"chemiluminescence detection"** | a technique that allows for detection at ultra-high sensitivities |
| **"chemiluminescence immunoassay"** | an immunoassay technique where the label, i.e. the true "indicator" of the analytic reaction, is a luminescent molecule |
| **"chimerism"** | a single organism composed of cells with more than one distinct genotype |
| **"cholestasis"** | a condition where bile cannot flow from the liver to the duodenum |
| **"chronic disease"** | conditions that last 1 year or more and require ongoing medical attention or limit activities of daily living or both |
| **"chromosomal aberration"** | a change in the number of chromosomes or the entire set of chromosomes |
| **"chromosomal translocation"** | a phenomenon that results in unusual rearrangement of chromosomes |
| **"circulating tumor cell"** | a cell that has shed into the vasculature or lymphatics from a primary tumor and is carried around the body in the blood circulation |
| **"CMA"** | Chromosomal Microarray Analysis, a diagnostic test that can detect genetic imbalance in a fetus/ individual |

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| **"CML"** | chronic myelogenous leukemia, an uncommon type of cancer of the bone marrow — the spongy tissue inside bones where blood cells are made |
| **"CNV"** | copy number variations, a phenomenon in which sections of the genome are repeated and the number of repeats in the genome varies between individuals |
| **"coagulation"** | the process by which blood changes from a liquid to a gel, forming a blood clot |
| **"coagulopathy"** | a condition in which the blood's ability to clot is impaired |
| **"companion diagnostic"** | a medical device, often an in vitro device, which provides information that is essential for the safe and effective use of a corresponding drug or biological product |
| **"COVID-19"** | coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2 |
| **"ctDNA"** | circulating tumor DNA, tumor-derived fragmented DNA in the bloodstream that is not associated with cells |
| **"CRO"** | Contract Research Organization, a company focused on providing R&D services to companies in the pharmaceutical and agrochemical markets |
| **"cytokine"** | a large group of proteins, peptides or glycoproteins that are secreted by specific cells of immune system |
| **"cytology"** | a branch of pathology that studies and diagnoses diseases on the cellular level |
| **"cytotoxic T cell"** | a type of T cell that kills cancer cells, cells that are infected (particularly with viruses), or cells that are damaged in other ways |
| **"dd-PCR"** | Droplet Digital PCR, a method for performing digital PCR that is based on water-oil emulsion droplet technology |
| **"decalcification"** | the technique for removing mineral from bone or other calcified tissue so that good-quality paraffin sections can be prepared that will preserve all the essential microscopic elements |
| **"disseminated intravascular coagulation"** | a condition in which blood clots form throughout the body, blocking small blood vessels |
| **"DSA"** | digital subtraction angiography, a fluoroscopic technique used extensively in interventional radiology for visualizing blood vessels |

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| **"EB virus"** | Epstein–Barr virus, one of the nine known human herpesvirus types in the herpes family, and one of the most common viruses in humans |
| **"eclampsia"** | a severe complication of preeclampsia, which is a rare but serious condition where high blood pressure results in seizures during pregnancy |
| **"EGFR"** | epidermal growth factor receptor, a transmembrane protein that is activated by binding of its specific ligands, including epidermal growth factor and transforming growth factor $\alpha$ |
| **"electrophoresis"** | a laboratory technique used to separate DNA, RNA, or protein molecules based on their size and electrical charge |
| **"ELISA"** | enzyme-linked immunosorbent assay, an immunological assay commonly used to measure antibodies, antigens, proteins and glycoproteins in biological samples |
| **"endocrinology"** | a branch of biology and medicine dealing with the endocrine system, its diseases, and its specific secretions known as hormones |
| **"erythrocyte"** | a red blood cell, which (in humans) is typically a biconcave disk without a nucleus |
| **"erythrocyte membrane"** | a two-dimensional (2D) structure, comprised of a cytoskeleton and a lipid bilayer, tethered together |
| **"esoteric clinical tests"** | the special tests not listed in the Clinical Inspection Project List of Medical Institutions, Such as the testing on Mycobacterium tuberculosis and hepatitis viruses |
| **"eukaryotic cell"** | cells containing organized nucleus and organelles which are enveloped by membrane-bound organelles |
| **"FISH"** | Fluorescence in situ hybridization, a molecular cytogenetic technique that uses fluorescent probes that bind to only those parts of a nucleic acid sequence with a high degree of sequence complementarity |
| **"flow cytometry"** | a technique used to detect and measure physical and chemical characteristics of a population of cells or particles |
| **"fluorophore"** | a fluorescent chemical compound that can re-emit light upon light excitation |
| **"follicular lymphoma"** | a cancer that involves certain types of white blood cells known as lymphocytes |

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| **"gas chromatograph"** | an analytical technique used to separate the chemical components of a sample mixture and then detect them to determine their presence or absence and/or how much is present |
| **"gastroenterology"** | the branch of medicine focused on the digestive system and its disorders |
| "**G6PD"** | Glucose-6-Phosphate Dehydrogenase, an enzyme which protects the red blood cells and prevents them from being damaged |
| **"GC-MS"** | gas chromatography–mass spectrometry, an analytical method that combines the features of gas-chromatography and mass spectrometry to identify different substances within a test sample |
| **"genechip"** | a collection of microscopic DNA spots attached to a solid surface |
| **"gene sequencing"** | a method of determining the nucleic acid sequences in DNA |
| **"genotoxic carcinogen"** | a chemical capable of producing cancer by directly altering the genetic material of target cells |
| **"gilbert syndrome"** | a mild liver disorder in which the liver does not properly process bilirubin |
| **"glioma"** | a type of tumor that starts in the glial cells of the brain or the spine |
| **"globulin"** | a family of globular proteins that have higher molecular weights than albumins and are insoluble in pure water but dissolve in dilute salt solutions |
| **"HE"** | a generally useful staining method for tissues where nuclei are stained a deep blue-black with hematoxylin and cytoplasm is stained pink after counterstaining with eosin |
| **"helper T cell"** | a type of T cell that play an important role in the immune system, particularly in the adaptive immune system |
| **"hematologic malignancy"** | cancers that affect the blood, bone marrow, and lymph nodes |
| **"hematology"** | the science or study of blood, blood-forming organs and blood diseases |
| **"hemoglobin"** | a protein in red blood cells that carries oxygen to the body's organs and tissues and transports carbon dioxide from organs and tissues back to lungs |

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| **"hemoglobinopathy"** | a group of disorders in which there is abnormal production or structure of the hemoglobin molecule |
| **"hemophilia"** | a mostly inherited genetic disorder that impairs the body's ability to make blood clots, a process needed to stop bleeding |
| **"hemolytic anemia"** | a disorder in which red blood cells are destroyed faster than they can be made |
| **"hepatolenticular degeneration"** | a hereditary disease in which metabolic disorder of copper leads to its accumulation in the liver, brain, cornea and kidneys with consequent pathologic changes in those organs |
| **"hereditary hemochromatosis"** | a genetic disorder characterized by excessive intestinal absorption of dietary iron, resulting in a pathological increase in total body iron stores |
| **"FITC"** | fluorescein isothiocyanate, a derivative of fluorescein used in wide-ranging applications including flow cytometry |
| **"HBV"** | hepatitis B virus, a partially double-stranded DNA virus, a species of the genus Orthohepadnavirus and a member of the Hepadnaviridae family of viruses |
| **"HCV"** | hepatitis C virus, a small (55–65 nm in size), enveloped, positive-sense single-stranded RNA virus of the family Flaviviridae |
| **"hereditaryspherocytosis"** | an abnormality of red blood cells, or erythrocytes |
| **"HLA"** | human leukocyte antigen, a group of related proteins that are encoded by the major histocompatibility complex (MHC) gene complex in humans |
| **"HLA-B27"** | a blood test to look for a protein that is found on the surface of white blood cells |
| **"Hodgkin's lymphoma"** | a type of lymphoma in which cancer originates from a specific type of white blood cells called lymphocytes |
| **"homozygosity"** | the state of possessing two identical forms of a particular gene, one inherited from each parent |
| **"HPV"** | human papillomavirus, a DNA virus from the Papillomaviridae family |

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| **"idiopathic inflammatory myopathy"** | a group of disorders characterized by inflammation of the muscles used for movement (skeletal muscles) |
| **"immunodeficiency"** | a state in which the immune system's ability to fight infectious diseases and cancer is compromised or entirely absent |
| **"immune-fluorescence"** | a technique used for light microscopy with a fluorescence microscope and is used primarily on microbiological samples |
| **"IG"** | immunoglobulin, glycoprotein molecule produced by plasma cells (white blood cells) |
| **"IgM"** | Immunoglobulin M, one of several isotypes of antibody (also known as immunoglobulin) that are produced by vertebrates |
| **"IgG"** | Immunoglobulin G, the most common type of antibody found in blood circulation, representing approximately 75% of serum antibodies in humans |
| **"immunohistochemistry"** | a powerful microscopy-based technique for visualizing cellular components, for instance proteins or other macromolecules in tissue samples |
| **"immunology"** | the branch of biomedical sciences concerned with all aspects of the immune system in all multicellular organisms |
| **"immunophenotyping"** | a test used to identify cells on the basis of the types of markers or antigens present on the cell's surface, nucleus, or cytoplasm |
| **"immunotherapy"** | a form of cancer treatment that uses the power of the body's own immune system to prevent, control, and eliminate cancer |
| **"immunoturbidimetric detection"** | a tool in the broad diagnostic field of clinical chemistry used to determine serum proteins not detectable with classical clinical chemistry methods |
| **"infectious diseases"** | a medical specialty dealing with the diagnosis and treatment of complex infections |
| **"interphase"** | the portion of the cell cycle that is not accompanied by observable changes under the microscope |
| **"invasive fungal disease"** | a disease where fungi invade human tissues and blood and grow and multiply, leading to tissue damage, organ dysfunction and inflammatory reactions |

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| **"isoelectric focusing"** | a technique for separating different molecules by differences in their isoelectric point |
| **"IVD product"** | in vitro diagnosticthe products, the reagents, instruments, and systems intended for use in diagnosis of disease or other conditions, including a determination of the state of health, in order to cure, mitigate, treat, or prevent disease or its sequelae |
| **"jaundice"** | a condition in which the skin, whites of the eyes and mucous membranes turn yellow because of a high level of bilirubin, a yellow-orange bile pigment |
| **"kappa and lambda light chains"** | two types of immunoglobulin light chain in humans which is the small polypeptide subunit of an antibody |
| **"karyotype"** | an individual's collection of chromosomes |
| **"Klenow Fragment"** | a large protein fragment produced when DNA polymerase I from E. coli is enzymatically cleaved by the protease subtilisin |
| **"KRAS"** | a gene that provides instructions for making a protein called K-Ras, part of the RAS/MAPK pathway |
| **"LC-MS"** | Liquid Chromatography–Mass Spectrometry, an analytical chemistry technique that combines the physical separation capabilities of liquid chromatography with the mass analysis capabilities of mass spectrometry |
| **"LDT"** | laboratory developed test, a type of in vitro diagnostic test that is designed, manufactured and used within a single laboratory |
| **"leukemia"** | cancer of the body's blood-forming tissues, including the bone marrow and the lymphatic system |
| **"LIAP"** | leukemia-associated immunophenotypes, phenotype differentiation among subsets of leukemia-associated lymphocytes, using antibodies that select for identifying molecules on their cell membranes |
| **"liquid chromatography"** | a technique used to separate a sample into its individual parts. This separation occurs based on the interactions of the sample with the mobile and stationary phases |
| **"lymphocyte"** | a type of white blood cell in the vertebrate immune system |

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| **"lymphoma"** | a cancer of the lymphatic system, which is part of the body's germ-fighting network |
| **"Lynch syndrome"** | a type of inherited cancer syndrome associated with a genetic predisposition to different cancer types |
| **"mass spectrometry"** | an analytical technique that is used to measure the mass-to-charge ratio of ions. The results are typically presented as a mass spectrum, a plot of intensity as a function of the mass-to-charge ratio |
| **"mass-to-charge ratio"** | the mass-to-charge ratio of a cation is equal to the mass of the cation divided by its charge |
| **"MDS"** | myelodysplastic syndromes, a group of disorders caused by poorly formed blood cells or ones that don't work properly |
| **"metabolic acidosis"** | a serious electrolyte disorder characterized by an imbalance in the body's acid-base balance |
| **"metabolite"** | a substance made or used when the body breaks down food, drugs or chemicals, or its own tissue |
| **"metagenomics"** | the study of genetic material recovered directly from environmental samples |
| **"metaphase"** | a stage of mitosis in the eukaryotic cell cycle in which chromosomes are at their second-most condensed and coiled stage |
| **"methylmalonic academia"** | a group of inherited conditions in which the body can't breakdown certain parts of proteins and fats |
| **"microdeletion"** | a chromosomal deletion that is too small to be detected by light microscopy using conventional cytogenetic methods |
| **"microduplication"** | a chromosomal change in which a small amount of genetic material on chromosome is abnormally copied |
| **"micronucleus"** | the name given to the small nucleus that forms whenever a chromosome or a fragment of a chromosome is not incorporated into one of the daughter nuclei during cell division |
| **"MM"** | multiple myeloma, a cancer that forms in a type of white blood cell called a plasma cell |
| **"MM CD138 cell"** | a B-cell with CD138 expression which is a heparin sulphate proteoglycan that controls tumor cell survival, growth, adhesion and bone cell differentiation in multiple myeloma |

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| **"mNGS"** | metagenomic next-generation sequencing, a shotgun sequencing approach in which all of the nucleic acid (DNA and RNA) in a clinical sample is sequenced at a very high depth, 10-20 million sequences per sample |
| **"molecular cytogenetics"** | the study of chromosomal structure, location and function in cells. It includes the study of chromosome number and appearance (karyotyping), the physical location of genes on chromosomes, and chromosomal behavior in processes such as cell division |
| **"morphology"** | a branch of biology dealing with the study of the form and structure of organisms and their specific structural features |
| **"MPN"** | chronic myelogenous leukemia, an uncommon type of cancer of the bone marrow — the spongy tissue inside bones where blood cells are made |
| **"M proteinemia"** | also known as monoclonal gammopathy, is the presence of excessive amounts of myeloma protein or monoclonal gamma globulin in the blood |
| **"MRD"** | minimal residual disease, the name given to small numbers of leukaemic cells (cancer cells from the bone marrow) that remain in the person during treatment, or after treatment when the patient is in remission (no symptoms or signs of disease) |
| **"M. tb"** | Mycobacterium tuberculosis, a species of pathogenic bacteria in the family Mycobacteriaceae and the causative agent of tuberculosis |
| **"multiple myeloma"** | a cancer that forms in a type of white blood cell called a plasma cell |
| **"myelitis"** | a rare neurological condition in which the spinal cord is inflamed |
| **"myeloproliferative neoplasm"** | a type of rare blood cancer in which excess red blood cells, white blood cells or platelets are produced in the bone marrow |
| **"natural killer cell"** | a type of cytotoxic lymphocyte critical to the innate immune system. The role of natural killer cells is analogous to that of cytotoxic T cells in the vertebrate adaptive immune response. |
| **"neurogenetics disorder"** | a genetic disorder that affects how the brain functions and in some cases how the brain is formed |
| **"neuroimmune disorder"** | a group of certain diseases involving dysfunction of both the immune system and the nervous system |
| **"neurology"** | a branch of medicine dealing with disorders of the nervous system |

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| **"neuromuscular junction"** | a chemical synapse between a motor neuron and a muscle fiber |
| **"N gene"** | a gene encoded nucleocapsid which is a structural protein that forms complexes with genomic RNA, interacts with the viral membrane protein during virion assembly and plays a critical role in enhancing the efficiency of virus transcription and assembly |
| **"NGS"** | next-generation sequencing, a technology for determining the sequence of DNA or RNA to study genetic variation associated with diseases or other biological phenomena |
| **"NMOSD"** | Neuromyelitis optica spectrum disorder, a rare, autoimmune disease of the central nervous system that primarily attacks the optic nerves and spinal cord leading to blindness and paralysis |
| **"NRAS"** | a gene that provides instructions for making a protein called N-Ras that is involved primarily in regulating cell division |
| **"nucleic acid testing"** | a technique used to detect a particular nucleic acid sequence and thus usually to detect and identify a particular species or subspecies of organism, often a virus or bacteria that acts as a pathogen in blood, tissue, urine, etc. |
| **"ORF1ab"** | a gene contains overlapping open reading frames that encode polyproteins PP1ab and PP1a |
| **"papillomavirus"** | an infection caused by HPV |
| **"paraneoplastic encephalitis"** | a multifocal inflammatory disorder of the central nervous system associated with remote neoplasia |
| **"paraneoplastic syndromes"** | a group of rare disorders that are triggered by an abnormal immune system response to a cancerous tumor known as a neoplasm |
| **"pathology"** | a branch of medical science primarily concerning the cause, origin and nature of disease. It involves the examination of tissues, organs, bodily fluids and autopsies in order to study and diagnose disease. |
| **"PCD"** | primary ciliary dyskinesia, a disorder characterized by chronic respiratory tract infections, abnormally positioned internal organs, and the inability to have children (infertility) |
| **"PCR"** | polymerase chain reaction, a method widely used to rapidly make millions to billions of copies of a specific DNA sample, allowing scientists to take a very small sample of DNA and amplify it to a large enough amount to study in detail |

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| **"PD-L1"** | programmed death-ligand 1, a protein that in humans is encoded by the CD274 gene |
| **"PFIC"** | progressive familial intrahepatic cholestasis, a disorder that causes progressive liver disease, which typically leads to liver failure |
| **"pH"** | potential of hydrogen, a scale used to specify the acidity or basicity of an aqueous solution |
| **"pleural fluid"** | a liquid that is located between the layers of the pleura, which is a two-layer membrane that covers the lungs and lines the chest cavity |
| **"polymorphism"** | the occurrence of two or more clearly different morphs or forms |
| **"PRA"** | panel-reactive antibody, a group of antibodies in a test serum that are reactive against any of several known specific antigens in a panel of test cells or purified HLA antigens from cells |
| **"Precision medicine"** | an emerging approach for disease treatment and prevention that takes into account individual variability in genes, environment, and lifestyle for each person |
| **"proteome"** | the entire set of proteins that is, or can be, expressed by a genome, cell, tissue, or organism at a certain time |
| **"pulmonary aspergillosis"** | a number of conditions caused by infection with a fungus of the Aspergillus species |
| **"pulmonology"** | a field of medicine that focuses specifically on diagnosing and treating disorders of the respiratory system |
| **"R&D"** | research and development |
| **"respiratory tract infection"** | infectious diseases involving the respiratory tract, the organs that are involved in breathing |
| **"rheumatology"** | a subspecialty of internal medicine that specializes in the diagnosis and treatment of diseases relating to joints and soft tissues, autoimmune disease, vasculitis, and hereditary connective tissue disease |
| **"Rifampin"** | a prescription medication used for treatment of both tuberculosis and the meningococcal carrier state |
| **"RQ-PCR"** | real-time quantitative PCR, a laboratory technique of molecular biology based on PCR |
| **"RT-PCR"** | reverse transcription PCR, a laboratory technique combining reverse transcription of RNA into DNA (in this context called complementary DNA or cDNA) and amplification of specific DNA targets using PCR |

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| **"Sanger sequencing"** | a method of DNA sequencing based on the selective incorporation of chain-terminating dideoxynucleotides by DNA polymerase during in vitro DNA replication |
| **"SARS-CoV-2"** | severe acute respiratory syndrome coronavirus 2, a positive-sense single-stranded RNA virus that is contagious in humans, which is the virus that causes COVID-19 |
| **"SELDI-TOF-MS"** | surface enhanced laser desorption/ionization time-of-flight mass spectrometry, a novel approach to biomarker discovery that combines two powerful techniques: chromatography and mass spectrometry |
| **"single fusion gene"** | a hybrid gene formed from two previously independent genes |
| **"small round cell tumor"** | any one of a group of malignant neoplasms that have a characteristic appearance under the microscope, i.e. consisting of small round cells that stain blue on routine H&E stained sections |
| **"solid tumor"** | an abnormal mass of tissue that usually does not contain cysts or liquid areas. Solid tumors may be benign (not cancer), or malignant (cancer). |
| **"steroid hormone"** | a group of biologically active compounds controlling human body functions related to the endocrine system and the immune system |
| **"SY pathogenic microorganism"** | a biological agent that can cause damage to its host during, or as a consequence of the host-microorganism interaction |
| **"systemic lupus erythematosus"** | an autoimmune disease in which the body's immune system mistakenly attacks healthy tissue in many parts of the body |
| **"T4 DNA polymerase"** | a DNA polymerase that catalyzes DNA synthesis in a 5' to 3' direction. A DNA polymerase is a member of a family of enzymes that catalyze the synthesis of DNA molecules from nucleoside triphosphates, the molecular precursors of DNA. |
| **"T4 PNK"** | T4 Polynucleotide Kinase, the transfer of the gamma-phosphate from ATP to the 5'-OH group of single- and double-stranded DNAs and RNAs, oligonucleotides, or nucleoside 3'-monophosphates (forward reaction) |
| **"TATAA"** | a DNA sequence that indicates where a genetic sequence can be read and decoded |
| **"T cell"** | a type of leukocyte (white blood cell) that is an essential part of the immune system |
| **"TCR"** | a protein complex found on the surface of T cells that is responsible for recognizing fragments of antigen as peptides bound to major histocompatibility complex (MHC) molecules |

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| **"temozolomide"** | an alkylating agent used as a treatment of some brain cancers; as a second-line treatment for astrocytoma and a first-line treatment for glioblastoma multiforme |
| **"thalassemia"** | inherited blood disorders characterized by decreased hemoglobin production |
| **"thrombophilia"** | a condition in which there's an imbalance in naturally occurring blood-clotting proteins, or clotting factors |
| **"TMB"** | tumor mutational burden, an implementable approach for molecular biology and/or pathology laboratories that provides a quantitative measure of the total number of mutations in tumor tissue of patients and can be assessed by whole genome, whole exome, or large targeted gene panel sequencing of biopsied material |
| **"tuberculosis"** | an infectious disease usually caused by Mycobacterium tuberculosis (MTB) bacteria, which generally affects the lungs |
| **"tumor marker"** | a biomarker found in blood, urine, or body tissues that can be elevated by the presence of one or more types of cancer |
| **"UGT1A"** | a uridine diphosphate glucuronosyltransferase, an enzyme of the glucuronidation pathway that transforms small lipophilic molecules, such as steroids, bilirubin, hormones, and drugs, into water-soluble, excretable metabolites |
| **"uniparental disomy"** | the situation in which two copies of a chromosome come from the same parent, instead of one copy coming from the mother, and one copy coming from the father |
| **"urinary organic acids"** | a medical diagnostic test that measures organic acid metabolites in the urine |
| **"urinary tract infection"** | an infection in any part of urinary system, including kidneys, bladder, ureters, and urethra |
| **"Ursodiol"** | a bile acid that decreases the amount of cholesterol produced by the liver and absorbed by the intestines |
| **"western blot"** | a widely used analytical technique in molecular biology and immunogenetics to detect specific proteins in a sample of tissue homogenate or extract |

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

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

- our operations and business prospects;
- our financial condition and operating results and performance;
- industry trends and competition;
- our product candidates under development or planning;
- our strategies, plans, objectives and goals and our ability to successfully implement these strategies, plans, objectives and goals;
- our ability to attract customers and build our brand image;
- general political and economic conditions;
- changes to regulatory and operating conditions in the industry and markets in which we operate; and
- the amount and nature of, and potential for, future development of our business.

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

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

***You should carefully consider all of the information in this Document, including the risks and uncertainties described below, before making an* [REDACTED] *in our* [REDACTED]. *These risks could materially and adversely affect our business, financial condition and results of operations. The trading price of our* [REDACTED] *could significantly decrease due to any of these risks, and you may lose all or part of your* [REDACTED]. *Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we deem immaterial, could also harm our business, financial condition and results of operations. You should seek professional advice from relevant advisers regarding your prospective* [REDACTED] *in the context of your particular circumstances.***

## RISKS RELATING TO OUR BUSINESS AND INDUSTRY

### Failure to gain or maintain significant commercial market acceptance for our independent esoteric testing services, or any future services may adversely affect our business and results of operations.

We are a market leader in the fast-growing independent esoteric clinical testing industry in China. According to Frost & Sullivan, we are the fifth largest independent esoteric clinical testing company by revenue in 2020, with approximately 4.1% market share of China's independent esoteric clinical testing industry. We performed over three million esoteric clinical tests in 2019. For the year ended December 31, 2018, 2019 and 2020, the revenues generated from our clinical testing services amounted to 99.7%, 99.3%, and 99.1% of our revenues for the same period. We expect our esoteric clinical testing services will continue to account for a significant portion of our revenue in the foreseeable future. As a result, our ability to execute our growth strategy and maintain the sales volumes, pricing levels or profit margins of these services will depend upon the continued and further adoption of our esoteric clinical testing services. Therefore, our business and results of operations may be adversely affected if our services fail to gain or maintain commercial market acceptance as expected.

Our ability to achieve and maintain commercial market acceptance of our existing and future services will depend on a number of factors, including:

- the utility and effectiveness of our esoteric clinical services;
- our ability to market our services;
- whether our services are considered superior to those of our competitors;
- our technology capacities to continuously develop innovative services;
- the success of our expansion into new markets and regions;
- the timing and scope of any regulatory approval for our esoteric clinical services;
- the prices we charge for our esoteric clinical testing services;
- our ability to maintain our laboratory certification, accreditation and regulatory approvals; and
- the impact of negative publicity regarding our or our competitors' tests and technologies resulting from defects or errors.

We cannot assure you that our existing or future services will continue to gain or maintain market acceptance, and any failure to do so would harm our business and results of operations.

**We conduct our business in a heavily regulated industry. We may be adversely affected by the uncertainties and changes in PRC regulations with respect to esoteric testing service industry, and any lack of requisite approvals, permits, registrations, or filings in relation to our business may have a material adverse effect on our business, results of operations and prospects.**

Our testing laboratories, technology platforms, R&D operations and marketing and distribution network are primarily in China. The esoteric testing service industry in China is subject to comprehensive and evolving government regulation and supervision, encompassing the approval, registration, licensing and marketing of new esoteric tests, including but not limited to the Administrative Measures on Clinical Laboratories of Medical Institutions (《醫療機構臨床實驗室管理辦法》), The Basic Standards and Practice of Medical Test Laboratory (for Trial Implementation) (《醫學檢驗實驗室基本標準和管理規範(試行)》), The Administration of Medical Institution Clinical Gene Amplification Test Laboratories (《醫療機構臨床基因擴增檢驗實驗室管理辦法》), and the Notice on Strengthening the Management of Products and Technologies Related to Clinical Use of Gene Sequencing (《關於加強臨床使用基因測序相關產品和技術管理的通知》). See "Regulations" for a discussion of regulatory requirements that are applicable to our current and planned business activities in China.

Any changes or amendments of our regulatory environment may result in increased compliance costs on our business or cause delays in or prevent the success of the development or commercialisation of our services in China and reduce the current benefits we believe are available to us from developing esoteric testing services in China. Additionally, PRC authorities may periodically, and sometimes unexpectedly, change their enforcement practices. Therefore, prior enforcement, or lack of enforcement, is not necessarily predictive for future actions. Any failure by us or our partners to maintain compliance with applicable laws and regulations or obtain and maintain required licenses and permits may result in the suspension or termination of our business activities in China. We believe our strategy and approach are aligned with the PRC government's policies, but we cannot ensure that our strategy and approach will continue to be aligned.

**If our proprietary clinical laboratories fail to comply with applicable licensing requirements, or become damaged or inoperable, our ability to perform tests may be jeopardized.**

Our proprietary clinical laboratories are subject to extensive regulations in China. To operate these testing laboratories, we need to obtain approvals and accreditation from the NHC or their respective local counterparts. As we intend to increase the number of clinical laboratories we operate, we will be required to obtain NHC approvals and accreditation for such additional laboratories, and there is no guarantee that we would obtain such approvals and accreditation in a timely manner, or at all, as the NHC approval and accreditation process is costly, lengthy and uncertain. If we fail to maintain or renew any major license, permit, certificate, approval or accreditations for all or any of our clinical laboratories, or if the testing professionals at our laboratories become unlicensed at any time during their practices, or if we or our laboratories are found to be non-compliant with any applicable PRC laws or regulations, we may face penalties, suspension of operations or even revocation of operating licenses, depending on the nature of the findings, any of which could materially and adversely affect our business, financial condition and results of operations.

In addition, if our laboratories or the research and development facilities or laboratory equipment become damaged or inoperable, we may not be able to replace our testing capacity quickly or inexpensively,

or at all. In the event of a temporary or protracted loss of the laboratories, facilities or equipment, we might not be able to rebuild any of them in a timely manner. Even if we could rebuild them, it would likely be expensive and time-consuming, particularly since the new laboratories would need to comply with the necessary regulatory requirements and we would need certain regulatory agency approval before their operation. Any damages or interruptions of our laboratory operations could result in our inability to satisfy the demand of our testing services and could materially harm our business, financial condition and results of operations.

**Failure in service quality control may adversely affect our operating result, reputation and business.**

Our service and testing processes are required to meet certain quality standards, including the standards imposed by relevant PRC laws and regulations as well as industry standards, including the Administrative Measures on Clinical Laboratories of Medical Institutions (《醫療機構臨床實驗室管理辦法》), the Interim Administrative Measures on Clinical Laboratories (《醫學檢驗實驗室管理暫行辦法》), as well as the ISO 15189 Quality Management Standard for three of our laboratories. We have established a quality control and assurance system and adopted standardized operating procedures in order to prevent quality issues with respect to our services and operation processes. For further details of our quality control and assurance system, see "Business – Quality Control." As the market leader, we also adopt the industry-leading standard in the performance of our testing services. For example, our laboratories located in Wuhan, Beijing and Shanghai are equipped with up-to-date high-quality testing equipment and devices, and have been accredited with ISO 15189 certification. Despite our quality control and assurance system and procedures, we cannot eliminate the risk of service failure. Quality defects may fail to be detected or remediated as a result of a number of factors, many of which are outside of our control, including:

- operating or manufacturing errors;
- technical or mechanical malfunctions in the operation or manufacture process;
- human error or malfeasance by our quality control personnel;
- tampering by third parties; and/or
- quality issues with the equipment, medical devices, reagents or raw materials we purchase or use.

Our success depends on the market confidence that we can provide reliable, high-quality esoteric testing services that will provide patients or physicians with valuable clinical or diagnostic information. However, there is no assurance that our testing services will perform as expected at all times. Our tests may fail to accurately, or even incompletely or incorrectly identify the relevant diseases, or contain other errors or mistakes due to a variety of reasons (such as malfunction of our laboratory equipment and degraded samples provided by our delivery service providers), which may result in negative perception of our tests. In addition, failure to detect quality defects in our services or to prevent such defective services from being delivered to our customers could result in injury or death, license revocation, regulatory fines, professional liabilities or other problems that could seriously harm our reputation and business, expose us to liability, and materially and adversely affect our revenue and profitability. For example, we could face medical liability claims if someone allege that our services identified inaccurate or incomplete information regarding their targeted testing item, or otherwise failed to perform as designed. A claimant could allege that our test results caused unnecessary treatment or other costs or resulted in the patient missing the best opportunity or timing for treatment. A patient could also allege other mental or physical injury or that our tests provided

inaccurate or misleading information concerning the diagnosis, prognosis or recurrence of, or available therapies for, his or her disease. We may also be subject to medical liability for errors in, a misunderstanding of or inappropriate reliance upon the diagnostic information our tests provided. The tense physician-patient relationship in China could also expose us to an increased risk of potential medical liability claims.

Insurance companies in China generally offer a limited selection of medical liability and professional liability insurance policies and it is often difficult to secure suitable medical liability and professional liability insurance coverage at reasonable rates in China. Any medical liability or professional liability claim brought against us, with or without merit, could increase our insurance rates or prevent us from securing insurance coverage. Additionally, any medical liability or professional liability lawsuit could damage our reputation, or cause our business partners to terminate existing agreements with us and seek other business partners, or cause us to lose our current or potential customers. Any of these developments could adversely impact our results of operations and business prospects.

**If we are not able to obtain, or experience delays in obtaining, required regulatory approvals, we might not be able to commercialize new services promptly, or at all, and our ability to generate revenue will be materially impaired.**

Our business is substantially dependent on our ability to complete the development of, obtain regulatory approval for and successfully commercialize new services in a timely manner. In particular, due to the relatively short history of the esoteric industry in China, a comprehensive regulatory framework governing the industry has not been established. However, we cannot be certain that our esoteric testing business would not be subject to additional regulatory approvals in future. We cannot commercialize some of our new services without obtaining additional regulatory approvals to market each services from relevant regulatory authorities. The time required to obtain approval from or complete registration with the relevant regulatory authorities is unpredictable and depends upon numerous factors, including the substantial discretion of the regulatory authorities. In addition, approval policies, regulations or the required information or documents necessary to gain approval may change from time to time in the future and may vary among jurisdictions. If we cannot obtain the regulatory approval for our new services, there will be a material adverse effect on our business, financial condition and results of operations.

**We may be adversely affected by the uncertainties and changes in the regulation of LDT in the PRC, and any lack of requisite approvals, permits, registrations or filings in relation to our LDT may have a material adverse effect on our business, results of operations and prospects.**

It is common in the specialty esoteric diagnostic testing industry that the clinical laboratories, including us, provide specialty esoteric diagnostic testing services in the form of LDTs with unregistered testing reagents. However, as there is a relatively short history of the LDT industry in China, a comprehensive regulatory framework governing the LDT industry has not been established. It is noted that NMPA has been paying more attention to LDTs in recent years given the prevalent use of LDTs in the market. In particular, pursuant to the Regulations on Supervision and Administration of Medical Devices (Revised in 2020 and became effective as of June 1, 2021) (《醫療器械監督管理條例》(2020年修訂並於2021年6月1日生效)) (the "Medical Devices Regulations") promulgated by the State Council, subject to detailed administrative rules to be enacted by the NMPA and the NHC, qualified medical institutions may, based on clinical needs, research and develop in vitro diagnostics testing kits with no same category of

products available on market in China, and may use such in vitro diagnostics testing kits internally pursuant to licensed physician's guidance. We cannot rule out the possibility that some common practices in the provision of LDTs which we also adopt might be viewed as not being in full compliance with the existing PRC laws and regulations.

As advised by our PRC Legal Advisor, there is no specific or industry-accepted definition for LDTs under the PRC laws and regulations, nor is there any standard for the use of LDTs within the PRC healthcare industry. In light of the regulatory uncertainty with respect to the use of unregistered testing reagents, we conducted numerous government consultations and as advised by our PRC Legal Advisor, we believe that our genomic LDT as well as non-genomic LDT services, if not provided solely based on unregistered testing reagents, are in material compliance with the existing PRC laws and regulations.

Notwithstanding the above, there is uncertainty in terms of use of unregistered testing reagents during provision of Non-genomic LDT, and potential penalty and consequence will depend on application and enforcement of applicable laws and regulations. If applicable laws and regulation over use of unregistered testing reagents during provision of Non-genomic LDT were enforced not in favor of us, our non-genomic LDT solely based on unregistered test reagents may not be in strict compliance with applicable PRC laws and regulations, and may be subject to administrative penalties. As advised by the PRC Legal Advisor, pursuant to the Medical Devices Regulations, use of unregistered medical device may be subject to a fine of not less than five times but not more than ten times the value (貨值) of unregistered medical device, and unregistered medical device may be confiscated by NMPA or its local counterpart. For the year ended December 31, 2020, aggregate procurement cost of unregistered testing reagents consumed in Relevant Non-Genomic LDT is approximately RMB6.4 million. For the Track Record Period, the maximum penalty would be a monetary penalty of a cumulative of RMB156.4 million plus confiscation of unregistered testing kits if the Relevant Non-Genomic LDT business would be deemed illegal. During the Track Record Period and as of the Latest Practical Date, we had not been penalized or investigated by any relevant government authorities for provision of LDT by us. For further information, please refer to "Business – Testing – Laboratory Developed Tests."

**We may be unable to expand our business lines to innovate testing service offerings, or develop and commercialize our new hematological esoteric testing services on a timely basis, or at all, which may harm our growth opportunities and prospects.**

We intend to continue to expand our business lines by innovating our testing service offerings. Over the past years, we have established systematic testing services in hematology, maternity-related diseases, neurology and other specialty testing markets. We have been actively exploring the specialty areas that present significant market potential and synergy with our hematology testing services. To expand our business lines and develop and market our new service offerings successfully and in a timely manner, we must effectively execute various strategies, such as:

- accurately assess and meet customer needs;
- make significant capital expenditures;
- optimize our service processes to predict and control costs;
- hire, train and retain the necessary personnel;
- obtain required regulatory clearances or approvals;

- increase customer awareness and acceptance of our services;
- provide services of a high quality and in a timely manner;
- price our services competitively;
- compete effectively with our competitors; and
- effectively integrate customer feedback into our business planning and improvement.

If we fail to effectively develop and commercialize new services, our future business, including our results of operations, financial condition, cash flows, growth opportunities and prospects, could be materially and adversely affected.

**Our revenue generated from COVID-19-related testing service may not be sustainable.**

An outbreak of a respiratory disease COVID-19 was first reported in December 2019 and continues to expand across the PRC and globally. In March 2020, the World Health Organization characterized the COVID-19 outbreak as a global pandemic. Significant rises in COVID-19 cases have been reported since then, causing governments around the world to implement unprecedented measures such as city lockdowns, travel restrictions, quarantines and business shutdowns. The COVID-19 outbreak is expected to have an unprecedented impact on the global economy as it has significantly reduced market liquidity and depressed economic activities.

In response to the COVID-19, we began to offer our COVID-19-related testing services in February 2020. With COVID-19 remaining a threat to the world population, we turned our COVID-19-related testing services into a regular line of service and continue to offer testing services for those who are in need. For the 12 months ended December 31, 2020, we generated a revenue of RMB117.9 million from COVID-19 related testing services and RMB11.9 million from sale of reagents relating to COVID-19, representing 13.2% and 1.3% of the total revenue in 2020, respectively. The circumstances that have accelerated the growth of our COVID-19-related testing service stemming from the effects of the COVID-19 pandemic may not continue in the future once the impact of the COVID-19 pandemic tapers. With the introduction of vaccines worldwide, there might be a decline in the growth rate of the revenue of our COVID-19-related testing service in future periods.

**If we fail to keep up with industry and technology developments or implement technology conversion into clinical fields in a timely and cost-effective manner, we may be unable to compete effectively and our business and prospects could suffer.**

We operate in a market that evolves constantly and we must keep pace with new technologies and methodologies to maintain our competitive position. It is critical for us to continue investing significant amounts of human and capital resources to develop or acquire new technologies in order to enhance the scope and quality of our services. In particular, China's esoteric clinical testing industry is characterized by rapid changes, including technological and scientific breakthroughs, increasing amounts of data, frequent introductions of new tests, and evolving industry standards. If we are not able to keep pace with these advances and increased customer expectations as a result of these advances and capture new market opportunities that develop as a result of these advances, our proprietary technologies could be rendered obsolete, our existing testing services and testing services we are developing could be rendered less clinically effective, and our future operations and prospects could suffer. To remain competitive, we must

expend significant amount of resources to continuously upgrade our existing testing services, and launch new services, and further optimize our technology platforms to keep pace with industry and technological advances. We cannot assure you that these efforts will be successful. We may never realize a return on investment on these efforts, especially if the improved or new services fail to perform as expected, in which case our business, financial condition and results of operations could be adversely affected.

We may also decide to continue expanding our business by entering into new markets and new geographic areas, and therefore may need to develop or adapt to new technologies and methodologies. We cannot assure you that we will be able to develop, enhance or adapt to new technologies and methodologies in a timely manner or at all. Any failure to do so could significantly reduce demand for our services and harm our business and prospects.

Furthermore, developing new technologies and methodologies successfully requires us to accurately assess and meet customers' needs, make significant capital expenditures, hire, train and retain qualified personnel, obtain required regulatory clearances or approvals, increase customer awareness and acceptance of our services, provide high-quality services in a timely manner, price our services competitively, integrate innovations into our existing system and effectively incorporate customer feedback into our business planning. Any failure to do so could significantly affect our ability to develop and market our new technologies and methodologies and therefore significantly reduce demand for our services and harm our business and prospects.

**If we cannot maintain or further develop our collaborations with hospitals and physicians, our results of operations and prospects could be adversely affected.**

We collaborate with hospitals and physicians across China in many aspects of our business, such as the sales and marking of our testing services and R&D projects. Our clients mostly consist of hospitals that use our services for diagnostic and treatment of their patients. Our success in part depends on our ability to maintain our relationships with our existing partnering hospitals and physicians and continue to build new relationships with additional hospitals and physicians.

We have built a broad nationwide hospital network during the past years. To generate further demand for our services, we will need to continue to educate physicians at an increasing number of hospitals on the clinical utility, benefits and value of our testing services through various academic-driven marketing measures including published papers, presentations at scientific conferences and one-on-one education by our in-house sales force. We may need to hire additional sales and marketing, research and development and other personnel to support this process. If the physicians currently using our tests services stop ordering our tests or order fewer tests from us for any reason, or if we fail to convince physicians at new hospitals to order our tests, we will likely be unable to generate demand for our tests in sufficient volume for us to achieve profitability.

**The price of medical devices, reagents, and medical consumables, which is affected by many factors beyond our control, could adversely affect our margins and results of operations.**

We procure medical devices, reagents, medical consumables and other goods and services necessary for our operations. The prices may increase in the future due to various factors beyond our control. In the

event of significant price increases for such supplies, we may have to pass the increased costs to our customers. However, we cannot assure you that we will be able to raise the prices of our services sufficiently to cover such increased costs. As a result, any significant price increase for our raw materials may have an adverse effect on our profitability and results of operations.

In order to meet the increasing demand arising out of our growth in business, we will be required to increase our procurement of the abovementioned products. However, as we grow, our existing suppliers may not be able to meet our increasing demand, and we may need to find additional suppliers. There is no assurance that we will always be able to secure suppliers who provide products at reasonable and acceptable prices, and the failure to do so will adversely affect our business performance and results of operations.

**Sales of our esoteric testing services depends on the reimbursement policies of the governmental authorities and health insurers. Failure to obtain or maintain adequate medical insurance coverage and reimbursement for our esoteric testing services could limit our ability to market those services and decrease our ability to generate revenue.**

Our ability to sell our esoteric testing services may be affected by the availability of governmental and private health insurance in China. China has a complex medical insurance system that is undergoing reform. The governmental insurance coverage or reimbursement level in China for new healthcare services is subject to significant uncertainty and varies from region to region, as local government approvals for such coverage must be obtained in each geographic region in China. In addition, the PRC government may change, reduce or eliminate the governmental insurance coverage currently available for treatments based on a number of factors, including price and efficacy.

Currently a portion of our esoteric tests are not covered by the national medical insurance in China and we may plan to obtain public medical insurance coverage in China if the terms are favorable to us. Our testing services are covered under certain policies by private insurance companies in China. We cannot assure you that our testing services will be covered by the PRC national medical insurance reimbursement list in the near future or our services will continue to be covered by private insurance companies in China at the current level. In addition, currently certain private insurance companies in China tend to reimburse patients for a higher percentage of the cost if they use a medical device manufactured by a Chinese domestic company as opposed to an imported device. We cannot be certain that insurers will continue to adopt this favorable policy in the future.

On the other hand, PRC regulations and medical insurance plans may exert significant influence over our pricing policies, which could affect our profitability. We may need to lower the prices of our services in order to have them included in the medical insurance reimbursement list, and such price cut and reimbursement may not necessarily lead to increase in our sales and our results of operations may be adversely affected.

**We depend on third-party suppliers and service providers for different aspects of our business. If these suppliers and service providers can no longer provide satisfactory services to us on commercially reasonable terms, our business and results of operations may experience short-term adverse impact.**

We depend on third parties for different aspects of our business, such as supplying laboratory equipment, medical devices, reagents and raw materials, and delivering samples for our testing services.

Selecting, managing and supervising these third-party suppliers and service providers requires significant resources and expertise. Unsatisfactory performance by these third parties, including their failure to provide services according to applicable legal and regulatory requirements, the terms of our contracts or otherwise below standard, could significantly and negatively affect the quality of our services and damage our reputation.

Our suppliers expose us to risks associated with fluctuations in prices of equipment, reagents, materials and services they provide us, and reductions in the availability of these equipment and materials may disrupt our operations. We cannot assure you that our major suppliers will be able to satisfy our demands or that the prices of equipment, reagents, materials or services from our suppliers will remain stable. The prices may be affected by a number of factors beyond our control, including market supply and demand, the PRC or international environmental and regulatory requirements, natural disasters, the PRC and global economic conditions. A significant increase in the costs of such equipment, reagents, materials and services may increase our cost of sales and negatively affect our profit margins and, more generally, our business, financial conditions, results of operation and prospects.

In addition, the service or supply agreements we have with third-party suppliers and service providers are generally not on an exclusive basis. If these third parties do not continue to maintain or expand their cooperation with us, we would be required to seek new substitutes for these third-party material or service providers, which could disrupt our operations and adversely affect our results of operations.

**We have limited control over our third-party suppliers. Illegal actions, misconduct or any failure by our suppliers to provide satisfactory services could materially and adversely affect our business, reputation, financial condition, and results of operations. In addition, we may be unable to receive sufficient compensation from our suppliers for the losses caused by them.**

Since we rely on third-party suppliers to conduct various aspect of our business, such as providing the testing equipment, reagent and materials or promoting our services, we are exposed to the risk of illegal actions, misconduct or any failure by our third-party suppliers to provide satisfactory services. For instance, certain of our suppliers are subject to various regulations and are required to obtain and maintain various qualifications, government licenses and approvals. If any of these suppliers loses its qualification or eligibility because of its failure to comply with regulatory requirements, we may not be able to find alternative suppliers in a timely manner or at all. In addition, some of our suppliers import certain equipment and materials from manufacturers located outside China and resell to us. As a result, trade or regulatory embargoes imposed by foreign countries or China could also result in delays or shortages that could harm our business. Moreover, general economic conditions could also adversely affect the financial viability of our suppliers, resulting in their inability to provide materials and services used in our operations. If we are unable to identify alternative materials or suppliers and secure approval for their use in a timely manner, our business could be materially harmed. Any change in suppliers could require significant effort or investment in circumstances where the items supplied are integral to service performance or incorporate unique technology, and the loss of existing supply contract may have a material adverse effect on us. Any material misconduct or disputes against our suppliers could potentially harm our business and reputation.

Although we take precautions to detect and prevent misconduct by our suppliers, it is not always possible to identify and deter such misconduct, and we may not able to effectively control unknown or

unmanaged risks or losses, or protect us from governmental investigations or other actions or lawsuits stemming from a failure to comply with these laws or regulations. Our suppliers or service providers who are responsible for the claims, disputes or legal proceedings against us due to defective supplies or services sold to us may not be able to indemnify us in a timely manner, or at all, for any costs that we incur as a result of such claims, disputes and legal proceedings.

**If we are unable to support the demand for our current or future services, including ensuring that we have adequate capacity to meet increased demand, our business could suffer.**

The demand for our testing services has experienced a significant increase during the Track Record Period and as the market demand for our services grows, we will need to continue to carry out a series of strategies to meet the increasing demand, such as:

- increase our workflow capacity for sample intake, customer service, billing, and general process improvements;
- expand our internal quality assurance program; and
- extend our comprehensive esoteric testing services in various specialty areas.

In addition, we will need additional laboratory scientists and technicians and other scientific and technical personnel to process higher volumes of our services. Portions of our process are not automated and will require additional personnel to scale. The expansion of our operations or hiring of additional personnel may lead to significant costs and divert our management attentions and development resources. We will also need to purchase additional equipment, some of which can take several months or more to procure, set up, and validate, and increase our software and computing capacity to meet increased demand. There is no assurance that any of these increases in scale, expansion of personnel, equipment, software and computing capacities, or process enhancements will be successfully implemented, or that we will have adequate space in our laboratory facilities to accommodate such required expansion.

As we commercialize additional services, we will need to incorporate new equipment, implement new technology systems and laboratory processes, and hire new personnel with different qualifications. Failure to manage this growth or transition could result in turnaround time delays, higher service costs, declining service quality, deteriorating customer service, and slower responses to competitive challenges. A failure in any one of these areas could make it difficult for us to meet market expectations for our services, and could damage our reputation and the prospects for our business.

**We may lose or fail to attract customers if our service quality does not meet customers' standards or if our services do not meet their evolving needs.**

We believe that maintaining and enhancing our service quality is critical to achieving widespread acceptance of our services, to strengthening our relationships with our existing customers and to our ability to attract new customers. If our services cannot meet our customers' standards or their evolving needs, they may lose confidence in us and they may reduce or cease their use of our services. If actions we take or changes we make to our services upset these clients, they may comment negatively on us, which could harm our brand and reputation. If we fail to attract new customers or retain existing customers, our ability to generate revenue will be materially impaired, and our business, results of operations and financial condition could be adversely affected.

**If our in-house logistics team or our logistics service providers encounters any performance issues, our business, results of operations and financial condition could be adversely affected, and our reputation and ability to provide our esoteric testing services on a timely basis could be harmed.**

The quality of our esoteric testing service largely depends on our ability to deliver the well-preserved samplings from the hospital to our laboratories. To render an accurate testing results requires us to preserve the patients' sampling to a high standard, which could be difficult as testing samples are sensitive to various external conditions, such as biological materials, low-temperature, heat or light. Therefore, we have established an in-house logistics team consisting of over 900 members, a customer service center, a nationwide logistics service network and professional quality monitoring system to ensure high-quality logistics service. We also applied cold-chain technologies to maintain the activity and effectiveness of the sampling during the delivery. See "Business – Clinical Testing Services – Transportation and Storage."

Our in-house logistics team or the third-party logistics service providers may encounter performance issues in the future that cause the testing samples to be exposed to inappropriate temperatures or other improper storage conditions and lose activity or effectiveness, which in turn make the testing results based on such testing samples inaccurate. As a result, our business, results of operations and financial condition could be adversely affected, and our reputation and ability to provide our esoteric testing services on a timely basis could be harmed.

In addition, disputes with or a termination of our contractual relationships with one or more of the third-party logistics service providers we engage could result in delayed delivery of the testing samples or increased costs. There can be no assurance that we will continue or extend relationships with the logistics service providers we currently engage on terms acceptable to us, or that we will be able to establish relationships with new logistics service providers or enhance our relationships with existing logistics to ensure accurate, timely and cost-efficient logistics services. Failure to do so may inhibit our ability to provide our testing services, on a timely basis or at prices acceptable to our consumers. As we do not have any direct control over these logistics service providers, we cannot guarantee their quality of services. If there is any delay in delivery or any other issue, our service offering may be affected.

**If we suffer substantial disruption to our proprietary clinical laboratories by any reason beyond our control, our business, financial condition and results of operations could be adversely affected.**

Any interruption in testing operations in our laboratories could result in our inability to satisfy the demand of our commercialization. A number of factors could cause interruptions, including equipment malfunctions or failures, technology malfunctions, damages to or destruction of either facility due to natural disasters, regional power shortages, product tampering or terrorist activities. Any disruption that impedes our ability to provide our services in a timely manner could materially harm our business, financial condition and results of operations.

**We are faced with challenges in expanding our international operations, such as the regulatory or governmental scrutiny in the relevant countries.**

To further expand our global footprints, we intend to seize the emerging business opportunities in the overseas markets in Asia. Our success in providing services internationally and competing in international markets is subject to our ability to manage various risks and difficulties, including:

- dealing with regulatory regimes, regulatory bodies and government policies which may differ materially from those in the PRC or with which we may be unfamiliar;
- substantial time which may be required for us to obtain approval for registering and providing our services in additional countries, especially in developed countries;
- commercializing our services in new markets where we have limited experience with the dynamics and no sales infrastructure and marketing network;
- higher costs for reliance on overseas partners for the development, commercialization and marketing of our services;
- medical and professional liability litigation and regulatory scrutiny arising from the marketing and provision services in overseas markets and the costs incurred dealing with such procedures, as well as our ability to obtain insurance to adequately protect us from any resulting liabilities;
- unexpected changes in tariffs, trade barriers and regulatory requirements;
- economic weakness and inflation;
- difficulty of effective enforcement of contractual provisions in local jurisdictions;
- compliance with tax, employment, immigration and labor laws for employees traveling abroad;
- the effects of applicable foreign tax structures and potentially adverse tax consequences;
- currency fluctuations, which could result in increased operating expenses and reduced revenue;
- workforce uncertainty and labor unrest; and
- business interruptions resulting from geo-political actions, including war and terrorism, or natural disasters, including earthquakes, volcanoes, typhoons, floods, hurricanes and fires.

Our profitability and ability to implement our business strategies, maintain our market share and compete successfully in international markets may be compromised if we are unable to manage the foregoing risks and other international risks successfully.

**We rely on our in-house marketing force to promote our esoteric testing services. If our in-house sales and marketing personnel are unable to conduct effective marketing or sales, our business could be adversely affected.**

Successful sales and marketing are crucial for us to increase the market penetration of our existing services, expand our coverage of hospitals and other medical institutions and promote new services in the future. If we are unable to increase or maintain the effectiveness and efficiency of our sales and marketing activities, our sales and business prospects could be adversely affected.

Our sales and marketing force must possess a relatively high level of technical knowledge, up-to-date understanding of industry trends, necessary expertise in the relevant specialty areas and testing services, as well as sufficient promotion and communication skills. If we are unable to effectively train our in-house sales personnel or monitor and evaluate their academic-driven marketing performances, our sales and marketing may be less successful than desired.

Moreover, our ability to attract, motivate and retain qualified and professional sales force is especially important because we also rely on our in-house sales force to market and sell our testing services. Competition for experienced marketing, promotion and sales personnel is intense. If we are unable to attract, motivate and retain a sufficient number of qualified and professional marketing, promotion and sales personnel, sales of our services may be adversely affected and we may be unable to expand our physician and hospital coverage or increase our market penetration as contemplated.

**Security threats to our information technology infrastructure and unauthorized use of data by third parties could expose us to liability or damage our reputation and business.**

Our information technology systems store and process a variety of sensitive data, including our proprietary business information, as well as patients' medical and personal data such as health information and personally identifiable information.

PRC laws and regulations generally require medical institutions and their medical professionals to protect the privacy of their patients and prohibit unauthorized disclosure of personal information. We and our medical professionals will be liable for damage caused by divulging our customers' medical records without consent. It is essential that our information technology infrastructure remain secure and be perceived by hospitals, patients and our research partners to be secure. Our measures to maintain the confidentiality of patients' personal and medical information may not always be effective. There is a risk that such information could be compromised in the event of a security breach at our laboratories. Such information could be divulged due to, for example, theft or misuse arising from staff misconduct or negligence. In addition, although we generally do not make the customers' medical information available to the public, we use such data on an aggregated basis after redacting personally identifiable information or disclose certain data after obtaining relevant customers' consent for training and research purposes. Any change in applicable laws and regulations governing the use of our patients' medical information could impose more stringent data production requirements and thus affect our ability to use medical information and subject us to liability for the use of such data for current permitted purposes. Failure to protect the confidentiality of our customers' medical information, or any restriction on or liability as a result of our use of medical data, could have a material adverse effect on our business and reputation.

Moreover, we may not be able to prevent third parties from illegally obtaining and misappropriating personal data of the tested patients that we collect. Concerns about data leakage or unauthorized use of data by third parties, even if unfounded, could damage our reputation and negatively affect our results of operations.

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

The validity, enforceability and scope of intellectual property rights protection in China are uncertain and still evolving. We cannot be certain that our tests, technologies and services do not or will not infringe patents, software copyrights, trademarks or other intellectual property rights held by third parties. From time to time, we may be subject to legal proceedings and claims alleging infringement of patents, trademarks or copyrights, or misappropriation of creative ideas or formats, or other infringement of proprietary intellectual property rights. Any such proceedings and claims could result in significant costs to us and divert the time

and attention of our management and technical personnel from the operation of our business. These types of claims could also potentially adversely impact our reputation and our ability to conduct business and raise capital, even if we are ultimately absolved of all liability. Moreover, third parties making claims against us may be able to obtain injunctive relief against us, which could block our ability to offer one or more devices or tests and could result in a substantial award of damages against us. In addition, since we sometimes indemnify our customers or collaboration partners, we may have additional liability in connection with any infringement or alleged infringement of third party intellectual property. Intellectual property litigation can be very expensive, and we may not have the financial means to defend ourselves or our customers or collaboration partners.

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

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

**If we are unable to maintain the confidentiality of our trade secrets or know-hows, our reputation, business and competitive position may be harmed.**

Our commercial success will depend, in large part, on our ability to obtain, maintain and defend know-hows and other intellectual property protection with respect to our services. We seek to protect our trade secrets or know-hows, in part, by entering into agreements, including confidentiality agreements and non-disclosure agreements, with parties that have access to them, such as our employees, consultants, corporate partners and, other third-party service providers. Nevertheless, there can be no guarantee that an employee or a third party will not make an unauthorized disclosure of such proprietary confidential information. This might happen intentionally or inadvertently. It is possible that a competitor will make use of such information, and that our competitive position will be compromised, in spite of any legal action we might take against persons making such unauthorized disclosure. In addition, to the extent that our employees, consultants or contractors use intellectual property owned by others in their work for us, disputes may arise as to the rights in related work completed or the resulting know-how and inventions. Enforcing a claim that a third party illegally obtained and is using any of our trade secrets or know-hows is expensive and time-consuming, and the outcome is unpredictable.

We sometimes collaborate with third parties, such as research institutions to conduct research relevant to our business. The ability of these third-parties to publish or otherwise publicly disclose data and other information generated during the course of their research is subject to certain contractual limitations. These contractual provisions may be insufficient or inadequate to protect our confidential information. If we do not apply for patent protection prior to such publication, or if we cannot otherwise maintain the confidentiality of our confidential information, then our ability to obtain patent protection or to protect our trade secrets or know-hows may be jeopardized. Failure to protect our intellectual property may severely disrupt our business operations, reduce or eliminate any competitive advantage we have developed, and materially harm our business, financial condition results of operations and prospects, and any remediation may significantly divert management's attention and resources from other activities.

**Past and future grants of share-based awards may have an adverse effect on our financial condition and results of operations and have dilutive impact on your [REDACTED].**

As a result of the grant of share-based awards, we expect to incur significant share-based compensation expenses in the future based on the fair value of the share-based awards, which will be recognized in our consolidated statement of incomes and adversely affect our net income. We believe the granting of share-based awards is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share-based compensation to employees in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our financial condition and results of operations.

**We have limited insurance coverage, and any claims beyond our insurance coverage may result in our incurring substantial costs.**

Insurance companies in China currently offer limited business-related insurance products. We do not maintain business interruption insurance, key-man insurance and certain other insurances that we consider to be reasonable and in line with the market practice in light of the nature of our business and the insurance products that are available in China and in line with the practices of other companies in the same industry of similar size in China. Any uninsured risks may result in substantial costs and the diversion of resources, which could adversely affect our results of operations and financial condition.

**We are subject to environmental protection and health and safety laws and regulations and may be exposed to potential costs for compliance and liabilities, including consequences of accidental contamination, biological or chemical hazards, or personal injury.**

Our past and present business operations are subject to national and local laws in the jurisdictions in which we operate, including but not limited to the laws on the treatment and discharge of pollutants into the environment and on the use of highly toxic and hazardous chemicals used in our business operations. Because the requirements imposed by such laws and regulations may change and more stringent laws or regulations may be adopted, we may be unable to comply with, or to accurately predict the potentially substantial cost of complying with, these laws and regulations. If we fail to comply with environmental protection and health and safety laws and regulations, we may be subject to various consequences, including substantial fines, potentially significant monetary damages or suspensions of our business operations. As a result, any failure by us to control the use or discharge of hazardous substances could have a material and adverse impact on our business, financial condition and results of operations.

In addition, we cannot fully eliminate the risk of accidental contamination, biological hazards or personal injury at our facilities during our service processes. In the event of any accident, we could be held liable for damages and clean-up costs that, to the extent not covered by existing insurance or indemnification, could be burdensome to our business. Other adverse effects could result from such liability, including reputational damage resulting in the loss of business from customers. We may also be forced to close or suspend operations at certain of our affected facilities temporarily, or permanently. As a result, any accidental contamination or personal injury could have a material and adverse impact on our reputation, business, financial condition and results of operations.

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

We are subject to the anti-bribery laws of the jurisdictions in which we operate, particularly China. In China, the Anti-Unfair Competition Law, and provisions of the Criminal Code, prohibit giving and receiving money or property (which includes cash, proprietary interests and items of value) to obtain an undue benefit. Further, in China, Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), promulgated by the Standing Committee of the National People's Congress on October 31, 2006 and effective on January 1, 2007, prohibits money laundering. In addition, many of our customers require us to follow strict anti-bribery as part of doing business with us. Our procedures and controls to monitor anti-bribery and anti-money laundering compliance may fail to protect us from reckless or criminal acts committed by our employees or agents. If we fail to comply with applicable anti-bribery laws and anti-money laundering laws, we may be subject to criminal and civil penalties and sanctions or incur significant expenses, our reputation could be harmed and our customers could cancel or not renew contracts for our services, all of which could have a material adverse effect on our business, financial condition and results of operations.

**We require substantial funding for our operations. If we cannot raise sufficient additional capital on acceptable terms, our business, financial condition and prospects may be adversely affected.**

In order to further expand our presence, develop new services and remain competitive, we may require additional capital to be expended in our operations. We expect to satisfy such capital commitments using part of the net **[REDACTED]** from the **[REDACTED]**, cash from operations and bank facilities available to us. Financing may be unavailable in amounts or on terms acceptable to us. Our ability to obtain additional capital is subject to a variety of uncertainties, including our future financial condition, results of operations and cash flows, general market conditions for capital-raising activities, and economic, political and other conditions in China and other jurisdictions where we operate. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants restricting our operations or our ability to make acquisitions or pay dividends. Any failure to raise sufficient additional capital to meet our capital requirements may materially and adversely affect our business, financial condition and results of operations.

**Incidents, accidents, or injuries at our facilities or in connection with our services may subject us to liability, which could negatively impact our reputation, business, financial condition, and results of operations.**

Incidents, accidents or injuries at our facilities or in connection with our services may subject us to liabilities and negatively impact our reputation. We may also face damages or delays that could impact the delivery of our services to our clients and we could be held liable for costs related to such incidents. We maintain insurance of the types and in the amounts that we believe are commercially reasonable and that are available to businesses in our industry, but there can be no assurance that we will be able to recover all or any of the losses we suffer. Our business, financial condition and results of operations could be harmed to the extent claims and associated expenses resulting from incidents, accidents or injuries exceed our insurance recoveries.

**Unfavorable general economic conditions could negatively affect our business, financial condition, and results of operations.**

Unfavorable economic conditions, including any increased volatility in the capital markets and diminished expectations for the global economy may harm our business. For example, if our customers have difficulty obtaining necessary financing, they may reduce purchase of services from us or fail to make timely payments to us, which could have a negative impact on our business, financial condition and results of operations.

## RISKS RELATING TO OUR GENERAL OPERATIONS

**Our operations face competition that could adversely affect our results of operations. If we cannot compete successfully with our competitors, we may be unable to increase or sustain our revenue or achieve and sustain profitability.**

The development and commercialization of esoteric testing services is highly competitive. We face competition from other companies engaging in esoteric testing business. For details, see "Industry Overview." We anticipate that we will continue to face increased competition as existing companies develop new or improved services and as new companies enter the market with new technologies. Extensive competition may render one or more of our technologies obsolete or uneconomical. Some of our competitors have greater financial and personnel resources, broader product lines, more focused product lines, a more established customer base, and more experience in research and development than we do. In addition, as a result of mergers and acquisitions in the industry, even more resources are being concentrated in our competitors and our upstream and downstream business partners. Competition may increase further due to the progress and improvements made in the commercial applicability of technologies and the increased capital investment in the industries. Our competitors may develop services and products which are more effective and less costly than ours, or obtain patent protection, regulatory approval, product commercialization, and market penetration more rapidly than we do. Furthermore, hospitals, pharmaceutical companies and medical institutions, which are our potential customers and strategic partners, could also develop competing products.

We believe that customers in our markets display a significant amount of loyalty to their initial supplier of a particular service or product. Therefore, it may be difficult to generate sales to potential

customers who have purchased services or products from competitors. To the extent we are unable to be the first to develop or offer new services, our competitive position may suffer.

We and our competitors also compete on the basis of price. If the cost of testing falls over time, we cannot be sure that the demand for related services will increase proportionately. In the future, if the demand for our services proves to be more insensitive to lower testing costs than we expect, our business, financial condition, and results of operations will be adversely affected.

**Failure to attract and retain our senior management and other key employees could adversely affect our business. If we are unable to attract, train, motivate and retain a sufficient number of qualified physicians, clinical experts and other medical personnel, our operations could be materially and adversely affected.**

Our future success is significantly dependent upon the continued service of our senior management, such as Dr. Huang, our founder, Chief Executive Officer, Chief Medical Officer, Chairman and the spouse of Guo Guirong, a substantial shareholder of ours. If we lose their services, we may not be able to locate suitable or qualified replacements, and we may incur additional expenses to recruit new senior management team members, which could severely disrupt our business and growth. In addition, if these personnel join our competitors or form a competing business, our business and prospects could be adversely affected. Furthermore, if the relationship between any of these personnel and any of our substantial shareholders deteriorates, our operations could be disrupted, which may materially and adversely affect our business and prospects.

Our laboratory operations and research and development activities depend upon our ability to attract and retain highly skilled physicians, clinical experts and other medical personnel. We are also in strong need of sales and marketing personnel with the relevant technology background and industry expertise in order to effectively conduct our sales and marketing activities and increase our hospital network. We face intense competition for qualified individuals from numerous biotechnology and pharmaceutical companies, universities, governmental entities and other research institutions. We may be unable to attract and retain suitably qualified individuals, and our failure to do so could adversely affect our business.

**We, our Directors, senior management or employees may be involved in claims, disputes, court orders or other legal proceedings and our reputation may be harmed as a result.**

From time to time, we, our current or past Directors or senior management or employees may be involved in claims, disputes, government investigations, court orders and legal proceedings. These may concern issues relating to, among others, shareholders litigations, insolvency or bankruptcy litigations, consumer liability, environmental matters, breach of contract, employment or labor disputes and infringement of intellectual property rights. So far as our Directors were aware, none of us, our current Directors or senior management or current employees are involved in any claims, disputes, court orders or other legal proceedings that may have any material adverse impact on the business operations, financial positions or reputation of our Company. Any claims, disputes or legal proceedings initiated by or brought against us, our current or past Directors or senior management or employees, with or without merit, may result in substantial costs and diversion of resources, and if we are unsuccessful, could materially harm our reputation and generate negative publicity. Furthermore, claims, disputes, government investigations or legal proceedings against us may be due to defective supplies sold to us by our suppliers, who may not be

able to indemnify us in a timely manner, or at all, for any costs that we incur as a result of such claims, disputes and legal proceedings.

**Any litigation, legal and contractual disputes, claims, or administrative proceedings against us could be costly and time-consuming to defend or settle.**

We may from time to time be involved in contractual disputes or legal and administrative proceedings and claims arising out of the ordinary course of business or pursuant to governmental or regulatory enforcement activity.

Existing or future legal proceeding might result in substantial costs and divert management's attention and resources. Furthermore, any litigation, legal disputes, claims or administrative proceedings that are initially not material may escalate and become material to us due to a variety of factors, such as changes in the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake and the parties involved. Laws, regulations and legal actions could also have significant regulatory consequences and result in regulatory enforcement actions.

Our insurance might not cover claims brought against us, might not provide sufficient payments to cover all of the costs to resolve one or more such claims and might not continue to be available on terms acceptable to us. In particular, any claim could result in unanticipated liability to us if such claim is outside the scope of the indemnification arrangement we have with our customers, our customers do not abide by the indemnification arrangement as required or the liability exceeds the amount of any applicable indemnification limits or available insurance coverage. A claim brought against us that is uninsured or underinsured could result in unanticipated costs and could have a material adverse effect on our business, financial condition and results of operations.

**Changes in international trade or investment policies and barriers to trade or investment, the ongoing trade conflict and the emergence of a trade war between the U.S. and China may have an adverse effect on our business and expansion plans.**

International market conditions and the international regulatory environment have historically been affected by competition among countries and geopolitical frictions. Changes to trade policies, treaties and tariffs, or the perception that these changes could occur, could adversely affect the financial and economic conditions in the jurisdictions in which we operate, as well as our overseas expansion, our financial condition and results of operations. The U.S. administration under former President Donald J. Trump advocated greater restrictions on international trade generally and significant increases on tariffs on certain goods imported into the U.S., particularly from China, and has taken steps toward restricting trade in certain goods. For example, in 2018, the United States announced three finalized tariffs that applied exclusively to products imported from China, totaling approximately US$250 billion, and in May 2019, the U.S. increased the rate of certain tariffs previously levied on Chinese products from 10% to 25%. In addition, in August 2019, former President Donald J. Trump threatened to impose additional tariffs on remaining Chinese products, totaling approximately US$300 billion. Although on January 15, 2020, the U.S. and China signed an agreement on the phase one trade deal, under which both parties made certain concessions and agreed not to proceed with additional tariffs against one another, the 25% tariffs on US$250 billion of Chinese imports are still in place. Under the incumbent President Joseph R. Biden, the trade tension between China and the

United States may continue and could intensify in the future, and the U.S. government could adopt a more drastic trade policy against China.

In addition, China and other countries have retaliated, and may further retaliate, in response to new trade policies, treaties and tariffs implemented by the U.S. government. Such retaliatory measures may further escalate the tensions between the countries or even lead to a trade war. Any escalation in trade tensions or a trade war, or the perception that such escalation or trade war could occur, may have negative impact on the economies of not merely the two countries concerned, but the global economy as a whole. In addition, if China were to increase the tariff on any of the items imported by our suppliers and contract manufacturers from the U.S., we might not be able to find substitutes with the same quality and price in China or from other countries. Furthermore, if the U.S. were to materially modify its policies on international intellectual properties transfer, our business, financial condition and results of operations could be negatively impacted. Although we had not yet been materially impacted by the trade conflicts between the U.S. and China, if any of the foregoing occurs, our costs would increase and our business, financial condition and results of operations would be adversely affected.

**If we are unable to manage our growth or execute our strategies effectively, our business and prospects may be materially and adversely affected.**

Our business has grown substantially in recent years, and we expect to continue growing our business in the future. In addition, as we continue to diversify our service offerings and enhance our presence, we will need to continuously enhance and upgrade our services and technology, optimize our branding, sales and marketing efforts, and expand, train and manage our employees. All these efforts will require significant managerial, financial and human resources. We cannot assure you that we will be able to effectively manage our growth, that our current technology, infrastructure and operational capabilities will be adequate to support our expanding operations, or that our strategies and new business initiatives will be executed successfully. If we are not able to manage our growth or execute our strategies effectively, our expansion may not be successful and our business, financial condition and results of operations may be materially and adversely affected.

**Our future success depends on our ability to promote our brand and expand our sales and marketing efforts. If we are unable to effectively promote our brand or expand our sales and marketing efforts, our business may be adversely affected.**

We believe that enhancing and maintaining awareness of our brand is critical to achieving widespread acceptance of our esoteric testing services and attracting new customers. Successful promotion of our brand depends largely on the quality of the services we offer and the effectiveness of our branding and marketing efforts. We cannot guarantee that our sales and marketing efforts will be successful. Brand promotion activities may not lead to increased revenue in the near term, and, even if they do, any revenue increases may not offset the expenses we incur to promote our brand. Our failure to establish and promote our brand and any damage to our reputation will hinder our growth.

**We depend on our information technology systems, and any failure of these systems could harm our business.**

We depend on our information technology for significant elements of our operations. We have also installed, and expect to expand, a number of enterprise software systems that affect a broad range of

business processes and functional areas, including, for example, systems handling financial reporting and controls, customer relationship management, laboratory information management system, and other infrastructure operations.

Our information and other technology systems are vulnerable to damage from a variety of sources, including telecommunications or network failures, malicious or inadvertent human acts and natural disasters. Our servers are potentially vulnerable to physical or electronic break-ins, employee errors, computer viruses and similar disruptive problems. Despite the precautionary measures we have taken to prevent unanticipated problems that could affect our information technology and telecommunications systems, failures or significant downtime of our information technology or telecommunications systems or those used by our third-party service providers could prevent us from conducting tests, preparing and providing reports to our customers, billing customers, collecting revenue, handling inquiries from our customers, conducting research and development activities, and managing the administrative aspects of our business. Any disruption or loss of information technology or telecommunications systems on which critical aspects of our operations depend could have an adverse effect on our business.

**Our business is subject to seasonal fluctuations.**

We have experienced, and expect to continue to experience, seasonal fluctuations in our results of operations. Historically, we have experienced decreased demand during the holiday season including during and right after the Chinese New Year. As a result of these seasonal fluctuations, comparisons of revenue and our results of operations between different periods within a single financial year are not necessarily meaningful, nor can these comparisons be relied upon as indicators of our future performance. Should there be a significant reduction in demand for our services in any particular period of any year, our business, financial condition and results of operations may be adversely affected.

**Negative publicity may adversely affect our reputation, business, financial condition, and prospects.**

Any negative publicity concerning us, our affiliates or subsidiaries, even if untrue, could adversely affect our reputation and business prospects, which could damage our brand image or have a material adverse effect on our business, results of operations and financial condition. In particular, given our specialized customer base, customer referrals and word-of-mouth marketing have contributed to our ability to acquire customers. Damage to our reputation could be difficult, expensive and time-consuming to restore and could make potential or existing customers reluctant to select us for new engagements, resulting in a loss of business, and could adversely affect our recruitment and retention efforts. Damage to our reputation could also reduce the value and effectiveness of our brand name and could reduce **[REDACTED]** confidence in us, adversely affecting the price of our **[REDACTED]**.

**Our business operations and financial performance have been adversely affected by the COVID-19 outbreak, may in the future continue to be affected by the COVID-19 outbreak, and may be affected by other force majeure events, natural disasters, outbreak of epidemics, and other unforeseeable catastrophes.**

The COVID-19 outbreak has caused and may continue to cause a long-term adverse impact on the economy and social conditions in China and other affected countries, which may have an indirect impact on our industry by causing temporary suspension of projects, shortage of labor and raw materials and delay in

sample collection and delivery, which would severely disrupt our operations and have a material adverse effect on our business, financial condition and results of operations. We are uncertain as to when the COVID-19 pandemic will be contained in China and globally, nor can we predict whether COVID-19 will have long-term impact on our business operations. Our operations could also be disrupted if any of our employees or the employees of our distributors, suppliers and other business partners were suspected of having contracted COVID-19, since this could require us and our distributors, suppliers and other business partners to quarantine some or all of these employees and disinfect facilities used for operations. Our commercial plan for commercial-ready or near commercial-ready assets could also be disrupted. If we are not able to effectively and efficiently develop and commercialize our new services as planned, we may not be able to grow our business and generate revenue from sales of our new services as anticipated, our business operations, financial condition and prospects may subsequently be materially and adversely affected.

In addition, any future occurrence of force majeure events, natural disasters or outbreaks of other epidemics and contagious diseases, including avian influenza, severe acute respiratory syndrome, swine influenza caused by the H1N1 virus, or H1N1 influenza or the Ebola virus, may materially and adversely affect our business, financial condition and results of operations. Moreover, the PRC has experienced natural disasters such as earthquakes, floods and droughts in the past few years. Any future occurrence of severe natural disasters in China may materially and adversely affect its economy and our business. We cannot assure you that any future occurrence of natural disasters or outbreaks of epidemics and contagious diseases or the measures taken by the Chinese government or other countries in response to such contagious diseases will not seriously disrupt our operations or those of our customers, which may materially and adversely affect our business, financial condition and results of operations.

## RISKS RELATING TO OUR FINANCIAL PROSPECTS AND NEED FOR ADDITIONAL CAPITAL

**We may need to obtain substantial additional financing to fund the future growth of our business and operations, especially for maintaining, expanding and strengthening our marketing and sales network.**

We conduct various marketing and sale activities to promote our services to our existing and potential customers. We mainly promote our brands and services through our 600 sales and marketing employees, and we undertake an academic-driven marketing approach by such as participating and/or sponsoring academic conferences, seminars and symposia, which include large-scale international and national conferences, as well as smaller events tailored for specific cities and hospital departments. The maintenance and growth of such a sales and marketing team as well as the marketing activities conducted by them may incur significant marketing expenses. In 2018, 2019 and 2020, our selling and marketing expenses were RMB249.5 million, RMB274.6 million and RMB248.5 million, which represented 35.3%, 33.0% and 27.9% of our total revenue, respectively. We thus require significant capital to maintain, expand and strengthen our sales and marketing network to support our growth, and our business growth may be affected if we can not obtain sufficient funding for this purpose.

**The development of new testing items with respect to our esoteric testing services may affect our short-term profitability.**

Our long-term competitiveness depends on our ability to develop and commercialize new testing items with respect to our esoteric testing services through our research and development activities. To develop new testing items is time-consuming and costly. For 2018, 2019 and 2020, we incurred research and development expenditures of RMB73.6 million, RMB79.0 million and RMB75.3 million, respectively. The research and development process for esoteric testing services may be lengthy and expensive, and the outcome may be unpredictable. The uncertain outcome, lengthy process and significant cost for the development of new testing items could have a material adverse effect on our short-term profitability.

**Our operations may be adversely affected by the political and social instability in Xinjiang.**

One of our testing laboratories is located in Xinjiang which is in the northwestern part of China. For the years ended December 31, 2018, 2019 and 2020, our laboratory in Xinjiang conducted over 220,000, 470,000, and 1,000,000 tests, respectively, and generated a revenue of RMB30.4 million, RMB52.7 million and RMB58.8 million, respectively. There have historically been social disturbances caused by ethnic and politic conflicts which caused social disturbances. Our performance could be adversely affected as a result of any material adverse change in the political and social conditions in Xinjiang.

**Raising additional capital may lead to dilution of shareholdings by our existing shareholders, restrict our operations, and may further result in fair value loss adversely affecting our financial results.**

We may seek additional funding through a combination of equity and debt financings and collaborations. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest of existing holders of our shares will be diluted, and the terms may include liquidation or other preferences that adversely affect the rights of our existing shareholders. The incurrence of additional indebtedness or the issuance of certain equity securities could result in increased fixed payment obligations and could also result in certain additional restrictive covenants, such as limitations on our ability to incur additional debt or issue additional equity, limitations on our ability to acquire or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business.

**The fair value changes of our financial liabilities, which are subject to uncertainties in accounting estimation.**

During the Track Record Period, we issued convertible redeemable preferred shares and convertible bonds, which are designated as financial liabilities. For the years ended December 31, 2018 and 2019 and 2020, we incurred losses on fair value changes of financial liabilities of RMB73.2 million, RMB222.9 million and RMB1,046.6 million, respectively. Such estimated changes in fair values involve the exercise of professional judgment and the use of certain bases, assumptions and unobservable inputs, which, by their nature, are subjective and uncertain. See "Financial Information – Critical Accounting Policies and Estimates – Critical Accounting Estimates – Fair value of financial instruments." As such, the financial liabilities valuation has been, and will continue to be, subject to uncertainties in accounting estimation, which may not reflect actual fair value of these financial liabilities and result in significant fluctuations in profit or loss from year to year.

**Our deferred tax assets are subject to accounting uncertainties.**

In the application of our accounting policies, we are required to make judgments, estimates and assumptions about the carrying amounts of certain assets and liabilities. The estimates and associated assumptions are based on historical experience and other relevant factors. As a result, actual results may differ from these accounting estimates. See Note 3 to "Appendix I – Accountants' Report." The carrying values of deferred tax assets relating to recognized tax losses at December 31, 2018, 2019 and 2020 were RMB5,000,000, RMB3,348,000 and RMB2,086,000, respectively. Based on our accounting policies, deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. If sufficient future taxable profits are not expected to be generated or are less than expected, a material reversal of deferred tax assets may arise.

**The discontinuation of any government grants currently available to us could adversely affect our financial condition, results of operations and prospects.**

Government grants offered to us consisted of various types of subsidies we received from the PRC government mainly to subsidize our operating expenses and purchases of lab equipment. During the Track Record Period, we received government grant of RMB4.5 million, RMB5.8 million and RMB18.7 million. See Note 6 to "Appendix I – Accountants' Report." The establishment of the incentive programs and grant of such subsidies are subject to the government's discretion and the receipt of such subsidies is thus unpredictable and non-recurring in nature. Our eligibility for government grants and other favorable policies is dependent on a variety of factors, including the assessment of our improvement on existing technologies, relevant government policies, the availability of funding at different granting authorities and the research and development progress made by other peer companies. We cannot assure you that we will continue to receive such government grants or that the amount of such grants will not be reduced in the future. Any significant reduction of government grants received by us may adversely affect our financial condition and results of operations.

**We may be exposed to credit risk due to customer defaults.**

Our trade receivables primarily represent the balances due from certain customers. We generally allow for a credit period from three months to nine months. As of December 31, 2018, 2019 and 2020, our trade and bills receivables were RMB221.0 million, RMB261.0 million, and RMB340.5 million. In 2018, 2019 and 2020, our trade and bills receivables turnover days were 92 days, 96 days, and 112 days, respectively. We uses a provision matrix to calculate expected credit losses for trade and bills receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is initially based on the our historical observed default rates. We will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. As of December 31, 2018, 2019 and 2020, we recorded allowances for expected credit loss of RMB19.7 million, RMB23.2 million and RMB30.1 million respectively. See Note 22 to "Appendix I – Accountants' Report". Our management makes periodic collective assessments for financial assets included in prepayments, deposits and other receivables as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. We cannot assure you that all of our customers will not default on their obligations to us in the future, despite our efforts to conduct credit assessment on them.

**We are exposed to risks in connection with our investment in wealth management products.**

During the Track Record Period, we used surplus capital to purchase structured deposits and money market funds mainly from CITIC bank, SPD Bank and China Merchants Bank, which preserved capital and liquidity. The expected rates of return ranged from 2.0% to 3.7% per annum. The returns on all of these financial products are not guaranteed. As of December 31, 2018, 2019 and 2020, the balance of our wealth management products was RMB14.5 million, RMB11.6 million and RMB55.0 million, respectively. See Note 42 to "Appendix 1 – Accountants' Report". In 2018, 2019 and 2020, our interest income from wealth management products was RMB1.0 million, RMB0.4 million and RMB0.2 million, respectively. We plan to continue to invest in these and other wealth management products when we believe that we have sufficient cash and the potential investment returns are reasonable. However, we cannot assure you that we will not experience losses with respect to these investments in the future or that such losses or other potentially negative impact will not have a material adverse effect on our business and financial condition.

**We have incurred net losses during the Track Record Period and may incur net losses for the foreseeable future.**

We recorded net loss of RMB54.3 million, RMB169.6 million and RMB970.1 million in 2018, 2019 and 2020, respectively. In addition, we recorded fair value loss on financial liabilities of RMB73.2 million, RMB222.9 million and RMB1,046.6 million in 2018, 2019 and 2020, respectively, primarily due to the increase in our company's valuation and the additional Series D+ and Series E convertible redeemable preferred shares issued in 2020. We may experience losses in the future due to our continued investments in selling and marketing activities and our research and development programs and the increase in the fair value loss of financial liabilities at fair value through profit or loss. Accordingly, we may incur losses in the future.

**We are exposed to fair value changes for financial assets at fair value through profit or loss and valuation uncertainty due to the use of unobservable inputs that require judgement and assumptions which are inherently uncertain.**

During the Track Record Period, we purchased structured deposits and money market funds from commercial banks, the balance of which are classified as financial assets at fair value through profit or loss. As of December 31, 2018, 2019 and 2020, our financial assets at fair value through profit or loss reached RMB14.5 million, RMB11.6 million and RMB55.0 million, respectively. We incurred fair value losses on financial assets at fair value through profit or loss in 2018 and 2020, and fair value gains on financial assets at fair value through profit or loss in 2019. The fair value of financial assets at fair value through profit or loss are valued by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks, and therefore directly affects our results of operations. In addition, changes in the basis and assumptions used in the estimation could materially affect the fair value of our financial assets. Factors beyond our control can significantly influence and cause adverse changes to the estimates and thereby affect the fair value. These factors include, but are not limited to, general economic conditions, changes in market interest rates and stability of the capital markets. The valuation may involve a significant degree of judgement and assumptions which are inherently uncertain, and may result in material adjustment, which in turn may materially and adversely affect our results of operations.

**We incurred net current liabilities and net liabilities during the Track Record Period.**

We had net current liabilities of RMB840.2 million and RMB988.8 million as of December 31, 2018 and 2019, albeit net current assets of RMB824.6 million as of December 31, 2020. A net current liabilities position may expose us to the risks of shortfalls in liquidity. We had net liabilities of RMB617.9 million, RMB799.4 million and RMB1,834.4 million as of December 31, 2018, 2019 and 2020, respectively, primarily attributable to our convertible redeemable preferred shares and convertible bonds which we recorded as liabilities, which amounted to RMB837.4 million, RMB1,072.7 million and RMB2,854.4 million as of December 31, 2018, 2019 and 2020, respectively. As of the Latest Practicable Date, all our convertible bonds had been converted into convertible redeemable preferred shares. Although we expect our net liability position to be reversed after the automatic conversion of the convertible redeemable preferred shares into **[REDACTED]** upon the **[REDACTED]**, a net liabilities position can expose us to the risk of shortfalls in liquidity. This in turn would require us to seek adequate financing from sources such as external debt, which may not be available on terms favorable or commercially reasonable to us or at all. Any difficulty or failure to meet our liquidity needs as and when needed can have a material adverse effect on our prospects.

## RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

**Uncertainties in the interpretation and enforcement of PRC laws and regulations could limit the legal protections available to you and us.**

We conduct our businesses in China primarily through our PRC subsidiaries and PRC Consolidated Entities and their subsidiaries. Our operations in China are governed by PRC laws and regulations. Our PRC subsidiaries are subject to laws and regulations applicable to foreign investment in China. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value. The PRC legal system is evolving rapidly, and the interpretation of many laws, regulations and rules may contain inconsistencies, and the enforcement of these laws, regulations and rules involves uncertainties.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. Any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into and could materially and adversely affect our business and results of operations. Furthermore, the PRC legal system is based, in part, on government policies and internal rules, some of which are not published in a timely manner, or at all, and which may have retroactive effect. As a result, we may not always be aware of any potential violation of these policies and rules until after the occurrence of violation. Such unpredictability towards our contractual, property and procedural rights could adversely affect our business and impede our ability to continue our operations.

**It may be difficult to effect service of process, enforce foreign judgments and arbitral awards against us or our Directors and senior management.**

We are incorporated under the laws of the Cayman Islands, but substantially all of our assets are located in the PRC. In addition, a majority of our Directors and senior management personnel reside within

the PRC, and substantially all of their assets are located within the PRC. As a result, it may not be possible to effect service of process within the United States or elsewhere outside the PRC upon our Directors, Supervisors and senior management personnel, including with respect to matters arising under the U.S. federal securities laws or applicable state securities laws.

On July 3, 2008, the Supreme People's Court of the PRC and the government of Hong Kong Special Administrative Region entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned* (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》) (the "**Arrangement**"). Under the Arrangement, where any designated PRC court or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil or commercial case under a choice of court agreement in writing, any party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgment. On January 18, 2019, the Supreme People's Court and the government of Hong Kong Special Administrative Region signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》), or the New Arrangement, which seeks to establish a mechanism with greater clarity and certainty for recognition and enforcement of judgments in wider range of civil and commercial matters between Hong Kong and the PRC. The New Arrangement discontinued the requirement for a choice of court agreement for bilateral recognition and enforcement. The New Arrangement will only take effect after the promulgation of a judicial interpretation by the Supreme People's Court and the completion of the relevant legislative procedures in the Hong Kong. The New Arrangement will, upon its effectiveness, supersede the Arrangement. Therefore, before the New Arrangement becomes effective it may be difficult or impossible to enforce a judgment rendered by a Hong Kong court in China if the parties in the dispute do not agree to enter into a choice of court agreement in writing.

Furthermore, the PRC has not entered into a treaty for the reciprocal recognition and enforcement of court judgments with the United States, the United Kingdom, Japan and most other western countries, and Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgment of a court in the United States or any other jurisdictions mentioned above in relation to any matter that is not subject to a binding arbitration provision may be difficult or impossible.

**Changes in China's economic, political, and social conditions could adversely affect our business, financial condition, results of operations, cash flows, and prospects.**

Due to our extensive operations in China, our business, results of operations, financial condition and prospects may be influenced to a significant degree by economic, political, legal and social conditions in China. China's economy differs from the economies of developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources.

While the PRC economy has experienced significant growth over the past four decades, growth has been uneven both geographically and among various sectors of the economy. The PRC government has

implemented various measures to encourage economic development and guide the allocation of resources. Some of these measures may benefit the overall PRC economy, but may have a negative effect on us. Our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are currently applicable to us. In addition, in the past the PRC government implemented certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity in China, which may adversely affect our business and results of operation. More generally, if the business environment in China deteriorates from the perspective of domestic or international investment, our business in China may also be adversely affected.

**The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.**

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, and certain other regulations and rules concerning mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex, including requirements in some instances that the MOFCOM be notified for approval in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise. Moreover, the Anti-Monopoly Law requires that approval from the Anti-Monopoly Bureau of SAMR shall be obtained in advance of any concentration of undertaking if certain thresholds are triggered. In addition, the security review rules issued by the MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise "national defense and security" concerns and mergers and acquisitions through which foreign investors may acquire de facto control over domestic enterprises that raise "national security" concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review, including by structuring the transaction through a proxy or contractual control arrangement. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

**We may be classified as a "PRC resident enterprise" for PRC enterprise income tax purposes, which could result in unfavorable tax consequences to us and our Shareholders and have a material adverse effect on our results of operations and the value of your [REDACTED].**

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with a "de facto management body" within the PRC is considered a resident enterprise and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term "de facto management body" as the body that exercises full and substantial control over and overall management of the business, productions, personnel, accounts and properties of an enterprise. In April 2009, the State Administration of Taxation, or STA, issued a circular, known as Circular 82, which provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only

applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners like us, the criteria set forth in the circular may reflect the STA's general position on how the "de facto management body" test should be applied in determining the tax resident status of all offshore enterprises. According to Circular 82, an offshore incorporate enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its "de facto management body" in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management is in the PRC; (ii) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

We believe none of our entities outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body." As substantially all of our management members are based in China, it remains unclear how the tax residency rule will apply to our case. If the PRC tax authorities determine that we or any of our subsidiaries outside of China is a PRC resident enterprise for PRC enterprise income tax purposes, then we or such subsidiary could be subject to PRC tax at a rate of 25% on our or the subsidiary's worldwide income, which could materially reduce our net income. In addition, we will also be subject to PRC enterprise income tax reporting obligations. Furthermore, if the PRC tax authorities determine that we are a PRC resident enterprise for enterprise income tax purposes, dividends paid by us (including any dividends held via CCASS) will, and gains realized on the sale or other disposition of our ordinary shares may, be subject to PRC tax, at a rate of 10% in the case of non-PRC enterprises or 20% in the case of non-PRC individuals (in each case, subject to the provisions of any applicable tax treaty), and in the case of dividends, the PRC tax will be withheld at source if such dividends or gains are deemed to be from PRC sources. It is unclear whether non-PRC Shareholders of our company would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your **[REDACTED]** in our **[REDACTED]**.

**Discontinuation of preferential tax treatments we currently enjoy or other unfavorable changes in tax law could result in additional compliance obligations and costs.**

A number of our PRC operating entities enjoy various types of preferential tax treatment according to the prevailing PRC tax laws. Our PRC subsidiaries may, if they meet the relevant requirements, qualify for certain preferential tax treatment.

For a qualified high and new technology enterprise, the applicable enterprise income tax rate is 15%. For a qualified enterprise registered in western regions, the applicable enterprise income tax rate is 15%. For a qualified small low-profit enterprise, the applicable enterprise income tax rate is 20%. For our subsidiaries which are medical institutions, its revenues arising out of medical services are exempt from a 6% value-added tax.

Pursuant to the policy on the exemption of value-added tax specified in Item 7 of Article 1 of the Provisions on Transitional Policies for the Pilot Program of the Collection of Value-Added Tax in Lieu of

Business Tax (Cai Shui [2016] No. 36), revenues arising out of medical services rendered by a medical institution is exempt from value-added tax. On February 2, 2019, STA and Ministry of Finance issued Circular on Clarifying the Exemption of Elderly Care Agencies from Value-added Tax and Other Policies ("2019 VAT Circular"), pursuant to which, from February 1, 2019 to December 31, 2020, a medical institution's revenues arising out of medical services rendered as entrusted by another medical institution shall be exempted from value-added tax. Such value-added tax exemption program contemplated by the 2019 VAT Circular has been further extended through December 31, 2023.

If such PRC subsidiaries fail to maintain its respective qualification under the relevant PRC laws and regulations, their applicable enterprise income tax rates may increase to up to 25% and they may need to pay value-added tax for clinical testing revenues collected from customers, which could have a material adverse effect on our results of operations.

**Fluctuations in exchange rates could result in foreign currency exchange losses.**

The value of RMB against the Hong Kong dollar, the U.S. dollar and other currencies fluctuates, is subject to changes resulting from the PRC government's policies and depends a large extent on domestic and international economic and political developments as well as supply and demand in the local market. It is difficult to predict how market forces or government policies may impact the exchange rate between the RMB and the Hong Kong dollar, the U.S. dollar or other currencies in the future. In addition, the People's Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in RMB exchange rates and achieve policy goals.

The **[REDACTED]** from the **[REDACTED]** will be received in Hong Kong dollars. As a result, any appreciation of the RMB against the Hong Kong dollar may result in the decrease in the value of our **[REDACTED]** from the **[REDACTED]**. Conversely, any depreciation of the RMB may adversely affect the value of, and any dividends payable on, the **[REDACTED]** in foreign currency. In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Furthermore, we are also required to obtain the SAFE's approval before converting significant sums of foreign currencies into RMB if we want to use such **[REDACTED]** in the PRC. All of these factors could materially and adversely affect our business, financial condition, results of operations and prospects, and could reduce the value of, and dividends payable on, the **[REDACTED]** in foreign currency terms.

**The PRC government's control of foreign currency conversion and future fluctuation of Renminbi exchange rates may reduce the value of our [REDACTED] in foreign currency terms and may limit our foreign exchange transactions, including dividend payments on our [REDACTED].**

The PRC government imposes controls on the convertibility of the RMB into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our net revenues in RMB. Under our current corporate structure, our company in the Cayman Islands relies on dividend payments from our PRC subsidiaries to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. Therefore, our PRC subsidiaries are able to pay dividends in foreign currencies to us without

prior approval from SAFE, subject to the condition that the remittance of such dividends outside of the PRC complies with certain procedures under PRC regulations, among other things, such as tax clearance, reservation of capital reserve, the overseas investment registrations by the beneficial owners of our company who are PRC residents. However, approval from or registration with appropriate governmental authorities or their designated agencies like commercial banks is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies.

The PRC government has imposed more restrictive foreign exchange policies and stepped up scrutiny of major outbound capital movement. More restrictions and substantial vetting process are put in place by SAFE to regulate cross-border transactions falling under the capital account. The PRC government may at its discretion further restrict access to foreign currencies in the future for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders.

**PRC regulation of loans to and direct investments in PRC entities by offshore holding companies may delay or prevent us from using the [REDACTED] of the [REDACTED] to make loans or additional capital contributions to our PRC subsidiaries, which could materially and adversely affect our liquidity and our ability to fund and expand our business.**

Any funds we transfer to our PRC subsidiaries, either as a shareholder loan or as an increase in registered capital, are subject to approval by, or registration with, relevant governmental authorities or their designated agencies such as commercial banks in China. According to the relevant PRC regulations on foreign-invested enterprises in China, capital contributions to our PRC subsidiaries are subject to the requirement of making necessary filings in the Foreign Investment Comprehensive Management Information System, or FICMIS, and registration with other governmental authorities or designated commercial banks in China. In addition, (i) any foreign loan procured by our PRC subsidiaries is required to be registered with SAFE, or its local branches or designated commercial banks, and (ii) each of our PRC subsidiaries may not procure loans which exceed the difference between its registered capital and its total investment amount as recorded in FICMIS or twice the net assets of such applicable PRC subsidiary. Any medium- or long-term loan exceeding one year to be provided by us to our PRC subsidiaries other than those directly owned by us must be recorded and registered by the National Development and Reform Committee and the SAFE or its local branches. We may not be able to complete such recording or registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us directly to our PRC subsidiaries. If we fail to complete such recording or registration, our ability to use the **[REDACTED]** of this **[REDACTED]** and to capitalize our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

**Heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on our business operations, our acquisition, or restructuring strategy or the value of your [REDACTED] in us.**

On February 3, 2015, the State Administration of Tax issued a Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises (the "**Public Notice 7**",《國家稅務總局關於非居民企業間接轉讓財產企業所得稅若干問題的公告》). Public Notice 7 extends its tax jurisdiction to not only indirect transfers of equity interests in a PRC resident

enterprise by way of disposing of equity interests in an overseas holding company but also transactions involving transfer of other PRC taxable assets through the offshore transfer of a foreign intermediate holding company. In addition, Public Notice 7 provides clear criteria on how to assess reasonable commercial purposes and has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. Public Notice 7 also brings challenges to both the foreign transferor and transferee (or other person who is obligated to pay for the transfer) of the taxable assets. Where a non-resident enterprise conducts an "indirect transfer" by transferring the taxable assets indirectly by disposing of the equity interests of an overseas holding company, the non-resident enterprise being the transferor, or the transferee, or the PRC entity which directly owned the taxable assets may report to the relevant tax authority such indirect transfer. Using a "substance over form" principle, the PRC tax authority may re-characterize such indirect transfer as a direct transfer of the equity interests in the PRC tax resident enterprise and other properties in China. As a result, gains derived from such indirect transfers may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of up to 10% for the transfer of equity interests in a PRC resident enterprise. Both the transferor and the transferee may be subject to late payment fees and penalties under PRC tax laws if the transferee fails to withhold the taxes and the transferor fails to pay the taxes on a timely manner.

We face uncertainties with respect to the reporting and consequences of private equity financing transactions, share exchange or other transactions involving the transfer of shares in our company by investors that are non-PRC resident enterprises, or sale or purchase of shares in other non-PRC resident companies, or other taxable assets, by us. Our company and other non-resident enterprises of ours may be subject to filing or tax obligations if our company and other non-resident enterprises of ours are transferors in such transactions, and we may be subject to withholding obligations if our company and other non-resident enterprises of ours are transferees in such transactions, under Public Notice 7. For the transfer of shares in our company by investors that are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under Public Notice 7. As a result, we may be required to expend valuable resources to comply with Public Notice 7 or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that our company and other non-resident enterprises of ours should not be taxed under these circulars. The PRC tax authorities have the discretion under Public Notice 7 to make adjustments to the taxable capital gains based on the difference between the fair value of the taxable assets transferred and the cost of investment. If the PRC tax authorities make adjustments to the taxable income of the transactions under Public Notice 7, our income tax costs associated with such transactions may be increased, which may have an adverse effect on our financial condition and results of operations. We have made acquisitions in the past and may conduct additional acquisitions in the future. We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance to them for the investigation of any transactions we were involved in. Heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions we may pursue in the future.

**We may be subject to penalties, including restriction on our ability to inject capital into our PRC subsidiaries and our PRC subsidiaries' ability to distribute profits to us, if our PRC resident Shareholders or beneficial owners fail to comply with relevant PRC foreign exchange regulations.**

The SAFE has promulgated several regulations that require PRC residents to register with, and obtain approval from, local branches of the SAFE and/or their designated commercial banks in connection with their direct or indirect offshore investment activities. The Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, (the "SAFE Circular 37",《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), was promulgated by the SAFE in July 2014 that requires PRC residents to register with the SAFE or its local branch or designated commercial banks in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. These regulations apply to our Shareholders who are PRC residents.

Under these foreign exchange regulations, PRC residents who make, or have previously made, prior to the implementation of these foreign exchange regulations, direct or indirect investments in offshore companies are required to register those investments. In addition, any PRC resident who is a direct or indirect shareholder of an offshore company is required to update the previously filed registration with the local branch or commercial banks of the SAFE, with respect to that offshore company, to reflect any material change involving its round-trip investment, capital variation, such as an increase or decrease in capital, transfer or swap of shares, merger or division. If any PRC shareholder fails to make the required registration or update the previously filed registration, the PRC subsidiary of that offshore parent company may be restricted from distributing their profits and the proceeds from any reduction in capital, share transfer or liquidation to their offshore parent company, and the offshore parent company may also be restricted from injecting additional capital into its PRC subsidiary. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC laws for evasion of applicable foreign exchange restrictions, including (i) the requirement by the SAFE to return the foreign exchange remitted overseas or into PRC within a period of time specified by the SAFE, with a fine of up to 30% of the total amount of foreign exchange remitted overseas or into PRC and deemed to have been evasive or illegal and (ii) in circumstances involving serious violations, a fine of no less than 30% of and up to the total amount of remitted foreign exchange deemed evasive or illegal.

We have requested PRC residents holding direct or indirect interest in our Company to our knowledge to make the necessary applications, filings and amendments as required by applicable foreign exchange regulations. In addition, we may not always be able to compel them to comply with SAFE Circular 37 or other related regulations. Failure by any such Shareholders to comply with SAFE Circular 37 or other related regulations could subject us to fines or legal sanctions, restrict our investment activities in the PRC and overseas or cross-border investment activities, limit our subsidiaries' ability to make distributions, pay dividends or other payments to us or affect our ownership structure, which could adversely affect our business and prospects. As of the Latest Practicable Date, we cannot assure you that our Shareholders who are PRC residents have completed their registration under the SAFE Circular 37.

As there is uncertainty concerning the reconciliation of these foreign exchange regulations with other approval requirements, it is unclear how these regulations, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant governmental

authorities. We cannot predict how these regulations will affect our business operations or future strategy. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign currency-denominated borrowings, which may adversely affect our results of operations and financial condition. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we or the owners of such company, as the case may be, will be able to obtain the necessary approvals or complete the necessary filings and registrations required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy and could adversely affect our business and prospects.

**Failure to comply with PRC regulations regarding the registration requirements for the [REDACTED] Share Award Scheme may subject the PRC plan participants or us to fines and other legal or administrative sanctions.**

In February 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies (the "SAFE Circular 7",《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》). Under SAFE Circular 7 and other relevant rules and regulations, PRC residents who participate in a stock incentive plan in an overseas publicly-listed company are required to register with the SAFE or its local branches or commercial banks and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly listed company or another qualified institution selected by a PRC subsidiary, to conduct SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend its SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. We and our PRC employees who are granted share awards will be subject to these regulations upon the completion of this **[REDACTED]**. Failure to complete their SAFE registrations may subject these PRC residents to fines of up to RMB300,000 for entities and up to RMB50,000 for individuals, and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiary, limit our PRC subsidiary's ability to distribute dividends to us, or otherwise materially adversely affect our business.

**We may be subject to penalties under relevant PRC laws and regulations due to failure to be in full compliance with social insurance and housing provident fund regulation.**

Pursuant to PRC laws and regulations, we are required to participate in the employee social welfare plan administered by local governments. Such plan consists of pension insurance, medical insurance, work-related injury insurance, maternity insurance, unemployment insurance and housing provident fund. The amount we are required to contribute for each of our employees under such plan should be calculated based on the employee's actual salary level of previous year, and be subject to a minimum and maximum level as from time to time prescribed by local authorities. During the Track Record Period, we did not pay social insurance and housing provident fund in full for our employees based on their actual salary level. As a result, we may be required by competent authorities to pay the outstanding amount, and could be subject to late payment penalties or enforcement application made to the court. As advised by our PRC Legal Advisor, if we fail to pay the outstanding amount of the social insurance contributions within a prescribed time limit,

we could be subject to an overdue fine of 0.05% of the delayed payment per day from the date when the payment is due and a further fine equivalent to one to three times of the amount of the overdue payment. In addition, if we fail to pay the housing provident fund within the prescribed time limit, we could be subject to a fine ranging from RMB10,000 to RMB50,000. As of the Latest Practicable Date, no competent government authorities had imposed administrative action, fine or penalty to us with respect to this non-compliance incident nor had any competent government authorities required us to settle the outstanding amount of social insurance payments and housing provident fund contributions. We have made provisions for the outstanding balance of relevant social insurance payments and housing provident fund contributions according to applicable PRC regulations. We have made provisions of RMB3.8 million, RMB5.4 million and negative RMB0.3 million for the social insurance and housing provident fund contribution shortfall in 2018, 2019 and 2020, respectively.

During the Track Record Period, some of our PRC subsidiaries engaged third-party human resources agencies to pay social insurance premium and housing provident funds for certain of our employees. Pursuant to the agreements entered into between such third-party human resources agencies and our Company or our relevant PRC subsidiaries, the third-party human resources agencies have the obligation to pay social insurance premium and housing provident funds for our relevant employees. However, if such human resource agencies fail to pay the social insurance premium or housing provident funds for and on behalf of our employees as required by applicable PRC laws and regulations, we may be subject to additional contribution, late payment fee and/or penalties imposed by the relevant PRC authorities for failing to discharge our obligations in relation to payment of social insurance and housing provident funds as an employer or be ordered to rectify. This in turn may adversely affect our financial condition and results of operations.

As the interpretation and implementation of labor laws and regulations are still evolving, we cannot assure you that our employment practice policy is and will at all times be deemed to be in full compliance with labor-related laws and regulations in China, which may subject us to labor disputes or government investigations. If we are deemed to have violated relevant labor laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations could be materially and adversely affected. For more details, please see "Business – Employment."

**Certain judgments obtained against us by our Shareholders may not be enforceable.**

We are a company incorporated in the Cayman Islands and substantially all of our assets are located in China and substantially all of our current operations are conducted in China as well. In addition, a majority of our current directors and officers are nationals and residents of China and substantially all of the assets of these persons are located in China. As a result, it may be difficult or impossible for you to effect service of process within Hong Kong upon us or these persons, or to bring an action in Hong Kong against us or against these individuals in the event that you believe that your rights have been infringed under the applicable securities laws or otherwise. In addition, because there are no specific statutory and judicial interpretations or guidance on a PRC court's jurisdiction over cases brought under foreign securities laws other than those specified in the Securities Law of the People's Republic of China, the PRC Criminal Code and its corresponding procedural laws or conflicts of laws, it may be difficult for you to bring an original action against us or our PRC resident officers and directors in a PRC court based on the liability provisions

of non-PRC securities laws. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers.

**We may face challenges by third parties or government authorities with respect to our rights to use some of our leased properties, and incur additional expenses if we are forced to relocate.**

As of the Latest Practicable Date, with respect to certain of our leased properties used primarily as offices and registered addresses in the PRC, the lessors have not provided valid title certificates or authorizations evidencing their rights to lease the properties. As a result, we cannot assure you that we will not be subject to any challenges, lawsuits or other actions taken against us with respect to the properties leased by us for which the relevant lessors do not hold valid title certificates or authorizations. If our rights with respect to any of such properties were successfully challenged, the lease may be voided and we may be forced to relocate our operations on the affected properties. If we fail to find suitable replacement properties on terms acceptable to us for the affected operations, or if we are subject to any material liability resulting from third-party challenges for our lease of properties for which we or our lessors do not hold valid title certificates or authorizations, our business, financial condition and results of operations may be materially and adversely affected.

In addition, we did not receive approvals for the completion acceptance of fire protection and environmental protection facilities for our laboratory construction project in Xinjiang with a 1,078.61 s.q.m. GFA as of the Latest Practicable Date. According to the Fire Prevention Law of the PRC, and as advised by our PRC Legal Advisor, for putting the construction project into use without the completion acceptance of fire protection, we may be subject to a fine ranging from RMB30,000 to RMB300,000 and suspension of the use of the relevant property. According to the Administration Rules on Environmental Protection of Construction Projects and relevant rules, and as advised by our PRC Legal Advisor, for putting the construction project into use without the completion acceptance of environmental protection facilities, the relevant PRC government authority may order us to make correction within a prescribed time limit and impose a fine ranging from RMB200,000 to RMB1,000,000. Failure to do so with the time limited may subject us to a fine ranging from RMB1,000,000 to RMB2,000,000. If material environmental pollution or ecological damage is caused, we may be subjected to suspension of the use of the relevant property. For more details, please see "Business – Properties."

**The lease agreements of our leased properties have not been registered with the relevant PRC government authorities as required by PRC law, which may expose us to potential fines.**

As of the Latest Practicable Date, the lease agreements with respect to 60 properties we lease in the PRC for our business operations had not been registered and filed with the relevant PRC government authorities. As advised by our PRC Legal Advisor, failure to register such lease agreements with the relevant PRC government authorities does not affect the validity and enforceability of the relevant lease agreements but the relevant PRC government authorities may order us or the lessors to, within a prescribed time limit, register the lease agreements. Failure to do so with the time limit may subject us to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease. During the Track Record Period and as of the Latest Practicable Date, we had not received any such request or suffered any such fine from the relevant PRC government authorities. For more details, see "Business – Properties."

## RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

**If the PRC government finds that the agreements that establish the structure for operating our businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of contractual arrangements and the relinquishment of our interest in PRC Consolidated Entities.**

Current PRC laws and regulations impose certain restrictions and prohibitions on foreign ownership of companies that engage in the internet and other related businesses, such as the provision of internet information.

We are a company incorporated under the laws of the Cayman Islands, and WFOEs, our PRC subsidiary, is considered a foreign-invested enterprise. To comply with PRC laws and regulations, we conduct a portion of our business in China through PRC Consolidated Entities based on contractual arrangements which enable us to (i) have the power to direct the activities that most significantly affect the economic performance of PRC Consolidated Entities; (ii) receive substantially all of the economic benefits from PRC Consolidated Entities in consideration for the services provided by WFOEs, respectively; and (iii) have an exclusive option to purchase all or part of the equity interests in PRC Consolidated Entities when and to the extent permitted by PRC law, or request that any existing shareholder of PRC Consolidated Entities to transfer any or part of the equity interest in PRC Consolidated Entities to another PRC person or entity designated by us at any time at our discretion according to the relevant law. Because of these contractual arrangements, we are the primary beneficiary of PRC Consolidated Entities and hence consolidate its results of operations into ours. PRC Consolidated Entities hold certain licenses, approvals and key assets that are essential for our business operations.

If the PRC government finds that our contractual arrangements do not comply with its restrictions on foreign investment in businesses, or if the PRC government otherwise finds that we or PRC Consolidated Entities are in violation of PRC laws or regulations or lack the necessary permits or licenses to operate our business, the relevant PRC regulatory authorities, including the MOFCOM and NHC, would have broad discretion in dealing with such violations or failures, including, without limitation:

- revoking our business and operating licenses;
- discontinuing or restricting our operations;
- imposing fines or confiscating any of our income that they deem to have been obtained through illegal operations;
- imposing conditions or requirements with which we or our PRC subsidiaries and PRC Consolidated Entities may not be able to comply;
- requiring us or our PRC subsidiaries and PRC Consolidated Entities to restructure the relevant ownership structure or operations;
- restricting or prohibiting our use of the **[REDACTED]** from the **[REDACTED]** or other of our financing activities to finance the business and operations of PRC Consolidated Entities; or
- taking other regulatory or enforcement actions that could be harmful to our business.

Any of these actions could cause significant disruption to our business operations and may materially and adversely affect our business, financial condition and results of operations. In addition, it is unclear

what impact the PRC government actions would have on us and on our ability to consolidate the financial results of PRC Consolidated Entities in our consolidated financial statements, if the PRC governmental authorities find our legal structure and contractual arrangements to be in violation of PRC laws, rules and regulations. If any of these penalties results in our inability to direct the activities of PRC Consolidated Entities that most significantly impact their economic performance and/or our failure to receive the economic benefits from PRC Consolidated Entities, we may not be able to consolidate PRC Consolidated Entities into our consolidated financial statements in accordance with IFRS.

**Our contractual arrangements may not be as effective in providing operational control as direct ownership. PRC Consolidated Entities or its Registered Shareholders may fail to perform their obligations under our contractual arrangements.**

Due to the PRC restrictions or prohibitions on foreign ownership of healthcare and other related businesses in China, we operate a portion of our business in China through PRC Consolidated Entities, in which we have no ownership interest. We rely on a series of contractual arrangements with PRC Consolidated Entities and their Registered Shareholders to control and operate its business. These contractual arrangements are intended to provide us with effective control over PRC Consolidated Entities and allow us to obtain economic benefits from it. See "Contractual Arrangements" for more details about these contractual arrangements.

Although we have been advised by our PRC Legal Advisor that our contractual arrangements with PRC Consolidated Entities constitute valid and binding obligations enforceable against each party of such agreements in accordance with their terms, these contractual arrangements may not be as effective in providing control over PRC Consolidated Entities as direct ownership. If our PRC Consolidated Entities or their Registered Shareholders fail to perform their respective obligations under the contractual arrangements, we may incur substantial costs and expend substantial resources to enforce our rights. All of these contractual arrangements are governed by, and interpreted in accordance with, PRC laws and disputes arising from these contractual arrangements will be resolved through arbitration or litigation in China. However, the legal system in China is still evolving and not as developed as in other jurisdictions. There are very few precedents and little official guidance as to how contractual arrangements in the context of a variable interest entity should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the outcome of arbitration or litigation. These uncertainties could limit our ability to enforce these contractual arrangements. In the event we are unable to enforce these contractual arrangements or we experience significant delays or other obstacles in the process of enforcing these contractual arrangements, we may not be able to exert effective control over our affiliated entities and may lose control over the assets owned by PRC Consolidated Entities. As a result, we may be unable to consolidate PRC Consolidated Entities in our consolidated financial statements and our ability to conduct our business may be negatively affected.

**We may lose the ability to use licenses, approvals and assets held by PRC Consolidated Entities that are material to our business operations if PRC Consolidated Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding.**

We do not have priority pledges and liens against the assets of our PRC Consolidated Entities. If any of our PRC Consolidated Entities undergoes an involuntary liquidation proceeding, third-party creditors may claim rights to some or all of its assets and we may not have priority over such third-party creditors on

the assets of our PRC Consolidated Entities. If any of our PRC Consolidated Entities liquidates, we may take part in the liquidation procedures as a general creditor under the PRC Enterprise Bankruptcy Law and claim any outstanding liabilities owed by such PRC Consolidated Entity to our PRC subsidiary under the exclusive business cooperation agreement, along with other general creditors.

If the Registered Shraeholders of our PRC Consolidated Entities were to attempt to voluntarily liquidate our PRC Consolidated Entities without obtaining our prior consent, we could effectively prevent such unauthorized voluntary liquidation by exercising our right to request the Registered Shraeholders of our PRC Consolidated Entities to transfer all of their respective equity ownership interests to a PRC entity or individual designated by us in accordance with the exclusive call option agreement with the Registered Shareholders of our PRC Consolidated Entities. In addition, under the contractual arrangements signed by, among others, our PRC subsidiary, the PRC Consolidated Entities and the Registered Shareholders, the Registered Shareholders do not have the right to receive dividends or retained earnings or other distributions from the PRC Consolidated Entities without our consent. In the event that the Registered Shareholders initiate a voluntary liquidation proceeding without our authorization or attempts to distribute the retained earnings or assets of our PRC Consolidated Entities without our prior consent, we may need to resort to legal proceedings to enforce the terms of the contractual arrangements. Any such legal proceeding may be costly and may divert our management's time and attention away from the operation of our business, and the outcome of such legal proceeding will be uncertain.

**The Registered Shareholders of PRC Consolidated Entities may have conflicts of interest with us, which may materially and adversely affect our business.**

The Registered Shareholders of PRC Consolidated Entities may potentially have a conflict of interest with us, and they may breach their Contractual Arrangements with us, if they believe it would further their own interest or if they otherwise act in bad faith. We cannot assure you that when conflicts of interest arise between us and PRC Consolidated Entities, the Registered Shareholders of PRC Consolidated Entities will act in our interests or that the conflicts of interest will be resolved in our favor.

In addition, the Registered Shareholders of PRC Consolidated Entities may breach or cause PRC Consolidated Entities to breach the Contractual Arrangements. If PRC Consolidated Entities or its Registered Shareholders breach their Contractual Arrangements with us or otherwise have disputes with us, we may have to initiate legal proceedings, which involve significant uncertainty. Such disputes and proceedings may significantly disrupt our business operations, adversely affect our ability to control PRC Consolidated Entities and otherwise result in negative publicity. We cannot assure you that the outcome of any such dispute or proceeding will be in our favor.

**If we exercise the option to acquire equity ownership and assets of PRC Consolidated Entities, the ownership or asset transfer may subject us to certain limitations and substantial costs.**

Pursuant to the contractual arrangements, WFOEs or its designated person(s) has the exclusive right to purchase all or any part of the equity interests in PRC Consolidated Entities from their Registered Shareholders for a nominal price.

The equity transfer may be subject to the approvals from and filings with the SAMR and other competent governmental authorities and/or their local competent branches. In addition, the equity transfer

price may be subject to review and tax adjustment by the relevant tax or commerce authority. The Registered Shareholders of PRC Consolidated Entities will pay the equity transfer price they receive to PRC Consolidated Entities under the contractual arrangements. The amount to be received by PRC Consolidated Entities may also be subject to enterprise income tax. Such tax amounts could be substantial.

**Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance, and business operations.**

On January 1, 2020, the Foreign Investment Law came into effect. The Foreign Investment Law replaced the Sino-Foreign Equity Joint Venture Enterprise Law (《中華人民共和國中外合資經營企業法》), the Sino-Foreign Cooperative Joint Venture Enterprise Law (《中華人民共和國中外合作經營企業法》) and the Wholly Foreign-Invested Enterprise Law (《中華人民共和國外資企業法》) to become the legal foundation for foreign investment in the PRC. The Foreign Investment Law defines foreign investment as any investment activity directly or indirectly carried out in the PRC by one or more foreign natural persons, enterprises or other organizations ("Foreign Investor(s)"), and specifically stipulates four forms of investment activities as foreign investment, namely, (a) establishment of a foreign invested enterprise in the PRC by a Foreign Investor, either individually or collectively with any other investor, (b) obtaining shares, equities, assets interests or any other similar rights or interests of an enterprise in the PRC by a Foreign Investor; (c) investment in any new construction project in the PRC by a Foreign Investor, either individually or collectively with any other investor, and (d) investment in any other manners stipulated under laws, administrative regulations or provisions prescribed by the State Council.

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including us, to obtain and maintain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions or prohibitions in China. The Foreign Investment Law stipulates four forms of investment activity as foreign investment. However, the Foreign Investment Law does not explicitly stipulate the contractual arrangements as a form of foreign investment.

Notwithstanding the above, the Foreign Investment Law stipulates that "investment in any other manners stipulated under laws, administrative regulations or provisions prescribed by the State Council." Therefore, there is the possibility that future laws, administrative regulations or provisions of the State Council may stipulate certain contractual arrangements to be a means of foreign investment, which may affect whether our contractual arrangements will be recognized as foreign investment, whether our contractual arrangements will be deemed to be in violation of the foreign investment access requirements, and therefore how our contractual arrangements will be handled are uncertain.

In an extreme scenario, we may be required to unwind the contractual arrangements and/or dispose of PRC Consolidated Entities, which could have a material and adverse effect on our business, financial condition and result of operations. In the event that we no longer have a sustainable business after the aforementioned unwinding of the contractual arrangements or disposal or in the event such measures are not complied with, the Stock Exchange may take enforcement actions against us which may have a material adverse effect on the trading of our Shares or even result in the delisting of our Company. For details of the Foreign Investment Law and its potential impact on our Company, see "Regulations – Laws and Regulations Related to Foreign Investment in the PRC – Foreign Investment Law of the PRC and its Implementation Regulations."

Therefore, there is no guarantee that our contractual arrangements and the business of PRC Consolidated Entities will not be materially and adversely affected in the future.

**Our contractual arrangements may be subject to scrutiny by the PRC tax authorities, and a finding that we owe additional taxes could substantially reduce our consolidated net income and the value of your [REDACTED].**

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the contractual arrangements among our PRC subsidiaries and PRC Consolidated Entities do not represent an arm's-length price and adjust PRC Consolidated Entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could, among other things, result in a reduction for PRC tax purposes, of expense deductions recorded by PRC Consolidated Entities, which could in turn increase their tax liabilities. In addition, the PRC tax authorities may impose late payment fees and other penalties to our PRC variable interest entities for under-paid taxes. Our results of operations may be materially and adversely affected if our tax liabilities increase or if we are found to be subject to late payment fees or other penalties.

**RISKS RELATING TO THE [REDACTED]**

**There has been no prior public market for the Shares and the liquidity and market price of our Shares may be volatile.**

Prior to completion of the **[REDACTED]**, there has been no public stock market for our Shares. There can be no guarantee that an active trading market for our Shares will develop or be sustained after completion of the **[REDACTED]**. The **[REDACTED]** is the result of negotiations among our Company, and the **[REDACTED]** (for themselves and on behalf of the **[REDACTED]**), which may not be indicative of the price at which our Shares will be traded following completion of the **[REDACTED]**. The market price of our Shares may drop below the **[REDACTED]** at any time after completion of the **[REDACTED]**.

**The trading price of the Shares may be volatile, which could result in substantial losses to you.**

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes for our Shares. A number of PRC-based companies have listed their securities, and some are in the process of preparing for listing their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their initial public offerings. The trading performances of the securities of these companies at the time of or after their offerings may affect the overall investor sentiment towards PRC-based companies listed in Hong Kong and consequently may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

**There will be a gap of several days between pricing and trading of our Shares, and the price of our Shares when trading begins could be lower than the [REDACTED].**

The initial price to the public of our Shares sold in the **[REDACTED]** is expected to be determined on the **[REDACTED]**. However, the Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be five Business Days after the **[REDACTED]**. As a result, **[REDACTED]** may not be able to sell or otherwise deal in the Shares during that period. Accordingly, holders of our **[REDACTED]** are subject to the risk that the price of the Shares when trading begins could be lower than the **[REDACTED]** as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

**You will incur immediate and substantial dilution and may experience further dilution in the future.**

As the **[REDACTED]** of our **[REDACTED]** is higher than the net tangible book value per Share of our Shares immediately prior to the **[REDACTED]**, purchasers of our Shares in the **[REDACTED]** will experience an immediate dilution. If we issue additional **[REDACTED]** in the future, purchasers of our **[REDACTED]** in the **[REDACTED]** may experience further dilution in their shareholding percentage.

**The actual or perceived sale or availability for sale of substantial amounts of our Shares, especially by our Directors, executive officers and our existing shareholders, could adversely affect the market price of our Shares.**

Future sales of a substantial number of our Shares, especially by our Directors, executive officers and our existing shareholders, or the perception or anticipation of such sales, could negatively impact the market price of our Shares in Hong Kong and our ability to raise equity capital in the future at a time and price that we deem appropriate.

The Shares held by our certain existing shareholders are subject to certain lock-up periods. While we currently are not aware of any intention of our existing shareholders to dispose of significant amounts of his Shares after the expiry of the lock-up periods, we cannot assure you that he will not dispose of any Shares he may own now or in the future.

**We are a Cayman Islands company and, because judicial precedent regarding the rights of shareholders is more limited under the laws of the Cayman Islands than other jurisdictions, you may have difficulties in protecting your shareholder rights.**

Our corporate affairs are governed by our Memorandum and Articles and by the Cayman Companies Act and common law of the Cayman Islands. The rights of Shareholders to take legal action against our Directors and us, actions by minority Shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes and judicial precedent in existence in the jurisdictions where minority Shareholders may be located. See "Appendix III – Summary of the Constitution of our Company and Cayman Companies Act" in this Document.

As a result of all of the above, minority Shareholders may have difficulties in protecting their interests under the laws of the Cayman Islands through actions against our management, Directors or substantial shareholders of our Company, which may provide different remedies to minority Shareholders when compared to the laws of the jurisdiction in which such shareholders are located.

**There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various independent third-party sources, including the industry expert reports, contained in this Document.**

This Document, particularly the sections headed "Business" and "Industry Overview," contains information and statistics relating to the esoteric testing market. Such information and statistics have been derived from a third-party report commissioned by us and publicly available sources. We believe that the sources of the information are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. However, we cannot guarantee the quality or reliability of such source materials. The information has not been independently verified by us, **[REDACTED]**, the Joint Sponsors, **[REDACTED]** or any other party involved in the **[REDACTED]**, and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics included in this Document being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. You should consider carefully the importance placed on such information or statistics.

**You should read the entire Document carefully and should not rely on any information contained in press articles or other media regarding us or the [REDACTED].**

We strongly caution you not to rely on any information contained in press articles or other media regarding us and the **[REDACTED]**. Prior to the publication of this Document, there has been press and media coverage regarding us and the **[REDACTED]**. Such press and media coverage may include references to certain information that does not appear in this Document, including certain operating and financial information and projections, valuations and other information. We have not authorized the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information or publication. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. To the extent that any such information is inconsistent or conflicts with the information contained in this Document, we disclaim responsibility for it and you should not rely on such information.

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

## MANAGEMENT PRESENCE IN HONG KONG

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

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

(i) both of our Company's authorized representatives, Ms. Chai Haijie (柴海節) ("**Ms. Chai**"), one of our executive Directors, Chief Financial Officer and one of our joint company secretaries, and Ms. Chan Wai Ling (陳蕙玲) ("**Ms. Chan**"), one of our joint company secretaries, will act as our Company's principal channel of communication with the Stock Exchange. Accordingly, the authorized representatives of our Company will be able to meet with the relevant members of the Stock Exchange on reasonable notice and will be readily contactable by telephone and email;

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

(iii) each Director has provided his/her current contact details to the authorized representatives of our Company and the Stock Exchange, and in the event that any Director expects to travel or otherwise be out of the office, he/she will provide the phone number of the place of his/her accommodation to the authorized representatives;

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

(v) our Company has, in compliance with Rule 3A.19 of the Listing Rules, appointed Somerley Capital Limited as our compliance adviser (the "**Compliance Adviser**"), who will also act as an additional channel of communication with the Stock Exchange for the period commencing from the **[REDACTED]** to the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of its financial results for the first full financial year commencing after the

**[REDACTED]**. The Compliance Adviser will maintain constant contact with the authorized representatives, Directors and senior management through various means, including regular meetings and telephone discussions whenever necessary. Our authorized representatives, Directors and other officers of our Company will provide promptly such information and assistance as the Compliance Adviser may reasonably require in connection with the performance of the Compliance Adviser's duties as set forth in Chapter 3A of the Listing Rules;

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

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

## JOINT COMPANY SECRETARIES

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

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

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

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

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

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

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

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

(d) professional qualifications in other jurisdictions.

We have principal business activities primarily outside Hong Kong. Our Company is established under the laws of the Cayman Islands and a significant part of our business operations are conducted in the PRC. All Directors and members of the senior management of the Company who are familiar with its activities and have extensive experience in board and corporate management matters presently do not possess any of the qualifications under Rules 3.28 and 8.17 of the Listing Rules, and may not be able to solely fulfill the requirements of the Listing Rules.

We have therefore appointed Ms. Chai and Ms. Chan as our joint company secretaries. Although Ms. Chai does not possess the qualifications set out in Rule 3.28 of the Listing Rules, we would like to appoint her as a joint company secretary due to her past management experience within our Group and her thorough understanding of the internal administration and business operations of our Group. Further, as our Company's Chief Financial Officer, Ms. Chai has a close nexus and working relationship with the Directors and senior management team of our Company, and will be able to perform the function of a company secretary and to take the necessary actions in the most effective and efficient manner. See the section headed "Directors and Senior Management" in this Document for further information regarding the qualifications and experience of Ms. Chai and Ms. Chan.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules in relation to the appointment of Ms. Chai as our joint company secretary. Pursuant to the Guidance Letter HKEX-GL108-20, the waiver will be for a fixed period of time ("**Waiver Period**") and on the following conditions: (i) the proposed company secretary must be assisted by a person who possesses the qualifications or experience as required under Rule 3.28 of the Listing Rules ("**Qualified Person**") and is appointed as a joint company secretary throughout the Waiver Period; and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by the issuer. In order to provide support to Ms. Chai, we have appointed Ms. Chan, a fellow member of The Hong Kong Institute of Chartered Secretaries, and The Chartered Governance Institute, who is a Qualified Person, as a joint company secretary to provide assistance to Ms. Chai, for a three-year period from the **[REDACTED]** so as to enable her to acquire the relevant experience (as required under Rule 3.28(2) of the Listing Rules) to duly discharge her duties. If and when Ms. Chan ceases to be a joint company secretary before the end of the three-year period, the Company will appoint another Qualified Person as a replacement.

Such waiver will be revoked immediately if and when Ms. Chan ceases to be a joint company secretary or ceases to provide such assistance, and can also be revoked if there are material breaches of the Listing Rules by our Company. We will liaise with the Stock Exchange before the end of the three-year period to enable it to assess whether Ms. Chai, having had the benefit of Ms. Chan's and, if applicable, another Qualified Person's assistance for three years, will have acquired relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

## CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute continuing connected transactions of our Company under the Listing Rules following the completion of the **[REDACTED]**. We have applied to

the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with (where applicable) (i) the announcement and independent shareholders' approval requirements, (ii) the annual cap requirement, and (iii) the requirement of limiting the term of the continuing connected transactions set out in Chapter 14A of the Listing Rules for such continuing connected transactions. Should there be any amendment of terms of the Contractual arrangements or any proposed transaction to be entered into between our Group and its connected person(s), our Group shall comply with the requirements under Chapter 14A of the Listing Rules unless a waiver from the Stock Exchange is obtained as appropriate. For further details, see the section headed "Continuing Connected Transactions" in this Document.

**[REDACTED]**

# [REDACTED]

## WAIVER AND EXEMPTION IN RELATION TO THE [REDACTED] STOCK INCENTIVE PLANS

Rule 17.02(1)(b) of the Listing Rules requires a listing applicant to, inter alia, disclose in the document full details of all outstanding options and their potential dilution effect on the shareholdings upon **[REDACTED]** as well as the impact on the earnings per share arising from the exercise of such outstanding options.

Paragraph 27 of Appendix 1A to the Listing Rules requires a listing applicant to disclose, inter alia, particulars of any capital of any member of the group which is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee, or an appropriate negative statement, provided that where options have been granted or agreed to be granted to all the members or debenture holders or to any class thereof, or to employees under a share option scheme, it shall be sufficient, so far as the names and addresses are concerned, to record that fact without giving the names and addresses of the grantees.

Under section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the document must state the matters specified in Part I of the Third Schedule.

Under paragraph 10 of Part I of the Third Schedule, the number, description and amount of any shares in or debentures of the company which any person has, or is entitled to be given, an option to subscribe for, together with the particulars of the option, that is to say, (a) the period during which it is exercisable; (b) the price to be paid for shares or debentures subscribed for under it; (c) the consideration (if any) given or to be given for it or for the right to it; and (d) the names and addresses of the persons to whom it or the right to it was given or, if given to existing shareholders or debenture holders as such, the relevant shares or debentures must be specified in the document.

As of the Latest Practicable Date, share options were granted to 294 grantees, including two Directors who are also members of the senior management of our Company and 292 other employees of our Group

(who were granted options to subscribe for 18,632,080 ordinary shares and 19,771,270 ordinary shares, respectively (to be adjusted to [74,528,320] Shares and [79,085,080] Shares, respectively, upon the Share Subdivision)), to subscribe for an aggregate of 38,403,350 ordinary shares (to be adjusted to [153,613,400] Shares upon the Share Subdivision), without taking into consideration of those options which have been forfeited, of which a portion of the options corresponding to 9,656,036 ordinary shares (to be adjusted to [38,624,144] Shares upon the Share Subdivision) had been exercised by Mr. Tu, one of executive Directors and Chief Operating Officer.

As of the Latest Practicable Date, options to subscribe for 28,747,314 ordinary shares (to be adjusted to [114,989,256] Shares upon the Share Subdivision) were outstanding, for which the grantees include two Director who are also members of the senior management of our Company (options to subscribe for 8,976,044 ordinary shares (to be adjusted to [35,904,176] Shares upon the Share Subdivision)) and 292 other employees of our Group (options to subscribe for 19,771,270 ordinary shares (to be adjusted to [79,085,080] Shares upon the Share Subdivision)). Save for the foregoing, no options will be granted pursuant to the **[REDACTED]** Stock Incentive Plans. No option under the **[REDACTED]** Stock Incentive Plans has been granted to other connected persons of our Company.

We have applied to (i) the Stock Exchange for a waiver from strict compliance with the requirements under Rule 17.02(1)(b) of the Listing Rules and paragraph 27 of Appendix 1A to the Listing Rules and (ii) the SFC for an exemption from strict compliance with paragraph 10(d) of Part I of the Third Schedule pursuant to section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in connection with the disclosure of certain details relating to the share options and certain grantees in this Document on the ground that the waiver and the exemption will not prejudice the interest of the investing public and strict compliance with the above requirements would be unduly burdensome for our Company for the following reasons:

(a) the share options granted to our Directors and members of the senior management, full details of which are disclosed in the Document as explained in paragraph (c)(iv) below, already account for 100% and approximately 31.2% of all exercised and outstanding share options under the **[REDACTED]** Stock Incentive Plans as of the Latest Practicable Date;

(b) our Directors consider that it would be unduly burdensome to disclose in the Document full details of all the share options granted by our Company to each of the grantees, which would significantly increase the cost and time required for information compilation and document preparation for strict compliance with such disclosure requirements;

(c) material information on the share options has been disclosed in the Document to provide prospective **[REDACTED]** with sufficient information to make an informed assessment of the potential dilutive effect and impact on earnings per Share of the share options in making their **[REDACTED]** decision, and such information includes:

    (i) a summary of the latest terms of the **[REDACTED]** Stock Incentive Plans;

(ii) the aggregate number of Shares subject to the share options and the percentage of the Shares of which such number represents;

(iii) the dilutive effect and the impact on earnings per Share upon full exercise of the options to subscribe for 28,747,314 ordinary shares (to be adjusted to [114,989,256] Shares upon the Share Subdivision) immediately following completion of the **[REDACTED]** and the Share Subdivision (assuming the **[REDACTED]** is not exercised);

(iv) full details of the share options granted to our Directors and members of the senior management are disclosed in this Document, and such details include all the particulars required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part 1 of the Third Schedule;

(v) with respect to the share options granted by our Company under the **[REDACTED]** Stock Incentive Plans to employees, other than those referred to in subparagraph (iv) above, details including the aggregate number of such grantees and the number of Shares subject to the share options, the consideration paid for the grant of the share options and the exercise period and the exercise price for the share options; and

(vi) should the Stock Exchange and the SFC grant a waiver and exemption, the particulars of the waiver and exemption, respectively;

and the above disclosure is consistent with the conditions ordinarily expected by the Stock Exchange in similar circumstances as set out in Guidance Letter HKEx-GL11-09 issued in July 2009 and updated in March 2014 by the Stock Exchange;

(d) with respect to the 292 other employees of our Group who have been granted share options under the **[REDACTED]** Stock Incentive Plans to acquire an aggregate of 19,771,270 ordinary shares (to be adjusted to [79,085,080] Shares upon the Share Subdivision), such number of Shares (representing approximately **[REDACTED]**% of the total issued share capital of our Company immediately following the completion of the **[REDACTED]** and the Share Subdivision, assuming the **[REDACTED]** is not exercised) is not significant in the circumstances of our Company, and the exercise in full of such share options will not cause any material adverse change in the financial position of our Company;

(e) our Directors consider that non-compliance with the above disclosure requirements would not prevent our Company from providing potential **[REDACTED]** with sufficient information for an informed assessment of the activities, assets, liabilities, financial position, management and prospects of our Group; and

(f) a full list of all the grantees containing all details as required under Rule 17.02(1)(b) of the Listing Rules, paragraph 27 of Appendix 1A to the Listing Rules and paragraph 10 of Part I of the Third Schedule will be made available for public inspection in accordance with the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection – Documents Available for Inspection" in Appendix V to this Document.

The Stock Exchange [has granted] us a waiver from strict compliance with the relevant requirements under the Listing Rules subject to the conditions that disclosure in respect of the information referred to in paragraph (c) above has been made in this Document.

The SFC [has granted] us a certificate of exemption under Section 342A of the Companies (Winding Up and Miscellaneous Provisions) Ordinance exempting our Company from strict compliance with paragraph 10(d) of Part I of the Third Schedule, subject to the conditions that:

(a) full details of the share options granted to our Directors and members of the senior management of our Company be disclosed in this Document, and such details include all the particulars required under paragraph 10 of Part 1 of the Third Schedule;

(b) with respect to the share options granted by our Company under the **[REDACTED]** Stock Incentive Plans to employees, other than those referred to in (a) above, the following details, including (i) the aggregate number of such grantees and the number of Shares subject to the share options; (ii) the consideration paid for the grant of the share options; and (iii) the exercise period and the exercise price for the share options be disclosed in the Document;

(c) a full list of all the grantees (including the persons referred to in sub-paragraph (a) above) who have been granted share options to acquire Shares under the **[REDACTED]** Stock Incentive Plans, containing all the details as required under paragraph 10 of Part 1 of the Third Schedule, be made available for public inspection in accordance with the section headed "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection – Documents Available for Inspection" in Appendix V to the Document; and

(d) the particulars of the exemption be set forth in this Document and that this Document will be issued on or before **[REDACTED]**.

## OVERVIEW

We have entered into certain agreements with parties that will be our connected persons (as defined under Chapter 14A of the Listing Rules). Following the **[REDACTED]**, the transactions contemplated under such agreements will constitute our continuing connected transactions under the Listing Rules.

## CONNECTED PERSONS

Following the **[REDACTED]**, the following parties, which have entered into certain written agreements with our Group, will be connected persons of our Group:

| Name | Connected Relationship |
|---|---|
| Dr. Huang | one of our executive Directors and Chief Executive Officer |
| Mr. Tu | one of our executive Directors |
| Wuhan Kindstar | a company held as to 96.29% by Dr. Huang |
| Kindstar Global Wuhan | a company held as to 99.01% by Dr. Huang |
| Wuhan Haixi Bio-technology Co., Ltd. (武漢海希生物科技有限公司) ("**Haixi Biotech**") | a company wholly-owned by Wuhan Haixi Life Science Technology Co., Ltd. (武漢海希生命科技有限公司), which is in turn held as to 34% by Dr. Huang |

## SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

| | Historical amounts | | | Proposed annual caps for financial year | | |
|---|---|---|---|---|---|---|
| **Transactions** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** |
| | *(in RMB' million)* | | | | | |
| ***A. Partially-exempt continuing connected transactions*** | | | | | | |
| ***Framework Procurement Agreement with Haixi Biotech*** | | | | | | |
| Procurement of reagent consumables by our Group from Haixi Biotech | Nil | 0.48 | 4.09 | 7.53 | 11.47 | 14.21 |
| ***B. Non-exempt continuing connected transactions*** | | | | | | |
| Contractual Arrangements | N/A | N/A | N/A | N/A | N/A | N/A |

## PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS

### Framework Procurement Agreement with Haixi Biotech

***Principal terms***

We have entered into a framework agreement on the procurement of reagent consumables dated June 8, 2021 (the "**Framework Procurement Agreement with Haixi Biotech**") with Haixi Biotech, pursuant to which our Group agreed to purchase and Haixi Biotech agreed to supply with certain reagent consumables.

The Framework Procurement Agreement with Haixi Biotech is a framework agreement which provides the mechanism for operation of the connected transactions described therein. Subject to the provisions of the Framework Procurement Agreement with Haixi Biotech, our Group will enter into specific agreements or place purchase orders with Haixi Biotech to set out the specific terms and conditions in respect of the procurement of reagent consumables.

The initial term of the Framework Procurement Agreement with Haixi Biotech will commence on the **[REDACTED]** and expire on December 31, 2023, subject to renewal upon the mutual consent of both parties.

***Historical amount, annual caps and the basis for annual caps***

For the years ended December 31, 2018, 2019 and 2020, the total amount of procurement fees of reagent consumables incurred by our Group to Haixi Biotech was nil, RMB0.48 million and RMB4.09 million, respectively.

The amount of procurement fees to be paid by us to Haixi Biotech under the Framework Procurement Agreement with Haixi Biotech for the years ending December 31, 2021, 2022 and 2023, respectively, shall not exceed the proposed annual caps set out in the table below:

| | **Proposed annual caps for the year ending December 31,** | | |
|---|---|---|---|
| | **2021** | **2022** | **2023** |
| | *(in RMB million)* | | |
| Procurement of reagent consumables by our Group from Haixi Biotech | 7.53 | 11.47 | 14.21 |

The proposed annual caps were estimated based on the following: (1) the historical amount for the procurement of reagent consumables by our Group from Haixi Biotech; (2) the prevailing market prices of relevant reagent consumables; and (3) our Group's anticipated increasing demand for such reagent consumables to be supplied by Haixi Biotech, which is in line with our business expansion in the next few years. As disclosed in the section headed "Business – Our Strategies – Strengthen Our Leading Position in Hematology Esoteric Clinical Testing in China", our Group intends to enrich its testing menu and offers a broader spectrum of testing items. Therefore, the demand for regent consumables will also increase to support such development strategy.

In particular, the anticipated increasing amount of procurement fees for the reagent consumables provided by Haixi Biotech for the years ending December 31, 2021, 2022 and 2023 is due to that (i) for certain reagent consumables, due to Haixi Biotech's then relative moderate production capacity, our Group had only commenced procurement of such reagent consumables from Haixi Biotech in the second half or December of 2020 at the earliest, with such anticipated on going demand being fully projected in the proposed annual caps for the years ending December 31, 2021, 2022, and 2023; and (ii) Haixi Biotech is able to provide a lower unit price for certain reagent consumables as compared to those with same or substantially similar quality provided by suppliers who are Independent Third Parties; and (iii) due to the close proximity of Haixi Biotech and our Group and its specialties in blood disease, Haixi Biotech is able to provide our Group certain reagents consumables customized according our requirements and without reserved minimum procurement quantities, which we will not procure from other third parties.

***Reason for the transactions***

Due to the close proximity of Haixi Biotech and our Group, it would be more convenient and cost effective for our Group to engage Haixi Biotech to provide certain reagent consumables to support our business operation, including that Haixi Biotech has been (i) more expedite in delivery of reagent consumables, and (ii) much more timely in responding to our Group's after-sales queries. Compared with other Independent Third Parties, Haixi Biotech is able to provide more comprehensive types of reagent consumables at the prevailing market price or lower than the price that our Group can purchase the similar products from Independent Third Parties. Our Directors are of the view that such arrangement is in the best interest of our Group and our Shareholders as a whole.

***Pricing policies***

The procurement fees to be paid by our Group to Haixi Biotech should be determined after arm's length negotiation between the parties and on normal commercial terms with reference (i) to the prevailing market price rate in respect of same or substantially similar reagent consumables and taking into account the price of the order of same or substantially similar reagent consumables of similar quantity and quality provided by suppliers who are Independent Third Parties; (ii) if there are not enough comparable transactions, to the normal commercial terms of the same or substantially similar reagent consumables of similar quality and quantity procured from the Independent Third Parties; (iii) if the above are not applicable, to average procurement price of similar reagent consumables purchased by our Group in the past, and should be determined on normal commercial terms and no less favorable than the price our Group may obtain from Independent Third Parties.

***Information about Haixi Biotech***

Haixi Biotech is a limited liability company established in the PRC on February 2, 2019, which is wholly-owned by Wuhan Haixi Life Science Technology Co., Ltd., which is in turn held as to 36% by an Independent Third Party, 34% by Dr. Huang and 30% by Kindstar Beijing WFOE. Haixi Biotech is primarily engaged in the research and development, manufacturing and sales of reagent consumables.

***Listing Rule Implications***

Since the highest applicable percentage ratio calculated under Chapter 14A of the Listing Rules is more than 0.1% but less than 5%, pursuant to Rule 14A.76(2)(a) of the Listing Rules, transactions to be

contemplated under the Framework Procurement Agreement with Haixi Biotech will constitute partially-exempt continuing connected transactions, exempt from the circular and independent shareholder's approval (including recommendation from an independent financial adviser) requirements, but will be subject to announcement requirements and annual reporting requirements under Chapter 14A of the Listing Rules.

## NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

### Contractual Arrangements

***Background for the Contractual Arrangements***

As disclosed in the section headed "Contractual Arrangements" in this Document, due to regulatory restrictions or prohibitions on foreign ownership in the PRC, we are restricted of or prohibited from directly owning equity interest in Wuhan Kindstar and Kindstar Global Wuhan. Therefore, in order for our Group to effectively control and enjoy the entire economic benefit of Wuhan Kindstar and Kindstar Global Wuhan, two sets of Contractual Arrangements have been entered into among (i) Kindstar Wuhan WFOE, Wuhan Kindstar, Dr. Huang and Mr. Tu; and (ii) Kindstar Beijing WFOE, Kindstar Global Wuhan, Dr. Huang and Mr. Tu. The Contractual Arrangements enable us to (i) receive substantially all of the economic benefits from Wuhan Kindstar and Kindstar Global Wuhan in consideration for the services provided by Kindstar Wuhan WFOE and Kindstar Beijing WFOE to Wuhan Kindstar and Kindstar Global Wuhan, respectively; (ii) exercise effective control over Wuhan Kindstar and Kindstar Global Wuhan; and (iii) hold an exclusive option to purchase all or part of the equity interests in Wuhan Kindstar and Kindstar Global Wuhan with the lowest extent of purchase prices permitted by PRC law.

***Principal terms***

Each set of the Contractual Arrangements consists of six types of agreements: (i) the Exclusive Business Cooperation Agreement; (ii) the Exclusive Option Agreement; (iii) the Equity Pledge Agreement; (iv) the Powers of Attorney; (v) the Confirmation and Undertakings from the Registered Shareholders; and (vi) the Spouse Undertakings. See the section headed "Contractual Arrangements" in this Document for detailed terms of the Contractual Arrangements.

***Listing Rule Implications***

The highest applicable percentage ratios (other than profits ratio) under the Listing Rules in respect of the transactions associated with the Contractual Arrangements are expected to be more than 5%. As such, the transactions will be subject to reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## INTERNAL CONTROL PROCEDURES ADOPTED BY OUR COMPANY IN RESPECT OF THE IMPLEMENTATION OF CONTINUING CONNECTED TRANSACTIONS

In order to ensure the continuing connected transactions are fair and reasonable and are carried out on normal commercial terms, our Company has adopted the following internal control procedures:

- our Company has adopted and implemented a comprehensive management system on connected transactions. Under such system, the shareholders' general meetings, the Board meetings, the

Chief Executive Officer and our company secretaries are responsible for supervision, management and approval of our Company's connected transactions in accordance with relevant requirement of the Listing Rules and the Articles of Association. In addition, the financial and legal department of our Company are jointly responsible for the daily management of the connected transactions;

- the independent non-executive Directors will review the agreements for continuing connected transactions to ensure that the agreements have been entered into on normal commercial terms, on the terms that are fair and reasonable and carried out in accordance with the terms of such agreements. The auditor of our Company will also review annually the pricing policies and annual caps of such agreements; and
- in determining the provision of the products or service to our Company, the connected persons and/or its controlled companies will provide fee quote to our Company in advance. As mentioned above, in order to ensure that the pricing policies under the relevant framework agreements for the continuing connected transactions are fair and reasonable, the financial and legal department of our Company shall review the prices proposed by the Connected Persons and/or its controlled companies through the following review procedures;
  - if market prices are available, the proposed price will be compared with market prices to ensure that the proposed price is equivalent to or no less favorable to our Company than prices offered by Independent Third Parties providing similar products or services. Our Company will make enquiries to various Independent Third Party product or service providers for their prices for further internal assessments;
  - if no market prices are available, various factors will be considered in determining whether the price is fair and reasonable, such as regulatory requirements, actual needs of our Company, the nature of products/services, and the financial position and creditworthiness of the products/services provider; and
  - the proposed price will be reviewed to ensure it is consistent with the pricing terms under the relevant framework agreements for the continuing connected transactions, and that the terms offered by connected persons and/or their controlled companies to our Company are no less favorable to our Company than those offered by Independent Third Parties.

## WAIVERS GRANTED BY THE STOCK EXCHANGE

### Partially-exempt Continuing Connected Transactions

For the transactions under the sub-section "– Partially-exempt Continuing Connected Transactions", we have applied for, and the Stock Exchange [has granted] us, waivers from strict compliance with the announcement requirements under the Listing Rules.

### Contractual Arrangements

***Reasons for the waiver application and the view of our Directors***

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our Group's legal structure and business, that such transactions have been and will be entered into in the ordinary and usual course of

business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company, if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules.

In addition, given the Contractual Arrangements were entered into prior to **[REDACTED]** and are disclosed in the document, and potential **[REDACTED]** of our Company will participate in the **[REDACTED]** on the basis of such disclosure, our Directors consider that compliance with the announcement and the independent shareholders' approval requirements in respect thereof immediately after the **[REDACTED]** would add unnecessary administrative costs to our Company.

***Application for and conditions for waiver***

In relation to the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange [has] granted, a waiver from strict compliance with (i) the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules; (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules; and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Shares are **[REDACTED]** on the Stock Exchange subject however to the following conditions:

(a) *No change without independent non-executive Directors' approval* – No change to the Contractual Arrangements (including with respect to any fees payable to Kindstar Wuhan WFOE and Kindstar Beijing WFOE thereunder) will be made without the approval of the independent non-executive Directors.

(b) *No change without independent Shareholders' approval* – Save as described in "(d) Renewal and Reproduction" below, no change to the agreements constituting the Contractual Arrangements will be made without the approval of our Company's independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in "(e) Ongoing Reporting and Approvals" below) will however continue to be applicable.

(c) *Economic Benefits Flexibility* – The Contractual Arrangements shall continue to enable our Group to receive the entire economic benefits derived by Wuhan Kindstar and Kindstar Global Wuhan through (i) our Group's option (if and when so allowed under the applicable PRC laws) to acquire all or part of the entire equity interests in Wuhan Kindstar and Kindstar Global Wuhan for a consideration equivalent to the lowest price permitted under PRC laws at the time

of purchasing, (ii) the business structure under which the entire profit generated by Wuhan Kindstar and Kindstar Global Wuhan is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to Kindstar Wuhan WFOE and Kindstar Beijing WFOE under the Exclusive Business Cooperation Agreement, and (iii) our Group's right to control the management and operation of, in substance, all of the voting rights of Wuhan Kindstar and Kindstar Global Wuhan.

(d) *Renewal and reproduction* – On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on the one hand, and Wuhan Kindstar and Kindstar Global Wuhan, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of our Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executive or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/or reproduction of the Contractual Arrangements, however be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

(e) *Ongoing reporting and approvals* – Our Group will disclose details relating to the Contractual Arrangements on an on-going basis as follows:

- The Contractual Arrangements in place during each financial period will be disclosed in our Company's annual report and accounts in accordance with the relevant provisions of the Listing Rules.
- Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report and accounts for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, (ii) no dividends or other distributions have been made by Wuhan Kindstar and Kindstar Global Wuhan to the Registered Shareholders which are not otherwise subsequently assigned or transferred to our Group, and (iii) any new contracts entered into, renewed or reproduced between our Group and Wuhan Kindstar and Kindstar Global Wuhan during the relevant financial period under paragraph (iii) above are fair and reasonable, or advantageous to our Shareholders, so far as our Group is concerned and in the interests of our Company and our Shareholders as a whole.
- Our Company's auditor will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant

Contractual Arrangements and that no dividends or other distributions have been made by Wuhan Kindstar and Kindstar Global Wuhan to the Registered Shareholders which are not otherwise subsequently assigned or transferred to our Group.

- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", Wuhan Kindstar and Kindstar Global Wuhan will be treated as our Company's wholly-owned subsidiaries, and at the same time, the directors, chief executive officers or substantial shareholders of Wuhan Kindstar and Kindstar Global Wuhan and their respective associates will be treated as connected persons of our Company (excluding for this purpose, Wuhan Kindstar and Kindstar Global Wuhan), and transactions between these connected persons and our Group (including for this purpose, Wuhan Kindstar and Kindstar Global Wuhan), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.
- Wuhan Kindstar and Kindstar Global Wuhan will undertake that, for so long as the Shares are **[REDACTED]** on the Stock Exchange, Wuhan Kindstar and Kindstar Global Wuhan will provide our Group's management and our Company's auditors full access to its relevant records for the purpose of our Company's auditors' review of the connected transactions.

**Directors' Confirmation**

Our Directors (including our independent non-executive Directors) are of the view that: (i) the continuing connected transactions set out in this section have been entered into in our ordinary and usual course of business on normal commercial terms or better, on terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and (ii) the proposed annual caps (where applicable) of the continuing connected transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and in particular, (iii) the Contractual Arrangements are fundamental to our Group's legal structure and business operations and that the Contractual Arrangements have been entered into in our ordinary and usual course of business, on normal commercial terms or better and are fair and reasonable and in the interests of our Shareholders as a whole; and (iv) the terms of the relevant agreements underlying the Contractual Arrangements are justifiable and entered into under normal business practice, for an indefinite duration, to ensure that the financial and operational policies of Wuhan Kindstar and Kindstar Global Wuhan can be effectively controlled by our Group, that our Group can obtain the economic benefits derived from Wuhan Kindstar and Kindstar Global Wuhan, and any possible leakages of assets and the value of Wuhan Kindstar and Kindstar Global Wuhan can be prevented, on an uninterrupted basis.

**Joint Sponsors' Confirmation**

Based on the documentation and data provided by our Company, and having made reasonable enquiries and after due and careful consideration, the Joint Sponsors are of the view that, as of the date of this Document: (i) the continuing connected transactions described in this section have been entered into in the ordinary and usual course of our Company's business, on normal commercial terms or better, on terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole; (ii) the proposed annual caps (where applicable) of the continuing connected transactions are fair and reasonable and in the interests of our Company and its Shareholders as a whole, and in particular, (iii) the Contractual Arrangements are fundamental to our Group's legal structure and business operations and that the

Contractual Arrangements have been entered into in our Group's ordinary and usual course of business, on normal commercial terms or better and are fair and reasonable and in the interests of the Shareholders as a whole; and (iv) the terms of the relevant agreements underlying the Contractual Arrangements are justifiable and entered into under normal business practice, for an indefinite duration, to ensure that the financial and operational policies of Wuhan Kindstar and Kindstar Global Wuhan can be effectively controlled by our Group, that our Group can obtain the economic benefits derived from the Wuhan Kindstar and Kindstar Global Wuhan, and any possible leakages of assets and the value of the PRC Consolidated Entities can be prevented, on an uninterrupted basis.

# [REDACTED]

# [REDACTED]

# [REDACTED]

# [REDACTED]

## DIRECTORS

| Name | Address | Nationality |
|---|---|---|
| **Executive Directors** | | |
| Dr. Huang Shiang (黃士昂) | Room 802, No.1277-51<br>Jiefang Avenue<br>Jianghan District<br>Wuhan, Hubei Province<br>PRC | Chinese |
| Mr. Tu Zanbing (涂贊兵) | Room 602, No. 4-2<br>Phase II, Binjiangyuan<br>Yanjiang Avenue<br>Jiangan District<br>Wuhan, Hubei Province<br>PRC | Chinese |
| Ms. Chai Haijie (柴海節) | Room 3203, No. 10<br>Phase IV, Bairuijing<br>Wuchang District<br>Wuhan, Hubei Province<br>PRC | Chinese |
| **Non-executive Directors** | | |
| Mr. Huang Zuie-Chin (黃瑞瑨) | No. 6, Lane 1350<br>Fuxing Middle Road<br>Shanghai<br>PRC | Chinese (Taiwan) |
| Mr. Peng Wei (彭偉) | Room 1002, No. 18-5<br>Shiquan Avenue<br>Shanghai<br>PRC | Chinese |
| Ms. Huang Lu (黃璐) | Room 1501, No. 34 Shanghui<br>Haoting<br>No. 88 Huashi Road<br>Xuhui District<br>Shanghai<br>PRC | Chinese |

| Name | Address | Nationality |
|---|---|---|
| **Independent Non-executive Directors** | | |
| Dr. Yao Shanglong (姚尚龍) | Room 704, Building 20<br>No. 1277-51 Jiefang Avenue<br>Jianghan District<br>Wuhan, Hubei Province<br>PRC | Chinese |
| Dr. Xia Xinping (夏新平) | No. 3-2402, Yujiashan Gaoceng District<br>Hongshan District<br>Wuhan, Hubei Province<br>PRC | Chinese |
| Mr. Gu Huaming (顧華明) | Room 5A, Building 35<br>No. 2419, Hongqiao Avenue<br>Changning District<br>Shanghai<br>PRC | American |

Please see the section headed "Directors and Senior Management" in this Document for further details of our Directors.

**PARTIES INVOLVED IN THE [REDACTED]**

| | |
|---|---|
| **Joint Sponsors** | **Goldman Sachs (Asia) L.L.C.**<br>68/F, Cheung Kong Center<br>2 Queen's Road Central<br>Hong Kong |
| | **China International Capital Corporation Hong Kong Securities Limited**<br>29/F, One International Finance Centre<br>1 Harbour View Street<br>Central<br>Hong Kong |
| | **Credit Suisse (Hong Kong) Limited**<br>Level 88, International Commerce Centre<br>One Austin Road West<br>Kowloon<br>Hong Kong |

## [REDACTED]

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| **Legal advisors to our Company** | *As to Hong Kong and United States laws:*<br><br>**Davis Polk & Wardwell**<br>18/F, The Hong Kong Club Building 3A Chater Road<br>Hong Kong |

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| | *As to Hong Kong laws:*<br><br>**Miao & Co. (In Association with Han Kun Law Offices)**<br>Rooms 3901-05, 39/F, Edinburgh Tower<br>The Landmark<br>15 Queen's Road Central<br>Hong Kong<br><br>*As to United States laws:*<br><br>**Morrison & Foerster**<br>33/F, Edinburgh Tower<br>The Landmark<br>15 Queen's Road Central<br>Central<br>Hong Kong<br><br>*As to PRC laws:*<br><br>**Han Kun Law Offices**<br>9/F, Office Tower C1<br>Oriental Plaza<br>1 East Chang An Ave.<br>Dongcheng District<br>Beijing<br>PRC<br><br>*As to Cayman Islands laws:*<br><br>**Travers Thorp Alberga**<br>1205A The Centrium<br>60 Wyndham Street<br>Central<br>Hong Kong |
| **Legal advisors to the Joint Sponsors and the [REDACTED]** | *As to Hong Kong and United States laws:*<br><br>**Sullivan & Cromwell (Hong Kong) LLP**<br>20th Floor, Alexandra House<br>18 Chater Road, Central<br>Hong Kong |

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|---|---|
| | *As to PRC laws:* |
| | **Jingtian & Gongcheng**<br>34/F, Tower 3, China Central Place<br>77 Jianguo Road<br>Chaoyang District<br>Beijing<br>PRC |
| **Auditor and Reporting Accountants** | **Ernst & Young**<br>*Certified Public Accountants*<br>*Registered Public Interest Entity Auditor*<br>32/F One Taikoo Place<br>979 King's Road,<br>Quarry Bay<br>Hong Kong |
| **Industry Consultant** | **Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.**<br>Room 1018, Tower B<br>Greenland Hui Center<br>500 Yunjin Road<br>Xuhui District<br>Shanghai<br>PRC |

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| **Registered Office** | International Corporation Services Ltd.<br>P.O. Box 472, 2nd Floor<br>Harbour Place, 103 South Church Street<br>George Town, Grand Cayman KY1-1106<br>Cayman Islands |
| **Head Office and Principal Place of Business in the PRC** | Biolake D2-1, 666 Gaoxin Road<br>East Lake High Tech Zone<br>Wuhan, Hubei Province<br>PRC |
| **Principal Place of Business in Hong Kong** | Level 54<br>Hopewell Centre<br>183 Queen's Road East<br>Hong Kong |
| **Company's Website** | www.kindstar.com.cn<br>*(information on this website does not form part of this Document)* |
| **Joint Company Secretaries** | **Ms. Chai Haijie (柴海節)**<br>Room 3203, No. 10<br>Phase IV, Bairuijing<br>Wuchang District<br>Wuhan, Hubei Province<br>PRC<br><br>**Ms. Chan Wai Ling (陳蕙玲)**<br>*(Fellow of both The Hong Kong Institute of Chartered Secretaries and the Chartered Governance Institute in the United Kingdom)*<br>Level 54<br>Hopewell Centre<br>183 Queen's Road East<br>Hong Kong |
| **Authorized Representatives** | **Ms. Chai Haijie (柴海節)**<br>Room 3203, No. 10<br>Phase IV, Bairuijing<br>Wuchang District<br>Wuhan, Hubei Province<br>PRC<br><br>**Ms. Chan Wai Ling (陳蕙玲)**<br>Level 54<br>Hopewell Centre<br>183 Queen's Road East<br>Hong Kong |

| | |
|---|---|
| **Audit Committee** | Dr. Xia Xinping (夏新平) (*Chairman*)<br>Mr. Huang Zuie-Chin (黃瑞瑨)<br>Mr. Gu Huaming (顧華明) |
| **Remuneration Committee** | Mr. Gu Huaming (顧華明) (*Chairman*)<br>Dr. Xia Xinping (夏新平)<br>Mr. Tu Zanbing (涂贊兵) |
| **Nomination Committee** | Dr. Huang Shiang (黃士昂) (*Chairman*)<br>Dr. Yao Shanglong (姚尚龍)<br>Dr. Xia Xinping (夏新平) |
| **Compliance Adviser** | **Somerley Capital Limited**<br>20/F China Building<br>29 Queen's Road Central<br>Hong Kong |

**[REDACTED]**

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| **Principal Banks** | **Standard Chartered Bank(HK) Limited**<br>Standard Chartered Bank Building<br>4-4A Des Voeux Road Central<br>Hong Kong |
| | **China Merchants Bank Wuhan Branch**<br>1st Floor, Podium Building<br>Wuhan China Merchants Bank Building<br>No. 188 Yunxia Road<br>Hankou, Wuhan<br>Hubei Province<br>PRC |

**CITIC Bank Optics Guanggu Free Trade Zone Branch**
Block F1
Optics Valley Software Park
Guanshan Avenue, Hongshan District
Wuhan
Hubei Province
PRC

*The information and statistics set out in this section and other sections of this Document were extracted from different official government publications, available sources from public market research and other sources from independent suppliers. In addition, we engaged Frost & Sullivan in preparing the Frost & Sullivan Report, an independent industry report in respect of the* **[REDACTED]**. *We believe that the sources of the information in this section and other sections of this Document are appropriate sources for such information, and we have taken reasonable care in extracting and reproducing such information. Frost & Sullivan has informed us that the Frost & Sullivan Report has taken into consideration the impact of COVID-19 outbreak, and we have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information from official and non-official sources has not been independently verified by us, the* **[REDACTED]**, *Joint Sponsors,* **[REDACTED]**, *any of the* **[REDACTED]**, *any of their respective directors and advisers, or any other persons or parties involved in the* **[REDACTED]**, *save for Frost & Sullivan, and no representation is given as to its accuracy. Accordingly, the information from official and non-official sources contained herein may not be accurate and should not be unduly relied upon. Our Directors confirm that, after making reasonable enquiries, there is no adverse change in the market information since the date of the Frost & Sullivan Report that would qualify, contradict or have a material impact on the information in this section.*

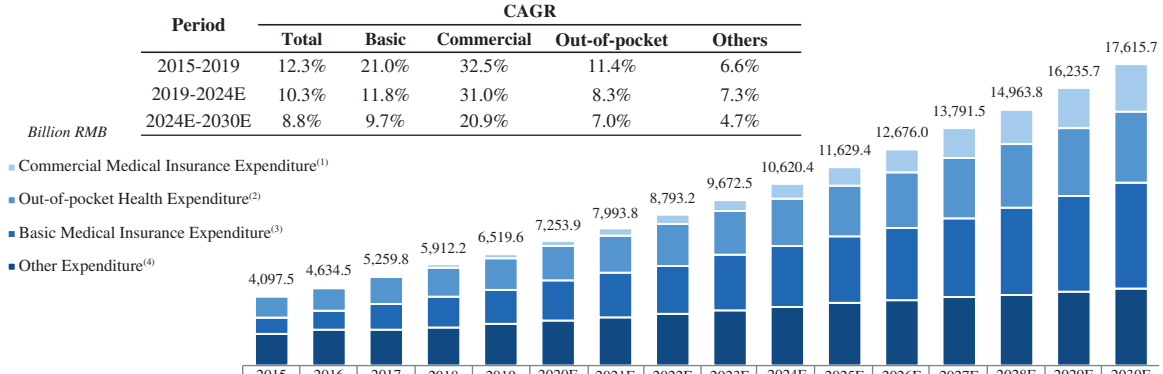
## CHINA'S HEALTHCARE SERVICE MARKET

### Overview of Healthcare Expenditure in China

China's healthcare expenditure increased from approximately RMB4,097.5 billion in 2015 to RMB6,519.6 billion in 2019 at a CAGR of 12.3%, and is expected to further grow to RMB10,620.4 billion in 2024, representing a CAGR of 10.3%, and is expected to grow to RMB17,615.7 billion in 2030 at a CAGR of 8.8% from 2024 to 2030. In 2019, China ranked the second in terms of total healthcare expenditure in the world.

**Breakdown of China Total Healthcare Expenditure, 2015-2030E**

| Period | CAGR | | | | |
|---|---|---|---|---|---|
| | Total | Basic | Commercial | Out-of-pocket | Others |
| 2015-2019 | 12.3% | 21.0% | 32.5% | 11.4% | 6.6% |
| 2019-2024E | 10.3% | 11.8% | 31.0% | 8.3% | 7.3% |
| 2024E-2030E | 8.8% | 9.7% | 20.9% | 7.0% | 4.7% |




| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020E | 2021E | 2022E | 2023E | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Total | 4,097.5 | 4,634.5 | 5,259.8 | 5,912.2 | 6,519.6 | 7,253.9 | 7,993.8 | 8,793.2 | 9,672.5 | 10,620.4 | 11,629.4 | 12,676.0 | 13,791.5 | 14,963.8 | 16,235.7 | 17,615.7 |
| Commercial Medical Insurance Expenditure | 76.3 | 100.1 | 129.5 | 174.4 | 235.1 | 317.4 | 422.1 | 557.2 | 713.2 | 905.8 | 1,132.2 | 1,404.0 | 1,724.1 | 2,068.9 | 2,441.3 | 2,831.9 |
| Out-of-pocket Health Expenditure | 1,199.3 | 1,333.8 | 1,513.4 | 1,691.2 | 1,848.6 | 2,002.4 | 2,173.8 | 2,355.0 | 2,550.7 | 2,757.1 | 2,971.2 | 3,186.5 | 3,410.2 | 3,638.6 | 3,881.1 | 4,138.6 |
| Basic Medical Insurance Expenditure | 931.2 | 1,076.7 | 1,442.2 | 1,760.8 | 1,994.6 | 2,249.9 | 2,522.1 | 2,817.2 | 3,141.2 | 3,486.7 | 3,849.3 | 4,242.0 | 4,657.7 | 5,100.1 | 5,569.4 | 6,070.6 |
| Other Expenditure* | 1,890.7 | 2,123.9 | 2,174.8 | 2,285.8 | 2,441.3 | 2,684.3 | 2,875.8 | 3,063.8 | 3,267.4 | 3,470.9 | 3,676.6 | 3,843.6 | 3,999.5 | 4,156.2 | 4,343.9 | 4,574.6 |

*Note:*

(1) *Commercial medical insurance expenditures are expenditures paid by commercial health insurance which is provided and administered by non-governmental entities.*

(2) *Out-of-pocket payments are expenditures borne directly by a patient where insurance does not cover the full cost of the health good or service, including cost-sharing, self-medication and other expenditure paid directly by private households.*

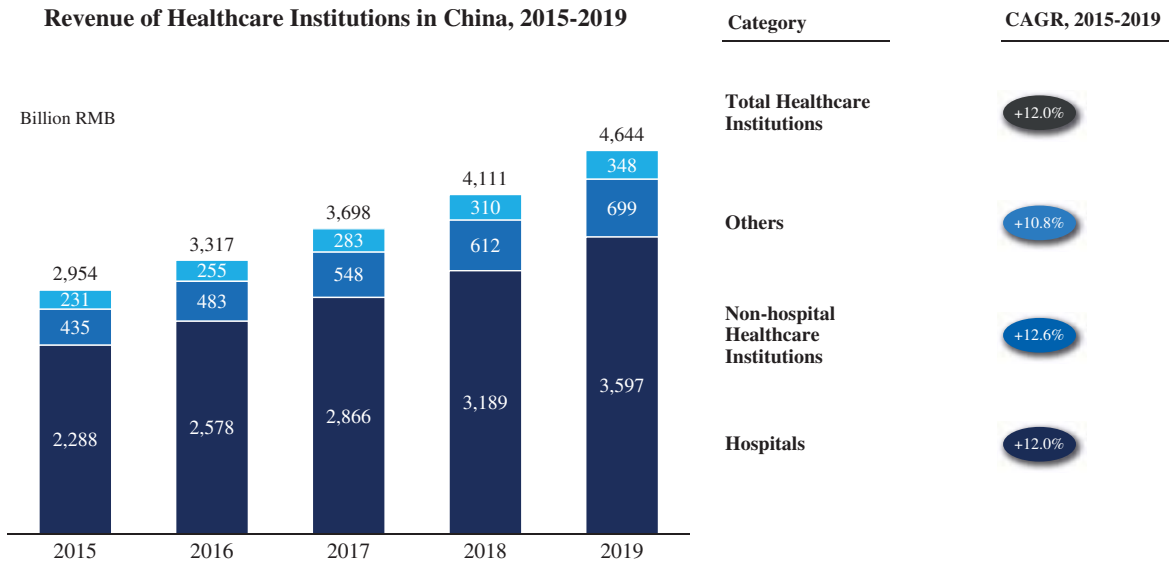
(3) *Basic medical insurance expenditures are expenditures paid by national medical insurance.*

(4) *Other expenditure are government health expenditures, including non-basic medical insurance expenditures and social medical expenditures, social donation assistance, and administrative fee income.*

*Source: Frost & Sullivan analysis*

Currently, hospitals play the most important role in China's healthcare services industry, with hospitals' revenue taking 77.5% of the market share among the entire healthcare institution market in China in 2019. Among the healthcare providers in China, hospitals also contributed and are expected to contribute the majority of the revenues. The size of hospital industry by revenue increased from RMB2,288 billion in 2015 to RMB3,597 billion in 2019, representing a CAGR of 12.0% from 2015 to 2019. The significant size and rapid growth rate of hospitals in China are conducive to the growth of China's independent clinical laboratory ("**ICL**") market, as ICLs collaborate closely with and support hospitals, and provide them with a wide range of testing services that they are not capable of conducting in-house. The following chart shows the evolution of the revenue composition of China's healthcare institutions from 2015 to 2019.

**Revenue of Healthcare Institutions in China, 2015-2019**




*Source: NHC, Frost & Sullivan analysis*

***Public Hospitals and Private Hospitals***

Among the hospitals in China, public hospitals are the main healthcare services providers currently, but private hospitals have been growing rapidly in recent years and are expected to play an increasingly important role in the healthcare services sector in the future. From 2015 to 2019, the total number of private hospitals increased from 14,518 to 22,424, representing a CAGR of 11.5%, while the total number of public hospitals decreased from 13,069 to 11,930 during the same period, and is estimated to continue to decrease in the near future.

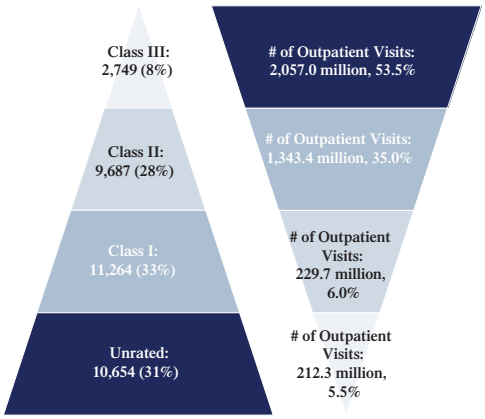
Because public hospitals handle the majority of patient visits, they are the main source of clinical testing in China. Hospitals typically conduct routine tests in-house. Esoteric tests, however, are generally outsourced to private or independent clinical labs because public hospitals cannot process the sheer volume of tests in China and generally only offer 100 to 1,000 testing items, which do not include complex esoteric tests, depending on the class of the hospitals. The Chinese government has introduced various policies and reform measures to reduce the workload of labs in public hospitals. Meanwhile, with the increase of middle-income population and expansion of public insurance coverage to services provided in private facilities, the number of private hospitals and the number of patients visiting private hospitals have increased. Similar to public hospitals, private hospitals generally conduct routine tests in-house but may also outsource the testing to public hospitals and third-party service providers, especially to independent labs for esoteric tests. Patients in private hospitals are also willing to pay for a premium for clinical tests with advanced technology, many of which are esoteric tests.

***Classification of Hospitals***

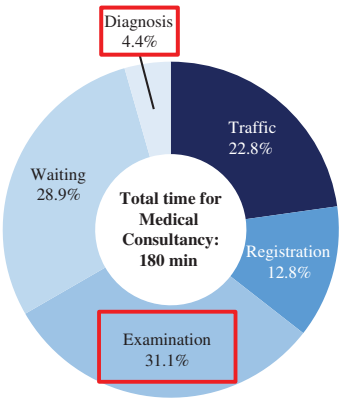
Hospitals in China are categorized into three classes, namely Class I hospitals, Class II hospitals and Class III hospitals, with Class III being the highest tier. As of end of 2019, there are 2,749 Class III hospitals, 9,687 Class II hospitals, 11,264 Class I hospitals and 10,654 unrated hospitals in China.

China's medical resources are concentrated in Class III hospitals, and these Class III hospitals receive an disproportionate number of patient visits as patients usually prefer to seek healthcare services from them. In 2019, the 2,749 Class III hospitals in China received 2,057.0 million outpatient visits, while the 10,654 unrated hospitals received only 212.3 million outpatient visits. The limited number of Class III hospitals creates a large mismatch of medical resource and diagnosis demands. Class III hospitals generate the largest demand for esoteric testing in terms of total volume and the number of specialty fields. However, most Class III hospitals are not well-equipped to handle the huge demand for esoteric testing services in-house and thus have to outsource at least a portion of their testing services to ICLs. Due to the scarcity of the medical resources in China, effective diagnosis time only accounts for 4.4% (8 minutes) in the total time a patient on average spend in the consultation process. The following chart illustrates the inversion of medical resources and diagnostics demand, as well as the time spent in a consultation process in China.

**Imbalance of Medical Resource and Diagnosis Demand, 2019**

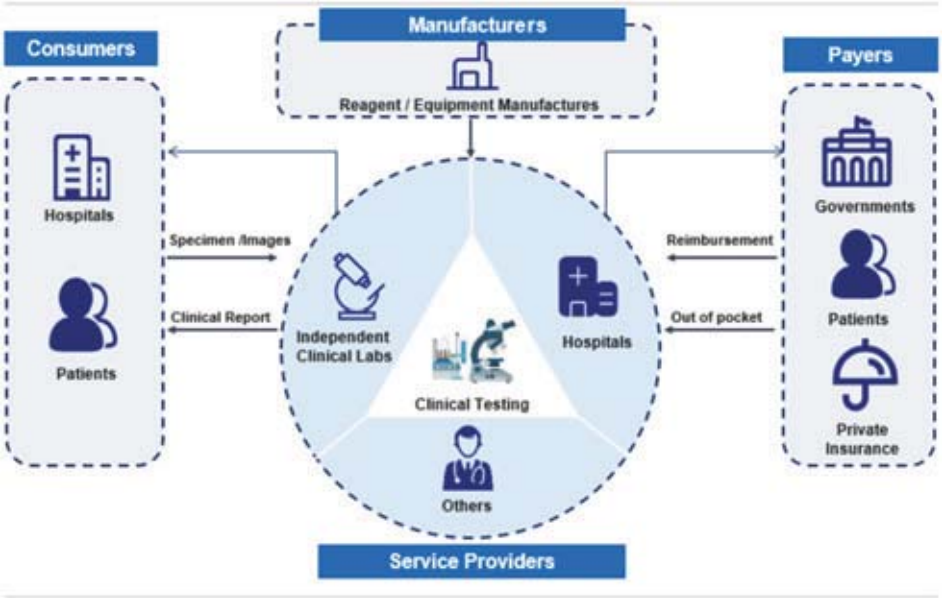



**Time Structure for a Diagnosis Process, 2019**




*Source: NHC, Frost & Sullivan Analysis*

## THE INDEPENDENT CLINICAL LABORATORY MARKET

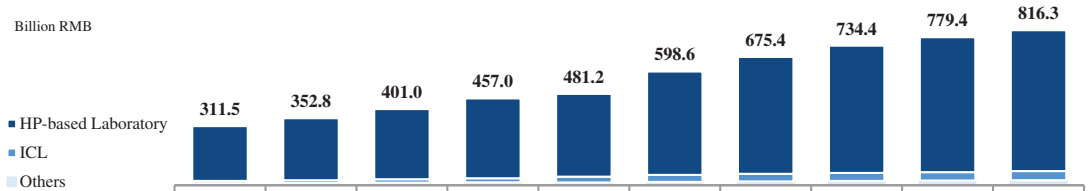



*Source: Frost & Sullivan analysis*

Clinical testing refers to a group of medical tests carried out in a qualified laboratory equipped with comprehensive laboratory medicine and instruments. Clinical testing helps physicians in the decision-making process by providing information on the patients' health condition. Clinical testing also assists pharmaceutical and biotech companies, in the drug or vaccine development process. Clinical testing service is generally provided by three types of providers, namely hospital-based laboratories, independent clinical laboratories (the "ICL"), and other institutions such as nursing homes and non-hospital healthcare institutions. Hospital-based laboratories currently serve as the largest category of clinical testing service provider in China, who generally provides routine testing. ICLs, such as the Company, generally provide more complex tests. The following chart shows the market size and growth rate of China's clinical testing market from 2016 to 2025.

**Breakdown of China Clinical Testing Market by Service Providers, 2016-2025E**

| CAGR | HP-based Laboratory | ICL | Others | Total |
|---|---|---|---|---|
| 2016-2020 | 10.8% | 27.2% | 7.5% | 11.5% |
| 2020-2025E | 11.2% | 9.3% | 12.6% | 11.2% |




| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021E | 2022E | 2023E | 2024E | 2025E |
|---|---|---|---|---|---|---|---|---|---|---|
| Total | 311.5 | 352.8 | 401.0 | 457.0 | 481.2 | 598.6 | 675.4 | 734.4 | 779.4 | 816.3 |
| HP-based Laboratory | 288.8 | 326.0 | 369.3 | 420.3 | 435.8 | 543.9 | 615.2 | 669.6 | 710.2 | 741.7 |
| ICL | 11.7 | 14.7 | 18.1 | 21.1 | 30.7 | 36.9 | 39.8 | 41.9 | 44.3 | 47.9 |
| Others | 11.0 | 12.1 | 13.6 | 15.5 | 14.7 | 17.8 | 20.4 | 22.9 | 24.9 | 26.6 |

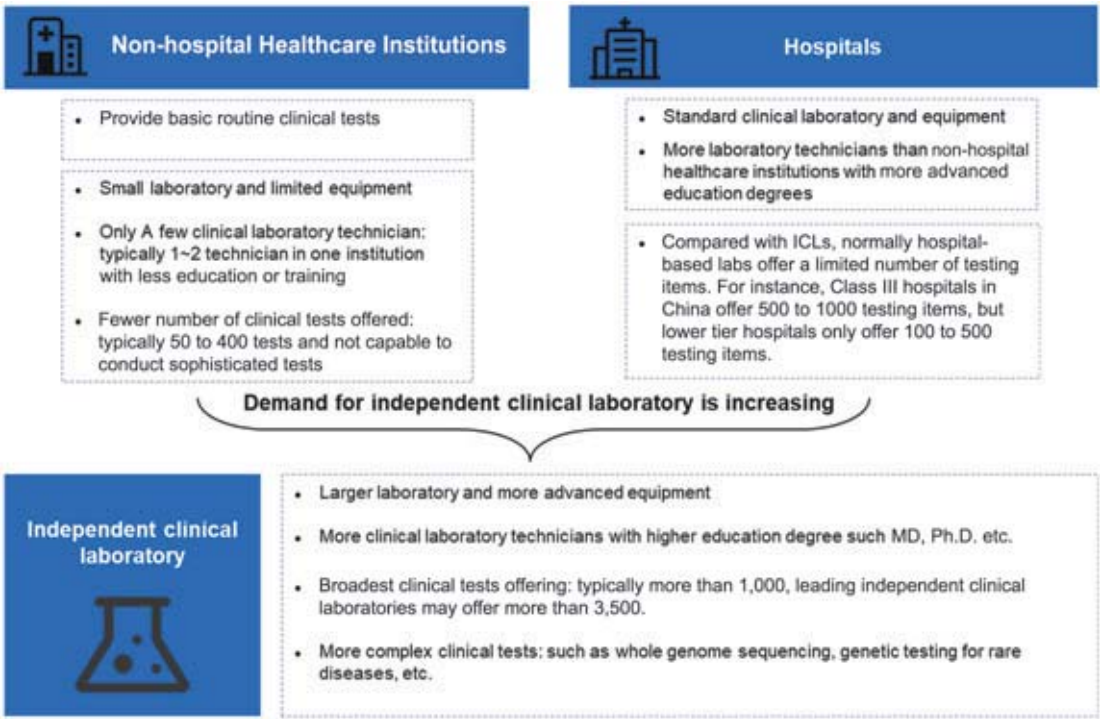
*Note: HP-based: Hospital-based.*

*Source: Frost & Sullivan analysis*

ICLs refer to the third party medical institutions that provide clinical testing services. ICLs operate with relevent legal or professional qualifications under the permission of applicable health administrative departments, and/or professional bodies. ICLs engage in clinical testing or pathological diagnosis services, and is subject to corresponding medical liabilities independently. ICLs provide information related to the diagnosis and treatment of diseases through clinical testing of specimens from human bodies. Such clinical testing includes clinical blood and body fluid testing, biochemical testing, immunological testing, microbiological examination, cyto-molecular genetic examination and pathological examination. Compared to other clinical testing institutions, ICLs generally have larger laboratories and more advanced equipment and experienced technicians and offer more testing items. ICLs in China typically offer more than 1,000 testing items, with leading ICLs providing more than 3,500 testing items, while Class III hospitals can offer only 500 to 1,000 testing items and typical non-hospital healthcare institutions offer only around 400 basic testing items.

Below is a chart summarizing the features of major market players in China who provide clinical testing services.

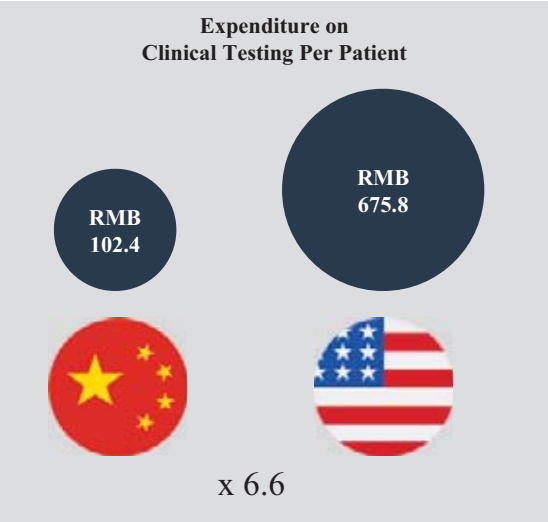
**Market Players in China Who Provide Clinical Testing**

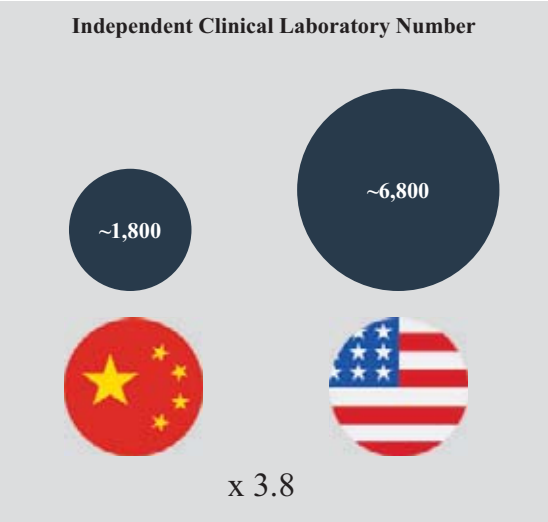



*Source: Frost & Sullivan analysis*

**Comparison between China and Global ICL Markets**

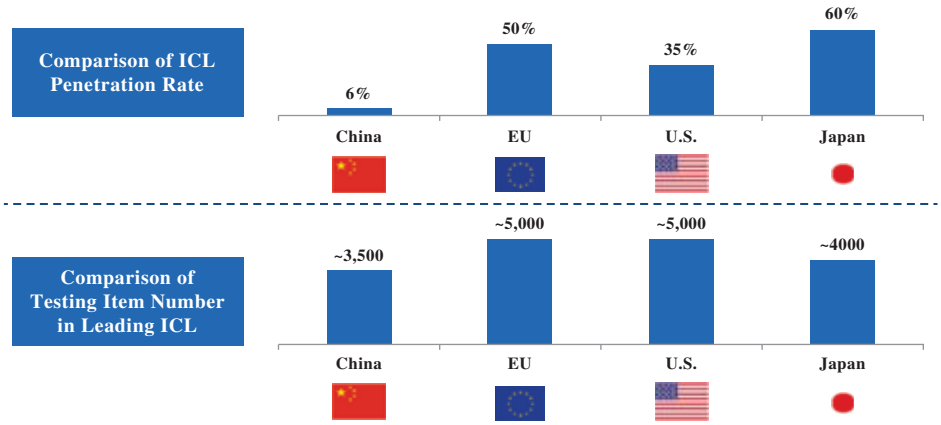
As of the end of 2020, there were more than 1,800 ICLs in China, while there are approximately 6,800 ICLs in the United States. The expenditure on clinical testing per patient in 2020 is RMB102.4 in China, compared to the same expenditure of RMB675.8 in the United States. The following chart illustrates the comparison between ICL markets in China and the United States in terms of numbers of laboratories and average expenditure per patient as of the end of 2020.




*Source: NHC, Frost & Sullivan analysis*

As of 2020, ICL only accounted for 6% of the clinical testing market in China, compared with 50% in the European Union, 35% in the United States, and 60% in Japan, indicating that the ICL industry is at very early stage in China and has significant growth potential. The following chart illustrates the comparison between ICL markets in China, EU, U.S. and Japan in terms of penetration rate and testing items as of 2020.




*Note: ICL penetration rate is derived by dividing the ICL market size by the clinical testing market size*
*Source: Frost & Sullivan analysis*

The market size of esoteric testing in South East Asia increased from US$0.5 billion in 2016 to reach US$0.9 billion in 2020 with a CAGR of 14.2% from 2016 to 2020. The market size of esoteric testing in South East Asia is expected to reach US$2.1 billion in 2025, representing a CAGR of 17.8% from 2020 to 2025.

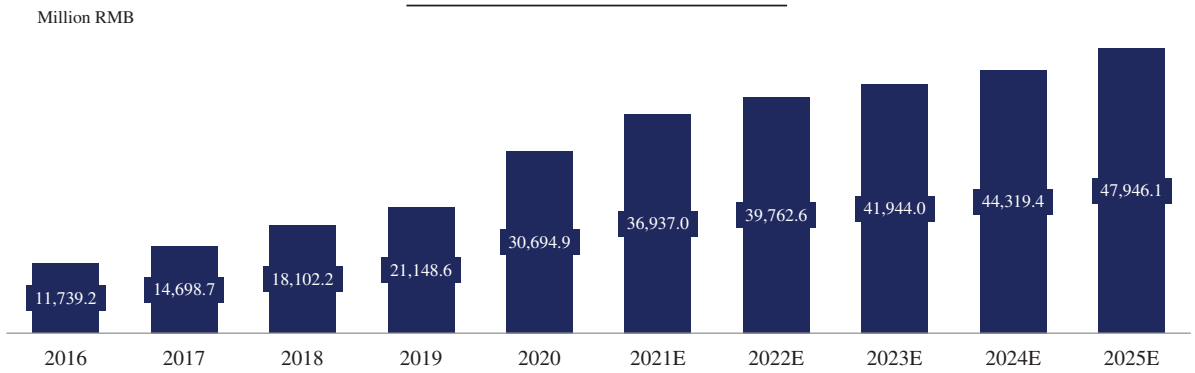
The market size of esoteric testing in Middle East increased from US$0.8 billion in 2016 to reach US$1.5 billion in 2020 with a CAGR of 17.9% from 2016 to 2020. The market size of esoteric testing in Middle East is expected to reach US$2.5 billion in 2025, representing a CAGR of 10.4% from 2020 to 2025.

## Market Size and Growth of the ICL Market

China's ICL market expanded rapidly from RMB11,739.2 million in 2016 to RMB30,694.9 million in 2020 at a CAGR of 27.2%, and is expected to further increase to RMB47,946.1 million in 2025, representing a CAGR of 9.3%. The following chart shows the market size and growth rate of China's ICL market from 2016 to 2025.

**China ICL Market Size and Forecast, 2016-2025E**

| Period | CAGR |
|---|---|
| 2016-2020 | 27.2% |
| 2020-2025E | 9.3% |



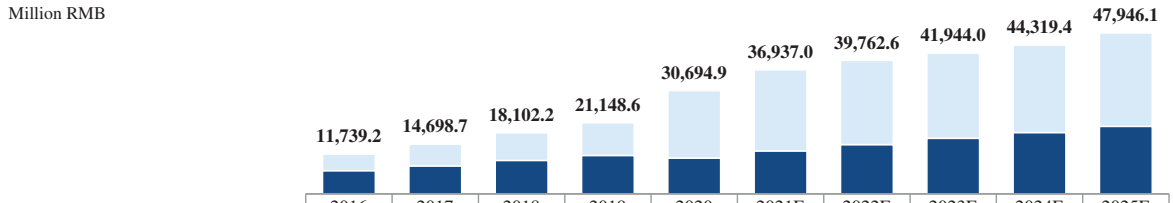

*Source: Frost & Sullivan analysis*

China's ICL market consists of two types of testing services, namely routine testing and esoteric testing. Routine testing usually refers to the routine testing items on the Clinical Inspection Project List of Medical Institutions formulated by the National Health Commission, such as blood biochemistry, bodily fluid biochemistry and blood type check. Esoteric testing usually refers to the special testing items not listed in the Clinical Inspection Project List of Medical Institutions, such as the testing on Mycobacterium tuberculosis and hepatitis viruses.

In recent years, China's esoteric testing market grew significantly faster than the routine testing market. The size of China's esoteric testing market increased from RMB4,900.6 million in 2016 to RMB20,057.6 million in 2020, representing a CAGR of 42.2% from 2016 to 2020, and is expected to further increase to RMB27,860.1 million in 2025, representing a CAGR of 6.8% from 2020 to 2025. In particular, the size of China's esoteric testing market significantly increased 105.4% from RMB9,765.5 million in 2019 to RMB20,057.6 million in 2020, primarily due to the outbreak of COVID-19 pandemic, which led to the surge in COVID-19 testing categorized under esoteric testing. The size of China's routine testing market increased from RMB6,838.6 million in 2016 to RMB10,637.3 million in 2020 at a CAGR of 11.7% from 2016 to 2020, and is expected to further increase to RMB20,086.1 million in 2025, representing a CAGR of 13.6% from 2020 to 2025. The following chart illustrates the market size and growth rate of China's esoteric testing market and routine testing market from 2016 to 2025.

**Breakdown of China ICL Market by Routine Testing and Esoteric Testing, 2016-2025E**

| Period, CAGR | ICL Esoteric Testing | ICL Routine Testing | Total |
|---|---|---|---|
| 2016-2020 | 42.2% | 11.7% | 27.2% |
| 2020-2025E | 6.8% | 13.6% | 9.3% |




| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021E | 2022E | 2023E | 2024E | 2025E |
|---|---|---|---|---|---|---|---|---|---|---|
| Total ICL | 11,739.2 | 14,698.7 | 18,102.2 | 21,148.6 | 30,694.9 | 36,937.0 | 39,762.6 | 41,944.0 | 44,319.4 | 47,946.1 |
| ICL Esoteric Testing | 4,900.6 | 6,438.5 | 8,199.5 | 9,765.5 | 20,057.6 | 24,177.9 | 25,116.8 | 25,430.6 | 26,087.5 | 27,860.1 |
| ICL Esoteric Testing proportion (%) | 41.7 | 43.8 | 45.3 | 46.2 | 65.3 | 65.5 | 63.2 | 60.6 | 58.9 | 58.1 |
| ICL Routine Testing | 6,838.6 | 8,260.2 | 9,902.7 | 11,383.1 | 10,637.3 | 12,759.2 | 14,645.7 | 16,513.4 | 18,231.9 | 20,086.1 |
| ICL Routine Testing proportion (%) | 58.3 | 56.2 | 54.7 | 53.8 | 34.7 | 34.5 | 36.8 | 39.4 | 41.1 | 41.9 |

*Source: Frost & Sullivan analysis*

## Key Growth Drivers of China's ICL Market

The growth of China's ICL market is, and is expected to continue to be, attributable to the following major factors.

- *Unique Advantages of ICLs over Hospital-based Laboratories.* The ICLs enjoy various advantages over hospital-based laboratories. Firstly, the ICLs provide services to a wide range of hospitals with end customers of diverse backgrounds and demands. Secondly, the ICLs generally offer more testing items compared with hospital-based laboratories, which empower physicians with broad testing options. Thirdly, by offering large volume of testing services, the ICLs can achieve economies of scale, which leads to better cost efficiency for the hospitals. Fourthly, the ICLs are more flexible to utilize new technologies and equipment than hospital-based laboratories, and tend to be more active to improve its quality control and recruit industry experts, which promote operating efficiency for ICLs.

- *Increasing End Customer Demands.* Due to the growing public health awareness and the aging population in China, there are increasing demand for clinical testing. At the same time, more accurate and technologically advanced services in the ICL industry are developed and introduced, including biochips, companion diagnostics, and microarrays. In addition, the medical insurance reimbursement system has been introduced to cover the examination fees for both inpatient and outpatient examinations. More testing item options developed are also gradually been covered by medical insurance, making them more affordable to the end customers.

- *Outsourcing Demands from Public and Private Hospitals.* Currently, public hospitals in China are generally operating above their capacity. As a result, more and more public hospitals are outsourcing their clinical testing services to third party providers to reduce its burden caused by the overwhelming demand. More stringent cost control in both public and private hospitals also leads to the outsourcing of clinical tests.

- *Favorable Policies.* The Chinese government has introduced a series of healthcare reforms in the past decade, including health insurance reforms, primary care reforms, hospital reforms, medications and public health reforms. Various laws, regulations and policies have been enacted to reshape the private sector of China's clinical testing industry and facilitate more investments in the private sector of healthcare system, including in ICLs. For example, several regulatory authorities, including the NHC and the State Council, have strengthened medical insurance control measures in hospitals across China since 2012. As part of those measures, the standard price for hospital in-house testing has been further lowered by relevant authorities, incentivizing hospitals to outsource more testing services to ICLs. In 2015, the General Office of the State Council issued the Guiding Opinions of the General Office of the State Council on Promoting the Establishment of a Hierarchical Diagnosis and Treatment System, exploring the establishment of independent regional medical testing institutions, pathological diagnosis institutions and medical imaging inspection institutions to achieve regional resource sharing. The Guiding Opinions also seeks to strengthen medical quality control and promote mutual recognition of testing results between agencies, driving the growth of ICLs. In 2018, the NHC and the National Administration of Traditional Chinese Medicine jointly issued a notice to all provincial health commissions, reiterating the major points in the Guiding Opinions of the General Office of the State Council on Promoting the Establishment of a Hierarchical Diagnosis and Treatment System to push forward the establishment of hierarchical diagnosis and treatment system and the sharing of medical testing resources in each medical service zone, which will further promote the use of ICL services.

**Key Successful Factor and Entry Barrier of China's ICL Market**

The success of China's ICL market players is mainly attributable to the following factors.

- *First-mover Advantages.* First movers in the ICL market enjoy benefits such as existing client relationship, distribution channel, and logistics network. In particular, clients in the ICL market normally do not switch ICL service providers. First movers also tend to have accumulated more operating experience, developed more testing items and are better-known in the market.

- *Advanced Technology Addressing Medical Demands.* Technology innovation serves as an important driver for ICLs to offer more testing items with better quality. Such services relying on advanced technology generally are of higher margins, therefore ICLs launched early can accumulate more investment in scientific research, which forms a technology barrier against new comers.

- *Ingrained Relationships with China's Class III Hospitals Resulting in Better Market Reputation and Profitability.* Class III hospitals have more demand for ICL esoteric services compared to hospitals of lower tiers. Due to the high outpatient visit number in Class III hospitals, there is a significant demand for ICL testing, thereby generating large revenue and potentially higher profitability for ICLs that collaborate with Class III hospitals. The market perceives partnership with Class III hospitals as the hospitals' trust and endorsement in the partnered ICLs, which in turn create a favorable market reputation for such ICLs.

- *Integration across Esoteric Testing Value Chain Enhances Operating Efficiency.* Integrated industry chain helps ICLs to achieve economies of scale, thus increases their operating efficiency. The integrated industry chain, including both horizontal and vertical expansion, covers all the related services in the clinical laboratory market including health management, CRO and cold chain logistics. Leveraging such integration of value chain, the ICLs can provide a wider range of diagnostic tests as well as ancillary services.

The entry barriers of China's ICL market mainly include the following factors.

- *Technological Barriers.* The development of ICLs requires sufficient research investment and operation experience. New technologies, including novel gene sequencing platform, automated lab system and better logistics system evolve rapidly and enjoy wider application in the ICL industry. As a result, new ICL market participants may encounter difficulties in developing diagnostics technology, cold-chain logistics, operation system and other technologies.

- *Relationships with Hospitals and Manufacturers.* Cooperations with hospitals and manufacturers are vital in the ICL market. It is difficult for new ICLs to establish new client relationships with hospitals. Hospitals normally do not change ICLs during their ordinary course of business because of the high switching cost given the need for short turnaround time, strict quality control and the amount of time, money and effort needed to customize testing services.

- *Economies of Scale*. Incumbent ICLs generally have a large network of laboratories and are able to lower their costs related to R&D, personnel training, storage and transportation. Large and existing ICLs also enjoy cost advantages in procuring logistics service, expanding distribution network and operating leverage.

- *Professional Team.* ICLs require professional and experienced team for both research and operation. New ICLs may face difficulties in recruiting appropriate talents.

## THE INDEPENDENT ESOTERIC TESTING MARKET

Compared with routine testing, esoteric testing generally requires more sophisticated technology and equipment, and is performed by highly skilled laboratory professionals. The following chart illustrates some key differences between routine testing and esoteric testing.

| | Routine testing | Esoteric testing |
|---|---|---|
| ***Testing Items*** | Usually listed in *List of Clinical Examination Items in Medical Institutions*(Note) | Testing complex that are generally not performed as part of routine testing |
| ***Technology Platform*** | Routine biochemistry, routine microbiology, routine immunology, etc. | Molecular diagnostics, protein chemistry, cellular immunology, advanced microbiology, etc. |
| ***Requirement for Personnel*** | Low; require limited skills from professionals | High; performed by more highly skilled professionals |
| ***Features*** | • Homogeneous and standardized<br>• Low market entry barriers<br>• High automation | • Relatively heterogeneous<br>• High market entry barriers<br>• Low automation |
| ***Profitability*** | Low to medium | Medium to high |
| ***Service Radius*** | The region covered is relatively smaller | Can cover a larger region |
| ***Major Service Provider*** | Hospitals, ICLs, Co-constructed clinical laboratories | ICLs, Class III Hospitals |
| ***Major Customers*** | All classes of hospitals and non-hospital healthcare institutions | Hospitals of higher class |

*Source: Frost & Sullivan analysis*

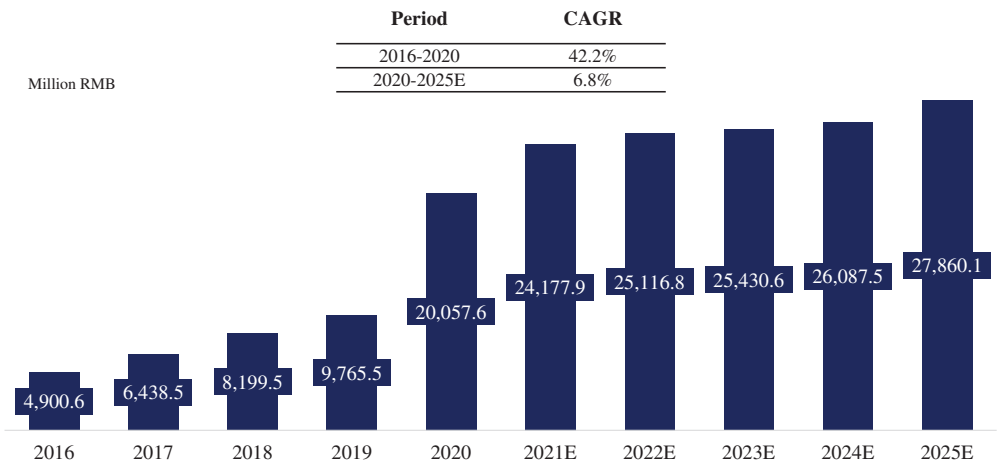
*Note: The List of Clinical Examination Items in Medical Institutions was first issued by NHC (National Health Commission)in 2007 in order to meet the needs of standardized medical services and improve the quality of clinical testing in China. A total of 1,463 items are included in the latest version of the List updated in 2013, covering testing items of immunity/serology, body fluids/blood, biochemistry, molecular biology and cytogenetics.*

Esoteric testing has been recommended in increasing number of guidelines and expert consensus for various disease treatment. In the field of hematology, esoteric testing is recommended for diagnose and prognosis of hematological diseases for provision of a comprehensive analysis. In 2018, the *Chinese Anti-Cancer Association*(CACA) formulated *A Consensus of Chinese Experts on the Application of NGS in Hematological Tumors*（《二代測序技術在血液腫瘤中的應用中國專家共識》）. The *2020 CSCO Guideline of Lymphoma* (《2020年CSCO淋巴瘤診療指南》)listed detecting clonal gene rearrangement of antigen receptor genes (IG, TCR) in lymphoma, non-random, type-related chromosomes and gene abnormalities as first level recommendation for the diagnose of AML, CLL, MZL and WM. In addition, in the field of cancer screening, there have been numerous guidelines and expert consensuses formulated regarding early screening of cancer types of high prevalence since 2017. It is recommended in *Comprehensive Prevention and Control Guidelines for Cervical Cancer in China* (《中國宮頸癌綜合防治指南》)for female aged 25-65 to conduct cervical cytology every 3 year; in *Expert Consensus on Early Gastric Cancer Screening Process in China* (《中國早期胃癌篩查專家共識》)for adults aged older than 40 year old to conduct serum biomarker screening for gastric cancer when necessary. Therefore, with more treatment guidelines and expert consensuses recommend esoteric testing for disease testing in order to achieve better understanding for diagnosis and treatment, esoteric testing is expected to be further utilized among healthcare institutions in China.

### ICL Esoteric Testing Market in China and U.S.

China ICL esoteric testing market grew from RMB4,900.6 million in 2016 to RMB20,057.6 million in 2020, representing a CAGR of 42.2% from 2016 to 2020. It is expected to further grow to RMB27,860.1 million in 2025, representing a CAGR of 6.8% from 2020 to 2025.

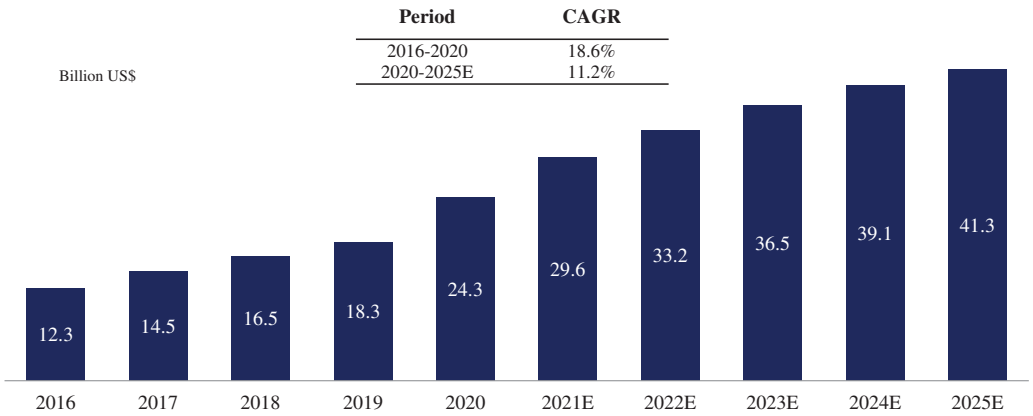
**China ICL Esoteric Testing Market Size and Forecast, 2016-2025E**




*Source: Frost & Sullivan analysis*

Compared to the U.S. market, which is more mature and sophisticated, China's ICL esoteric testing market is still in its early stage in terms of market size but demonstrates strong growth momentum and convergence to the U.S. market in its relative scale. The market size of esoteric testing in the US increased from US$12.3 billion in 2016 to reach US$24.3 billion in 2020 with a CAGR of 18.6% from 2016 to 2020. The market size of esoteric testing in the US is expected to reach US$41.3 billion in 2025, representing a CAGR of 11.2% from 2020 to 2025.

**US ICL Esoteric Testing Market Size and Forecast, 2016-2025E**




*Source: Frost & Sullivan analysis*

**Application of Esoteric Testing**

Using the latest technologies in molecular diagnostics, protein chemistry, cellular immunology and advanced microbiology, esoteric testing is particularly useful in disease diagnosis, identification of different subtypes of diseases and precision medicine eligibility evaluation, and pandemic diagnosis. In China, esoteric testing is mainly applied in six major specialty areas, including hematology, genetic diseases and rare diseases, infectious diseases, oncology, neurology and maternity-related diseases, with leading ICLs seeking to expand into more specialty areas.

There have been research advances in the application of precision medicine and/or personalized services combined in the use of esoteric testing. For instance, TMB testing has been widely applied among immunotherapy to predict its efficacy. Tumor mutational burden (TMB), defined as the total number of somatic mutations per coding area of a tumor genome, is an emerging clinical biomarker associated with response to immune checkpoint inhibitor (ICI) therapy. TMB was measured in mutations per mega base (mb), larger than 20 mutations/mb is considered to be high tumor mutational burden (TMB-H). Since the anti-cancer effect of immunotherapy mainly depends on the recognition of cancer specific antigen by immune cells, cancer patients who have more gene mutations will produce more antigens and be more likely to be recognized by immune cells. In other words, the higher the tumor mutational burden (TMB), the more the patients may benefit from immunotherapy. TMB may be an excellent biomarker to predict the effect of immunotherapy. Based on liquid biopsy technique, TMB in plasma is positively correlated with the efficacy of immune checkpoint inhibitors. In patients with NSCLC with TMB-H, the PFS of patients treated with immunotherapy was significantly higher than that of patients treated with chemotherapy. Detecting TMB condition by esoteric testing can predict the patients who are most likely to benefit from immunotherapy, and provide accurate personalized treatment according to the test results, which is of great significance to the pathogenesis of patients or their entire treatment life-cycle.

***Case study: Application of Hematology Testing in Leukemia***

ICL hematology testing can help ensure the accuracy of the patients' leukemia type. Some tests can help determine how a patient might respond to certain treatments.

After a routine blood test, patients with abnormal results will be referred to an ICL for either a bone marrow test or a series of chromosome tests. The bone marrow test will be able to show the doctors the types of leukemia cells using either cytochemistry – a process of exposing cells to certain chemical stains (dyes) that react only with some types of leukemia cells, causing the cells in the specimen to change color seen under a microscope; or flow cytometry and immunohistochemistry – by treating samples of cells with certain proteins that adhere only to certain other proteins on the cells. The chromosome tests will be able to help the doctors identify certain leukemia subtypes, such as ALL, by detecting chromosome changes associated with such leukemia subtypes. The chromosome tests include Molecular cytogenetics, Fluorescent in situ hybridization (FISH), and Polymerase chain reaction (PCR).

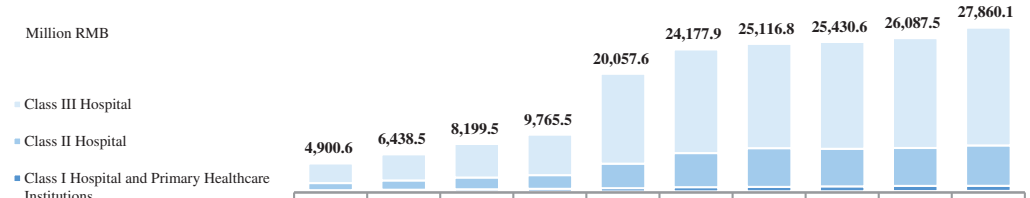
After the treatment, bone marrow test or chromosome tests can also help the doctors to determine the effectiveness of the treatment by detecting the presence of remaining leukemia cells in the bodies.

### Esoteric Testing Market by Source of Income

Similar to the ICL market, China's independent esoteric testing market generates majority of its revenue from Class III hospitals. In 2016, 67.7% of China's esoteric testing revenue are generated from Class III hospitals, which increased to 75.7% in 2020 and the percentage is expected to decrease to 71.4% in 2025.

**China Independent Esoteric Testing Market by Source, 2016-2025E**

| Period, CAGR | Class III Hospitals | Class II Hospitals | Class I Hospital and Primary Healthcare Institutions | Others | Total |
|---|---|---|---|---|---|
| 2016-2020 | 46.2% | 36.5% | 18.8% | 11.9% | 42.2% |
| 2020-2025E | 5.6% | 10.5% | 9.4% | 8.4% | 6.8% |




| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021E | 2022E | 2023E | 2024E | 2025E |
|---|---|---|---|---|---|---|---|---|---|---|
| Total | 4,900.6 | 6,438.5 | 8,199.5 | 9,765.5 | 20,057.6 | 24,177.9 | 25,116.8 | 25,430.6 | 26,087.5 | 27,860.1 |
| Class III Hospital | 3,319.1 | 4,405.7 | 5,676.4 | 6,828.9 | 15,183.3 | 17,516.5 | 17,631.6 | 18,042.6 | 18,573.9 | 19,905.6 |
| Class II Hospital | 1,192.7 | 1,563.0 | 1,977.3 | 2,311.0 | 4,145.9 | 5,762.9 | 6,543.2 | 6,349.1 | 6,399.8 | 6,825.0 |
| Class I Hospital and Primary Healthcare Institutions | 277.7 | 335.5 | 389.9 | 448.0 | 554.1 | 709.2 | 742.1 | 833.0 | 886.1 | 868.5 |
| Others (Unrated Hospitals and Others) | 111.1 | 134.2 | 155.9 | 177.7 | 174.3 | 189.2 | 199.9 | 205.9 | 227.8 | 261.0 |

*Source: Frost & Sullivan analysis*

### Key Growth Drivers of China's Independent Esoteric Testing Market

In addition to the growth drivers of China's ICL market, the growth of China's independent esoteric testing market is mainly attributable to the following factors.

- *Development of Clinical Practice.* With the increasing need for precision medicine, each step of the clinical practice – screening, diagnosis, treatment, prognosis and recovery – would require more use of esoteric tests.

- *Wider Application of Advanced Technology.* Due to rapid development in science and technology, various new esoteric methods will be introduced for more efficient and precise testing process.

- *Talent Recruitment and Retention.* It is expected that more talented experts and skilled professionals will join the healthcare industry, and they will make significant contribution to China's independent esoteric testing industry.

- *Increasing Affordability of Medical Diagnosis.* From 2016 to 2020, the per capita disposable income increased from RMB23,821 to RMB32,189, representing a CAGR of 7.8%. With the increase of per capita disposable income, medical diagnosis and treatment have become more affordable. Additionally, there is an increasing expansion of the healthcare insurance coverage that extends to more advanced medical treatment, diagnosis and testing services. Such increased affordability will bring a huge increase of demand for high quality testing services, favoring the development of China's independent esoteric testing market.

- *Capital Investment.* China's independent esoteric testing market is attracting increasingly more venture capital investment. With the support of capital funds, a number of market players in this industry are going through further business expansion.

**Entry Barriers of China's Independent Esoteric Testing Market**

In addition to the entry barriers of China's ICL market, the entry barriers of the independent esoteric testing market in China include:

- *Professional Barrier.* As the complexity to operate the equipment for clinical testing, the technicians in the ICLs are subject to certain qualifications. Such qualified technicians are rare and popular on the market.

- *Financial Barrier.* The cost to initiate an esoteric testing business is relatively high, which include the cost to build up qualified laboratory, purchase advanced equipment and hire the professionals.

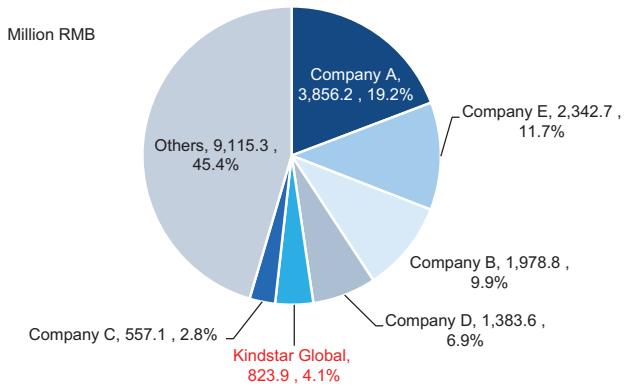
- *Marketing and Promotion*. Existing and successful ICLs generally have their own established marketing and promotion network, including organized academic-driven promotion campaigns that targets medical professionals, allowing them to maintain good relationships with key opinion leaders, as well as department heads and senior physicians in hospitals.

**COMPETITIVE LANDSCAPE IN OUR MARKETS**

**Competitive Landscape of China's ICL Esoteric Testing Market**

In 2020, the Company had the largest market share in 2020 by revenue in the hematology esoteric testing market. The Company has the largest number of testing items among the ICL esoteric testing companies in China as of the end of 2020. In 2020, the Company ranked the fifth among both the total ICL testing market and the ICL esoteric testing companies in China in terms of revenue, respectively. The top six companies in the ICL esoteric testing market in China held a combined market share of 54.6% by revenue in 2020.

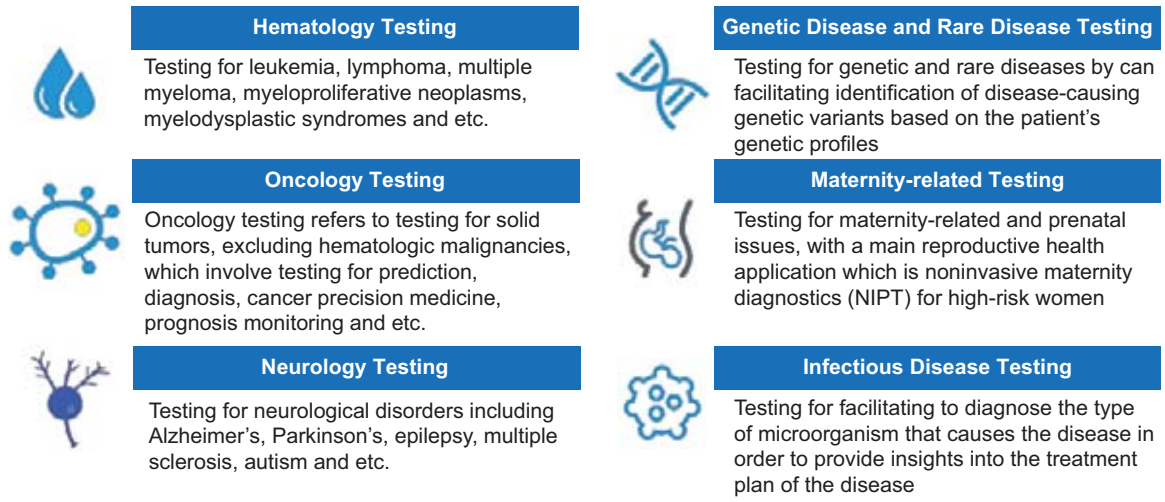
**Major ICL Esoteric Testing Companies in China by Revenue, 2020**




*Source: Frost & Sullivan Analysis*

### ICL Esoteric Testing Market by Specialty Areas

China's ICL testing market mainly consists of six segments by specialty areas: (i) hematology testing; (ii) genetic disease and rare disease testing; (iii) infectious disease testing; (iv) oncology testing; (v) neurology testing; and (vi) maternity-related testing. Compared with the ICL market in the United States, which covers broader segments, such as dermatology testing and toxicology testing, the China ICL testing market still has growth potential in expanding the available specialty areas. The following chart illustrates the description of the main specialty areas in China.

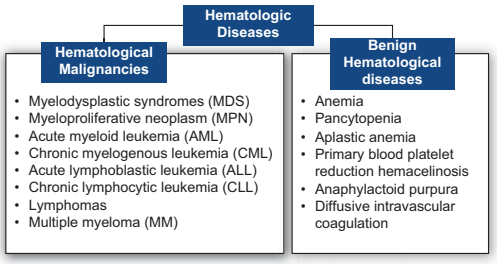



*Source: Frost & Sullivan analysis*

All the specialty areas listed above have seen rapid growth over the years and are expected to keep growing at double-digit CAGR ranging from 8.6% to 33.6% from 2016 to 2020 and expected CAGR ranging from 10.7% to 40.2% from 2020 to 2025. Out of the six specialty areas, four (hematology, infectious disease, oncology and maternity-related diseases) had a market size of at least RMB 1,000 million as of 2020. In 2020, hematology testing, neurology testing, infectious disease testing, genetic disease and rare disease testing, oncology testing and maternity-related testing accounted for 12.1%, 2.1%, 10.9%, 6.8%, 40.1% and 24.9% of the esoteric testing market (excluding COVID-19 testing), respectively.

#### *Hematology Testing*

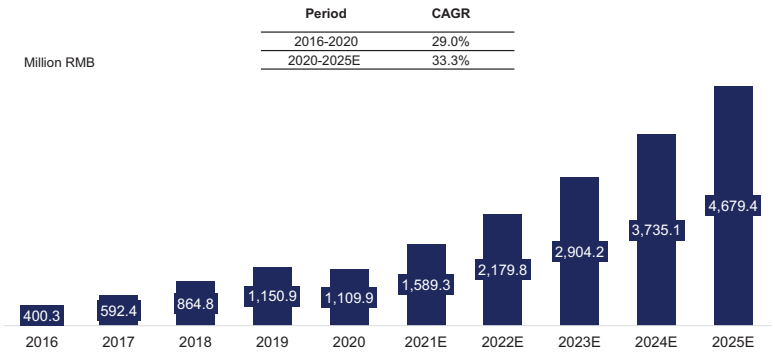
Hematologic diseases are disorders primarily affecting the blood and blood-forming organs, including rare genetic disorders, anemia, sickle cell disease and complications from chemotherapy or transfusions. Hematologic tests include tests on the blood, blood proteins and blood-producing organs. It facilitates the physicians to diagnose various types of hematologic diseases, including anemia, infection, hemophilia, blood-clotting disorders, and leukemia. The technology platforms involved in hematologic testing mainly include pathology platform, flow cytometry, molecular cytogenetics and molecular diagnostics. The following chart shows the major types of disease covered by hematologic testing.




*Source: Frost & Sullivan analysis*

In 2020, China ICL hematologic testing market reached RMB1,109.9 million, compared to a market size of RMB400.3 million in 2016, representing a CAGR of 29.0% from 2016 to 2020. The market size is expected to rise to RMB4,679.4 million in 2025, representing a CAGR of 33.3% from 2020 to 2025.

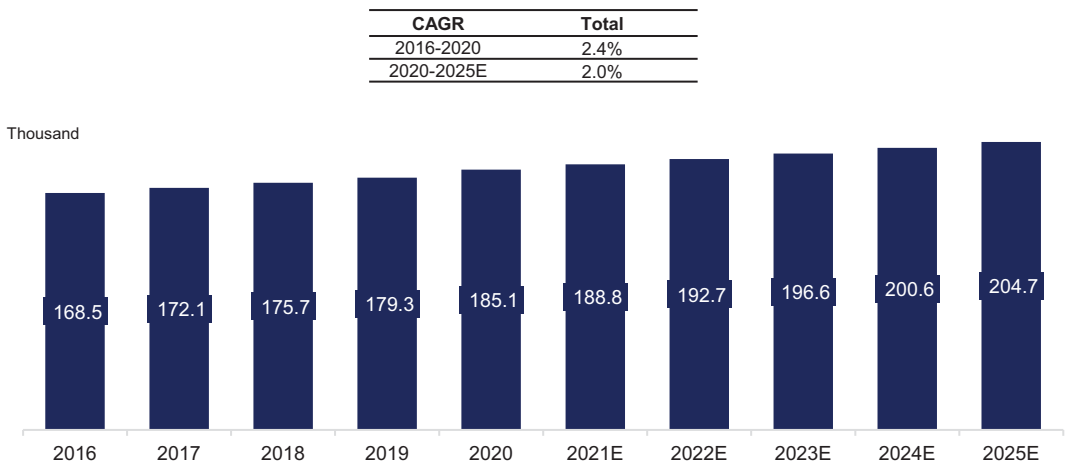
**China ICL Hematologic Testing Market Size and Forecast, 2016-2025E**




*Source: Frost & Sullivan Analysis*

Lymphoma and leukemia are representative diseases under hematology testing. The incidence of lymphoma and leukemia in China grew from 168.5 thousand to 185.1 thousand during the period of 2016-2020, with a CAGR of 2.4%. In the future, the incidence of the two hematological diseases in China is projected to reach 204.7 thousand by 2025, with a CAGR of 2.0% from 2020 to 2025.

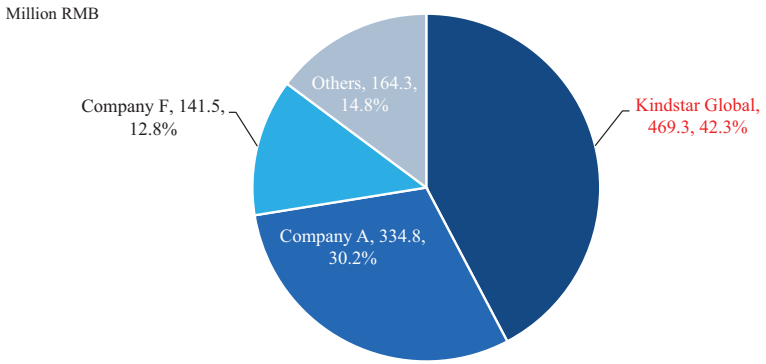
**Patient Size of Typical Diseases of Hematology Testing in China, 2016-2025E**




*Source: Frost & Sullivan Analysis*

Within this fast growing market in China, the top three companies accounted for 85.2% of the total hematologic testing market by revenue in China in 2020. The Company had the largest market share in 2020, contributing 42.3% or RMB469.3 million of the total market revenues.

**Breakdown of China ICL Hematology Testing Market by Companies, 2020**

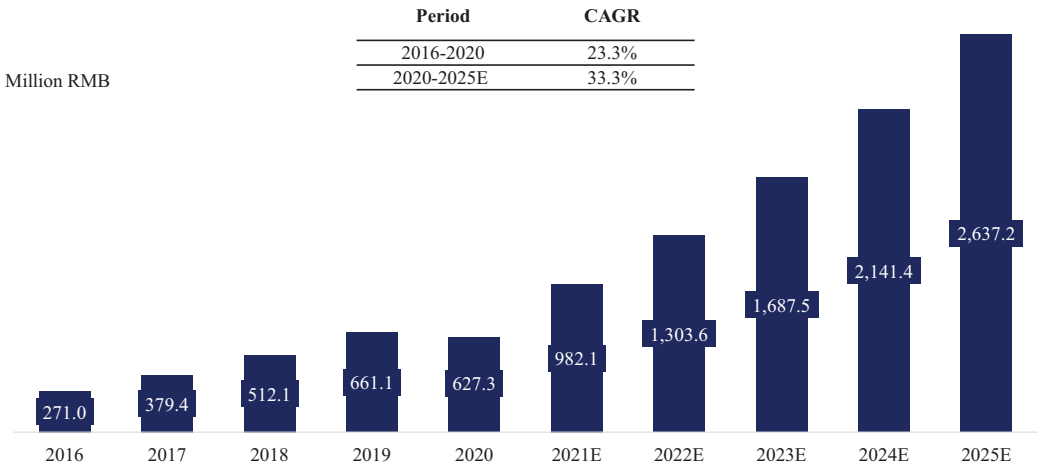



*Source: Annual Report, Frost & Sullivan Analysis*

***Genetic Disease and Rare Disease Testing***

Genetic disease and rare disease testing can facilitate identification of disease-causing genetic variants. In 2020, China ICL genetic disease and rare disease testing market reached RMB627.3 million, compared to a market size of RMB271.0 million in 2016, representing a high CAGR of 23.3% from 2016 to 2020. The market size is expected to grow to RMB2,637.2 million in 2025, representing a CAGR of 33.3% from 2020 to 2025.

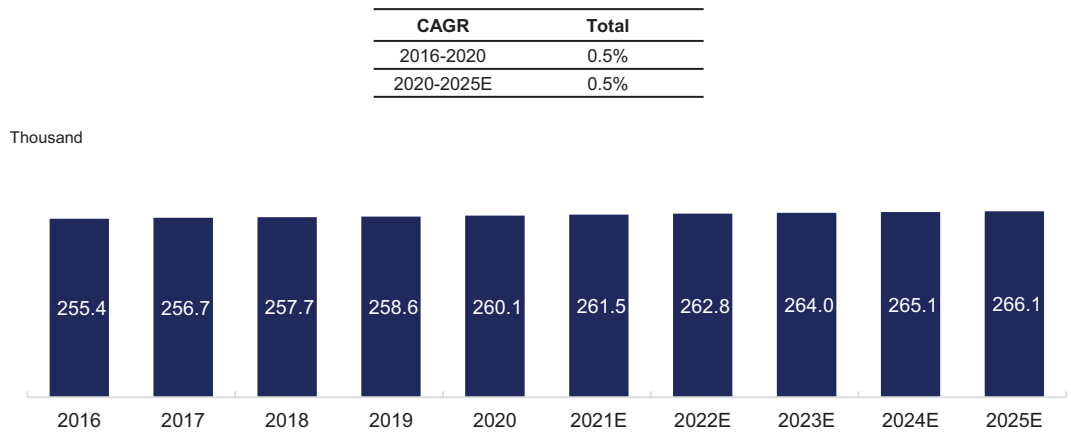
**China ICL Genetic Disease and Rare Disease Testing Market Size and Forecast, 2016-2025E**




*Source: Frost & Sullivan analysis*

Typical diseases of genetic disease & rare disease testing include generalized myasthenia gravis and spinal muscular atrophy. The prevalence of these genetic diseases & rare diseases in China grew from 255.4 thousand to 260.1 thousand during the period of 2016-2020, with a CAGR of 0.5%. In the future, the prevalence of genetic disease & rare disease in China is projected to reach 266.1 thousand by 2025, with a CAGR of 0.5% from 2020 to 2025.

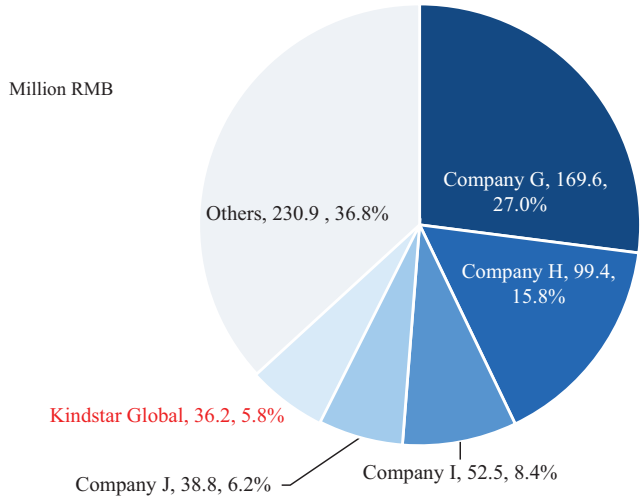
**Patient Size of Typical Diseases of Genetic Disease & Rare Disease Testing in China, 2016-2025E**




*Source: Frost & Sullivan Analysis*

The top five companies accounted for 63.2% of the total genetic and rare diseases testing market in China by revenue in 2020. The Company had the fifth largest share in the market in 2020, accounting for 5.8% or RMB36.2 million of the total market revenue.

**Breakdown of China ICL Genetic Disease and Rare Disease Testing Market by Companies, 2020**

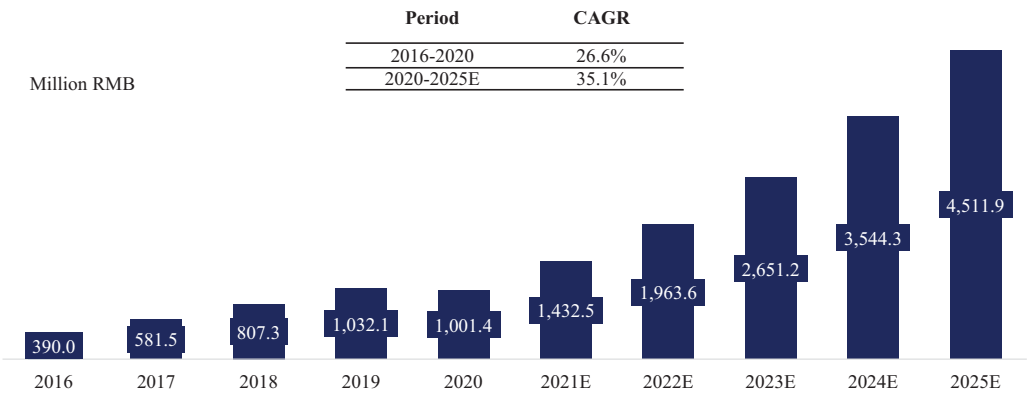



*Source: Annual Report, Frost & Sullivan analysis*

***Infectious Disease Testing***

Infectious diseases are disorders caused by pathogens – such as bacteria, viruses, fungi or parasites. Infectious diseases tests include tests such as antibody tests, antigen tests, and nucleic acid – based tests. They can help to find the causes the infectious disease, providing insights into the treatment plan of the disease. In 2020, China ICL infectious disease testing market reached RMB1,001.4 million, compared to a market size of RMB390.0 million in 2016, representing a high CAGR of 26.6% from 2016 to 2020. Then it is expected to grow to RMB4,511.9 million in 2025, representing a CAGR of 35.1% from 2020 to 2025.

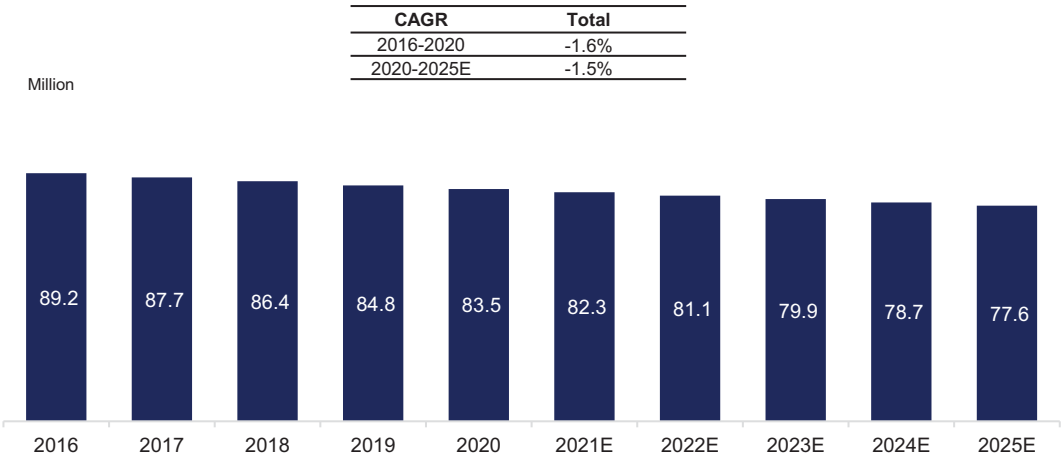
**China ICL Infectious Disease Testing Market Size and Forecast, 2016-2025E**




*Source: Frost & Sullivan Analysis*

HBV, HCV, and HIV are representative diseases under infectious disease testing. The prevalence of these infectious diseases in China grew from 89.2 million to 83.5 million during the period of 2016-2020, with a CAGR of -1.6%. In the future, the prevalence of these infectious diseases in China is projected to reach 77.6 million by 2025, with a CAGR of -1.5% from 2020 to 2025.

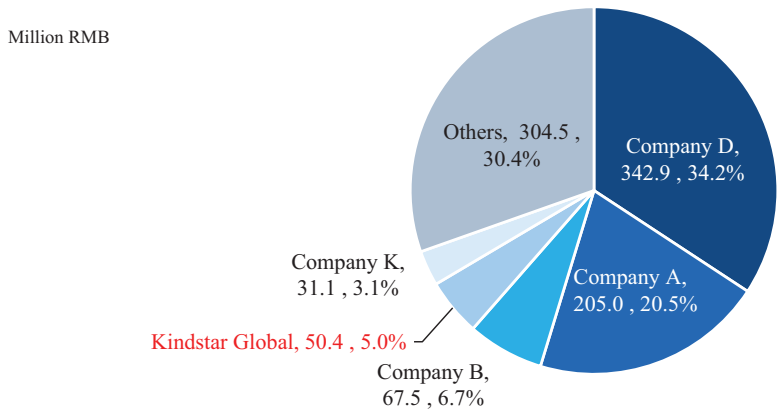
**Patient Size of Typical Diseases of Infectious Disease in China, 2016-2025E**




*Source: Frost & Sullivan Analysis*

Within this fast growing market in China, the largest five participants accounted for 69.6% of the total infectious disease market in China by revenue in 2020. The Company had the fourth largest share in the market in 2020, accounting for 5.0% or RMB50.4 million of the total market revenue.

**Breakdown of China ICL Infectious Disease Testing Market by Companies, 2020**

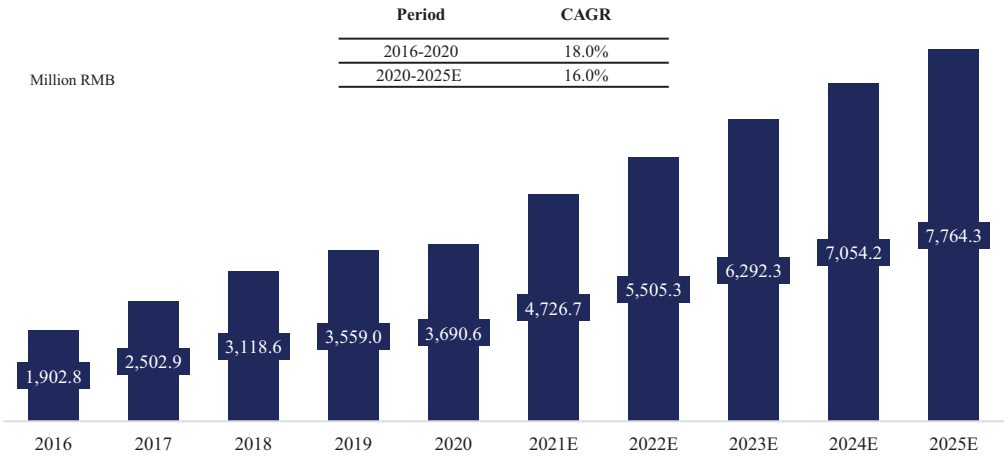



*Source: Annual Report, Frost & Sullivan Analysis*

***Oncology Testing***

Oncology testing refers to testing for solid tumors, excluding hematologic malignancies, which involve testing for prediction, diagnosis, cancer precision medicine, prognosis monitoring and etc. In 2020, China ICL oncology testing market reached RMB3,690.6 million, compared to a market size of RMB1,902.8 million in 2016, representing a high CAGR of 18.0% from 2016 to 2020. Then it is expected to grow to RMB7,764.3 million in 2025, representing a CAGR of 16.0% from 2020 to 2025.

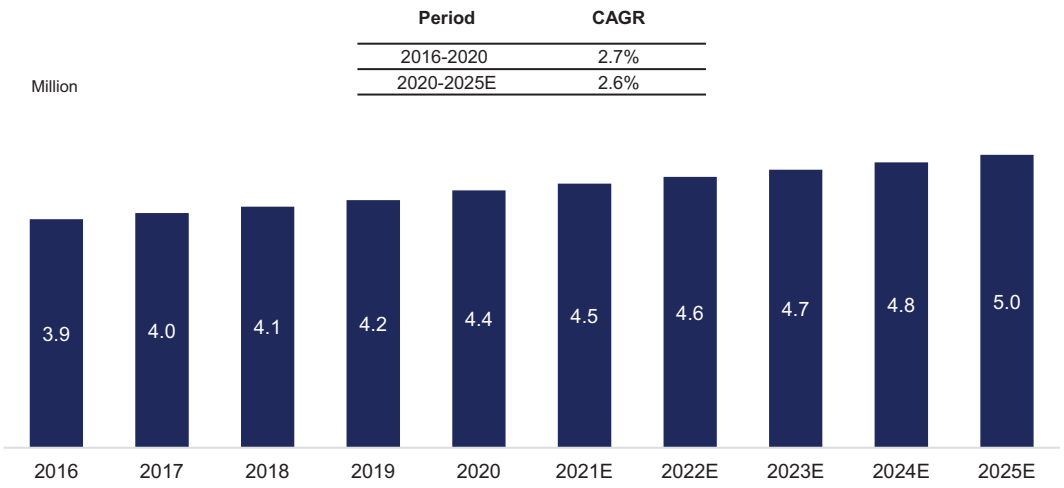
**China ICL Oncology Testing Market Size and Forecast, 2016-2025E**




*Source: Frost & Sullivan Analysis*

Oncology Testing is mainly conducted on solid tumors. In 2020, the incidence for solid tumors in China reached 4.4 million, compared to 3.9 million in 2016, representing a CAGR of 2.7% from 2016 to 2020. It is expected to grow to 5.0 million in 2025, representing a CAGR of 2.6% from 2020 to 2025.

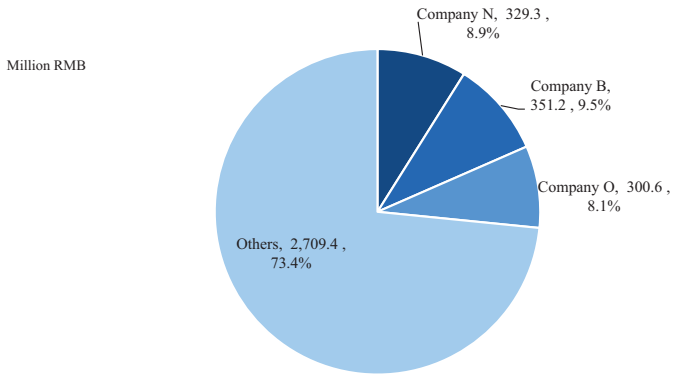
**Patient Size of Typical Diseases of Oncology Testing in China, 2016-2025E**




*Source: Frost & Sullivan analysis*

Within the oncology testing market in China, the largest three participants accounted for 26.6% of the total market in China by revenue in 2020.

**Breakdown of China ICL Oncology Testing Market by Companies, 2020**

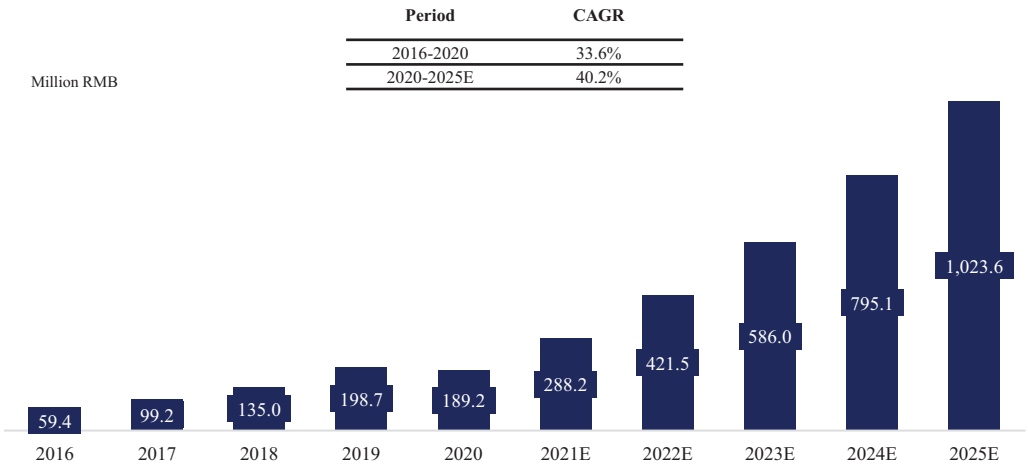



*Source: Annual Report, Frost & Sullivan analysis*

***Neurology Testing***

Neurological disorders are diseases of the central and peripheral nervous system. Common disorder conditions include epilepsy, dementia, paraneoplastic disorders, multiple sclerosis and myasthenia gravis. In 2020, China ICL neurology testing market reached RMB189.2 million, compared to a market size of RMB59.4 million in 2016, representing a high CAGR of 33.6% from 2016 to 2020. Then it is expected to grow to RMB1,023.6 million in 2025, representing a CAGR of 40.2% from 2020 to 2025.

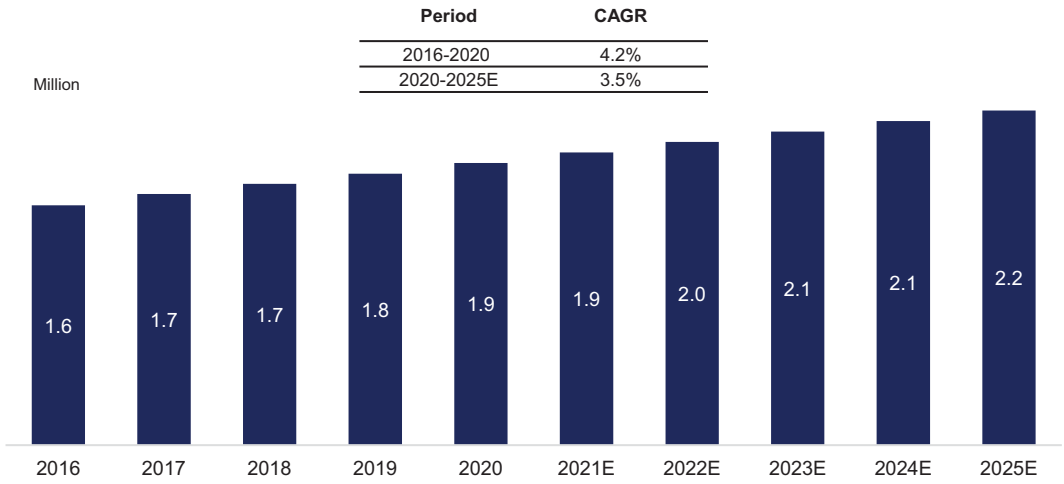
**China ICL Neurology Testing Market Size and Forecast, 2016-2025E**




*Source: Frost & Sullivan Analysis*

Alzheimer' disease is a representative disease under neurology testing. In 2020, the incidence for Alzheimer's disease in China reached 1.9 million, compared to 1.6 million in 2016, representing a CAGR of 4.2% from 2016 to 2020. It is expected to grow to 2.2 million in 2025, representing a CAGR of 3.5% from 2020 to 2025.

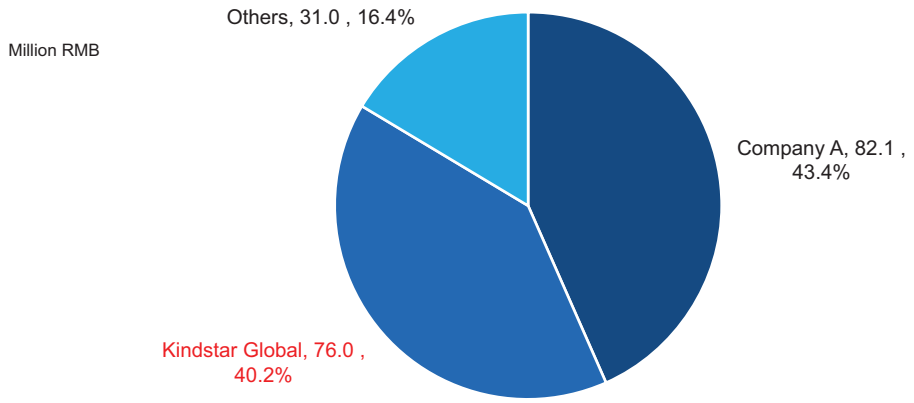
**Patient Size of Typical Diseases of Neurology Testing in China, 2016-2025E**




*Source: Frost & Sullivan analysis*

Within this fast growing market in China, there are only two companies leading neurology testing, accounting for 83.6% of the total neurology testing market in China by revenue in 2020. The Company had the second largest market share, accounting for 40.2% or RMB76.0 million of the total market revenue in 2020.

**Breakdown of China ICL Neurology Testing Market by Companies, 2020**

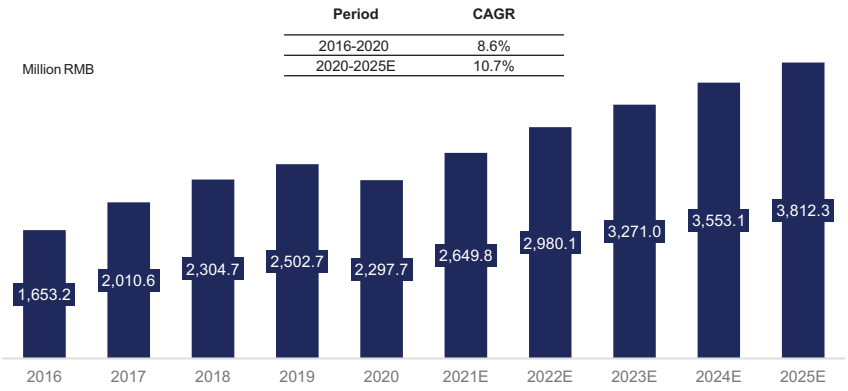



*Source: Annual Report, Frost & Sullivan Analysis*

***Maternity-related Testing***

Maternity-related testing refers to the usage of blood (peripheral blood, cord blood), body fluids, or cells to test DNA to identify birth defects and receive early interventions. In 2020, China ICL maternity testing market reached RMB2,297.7 million, compared to a market size of RMB1,653.2 million in 2016, representing a CAGR of 8.6% from 2016 to 2020. Then it is expected to grow to RMB3,812.3 million in 2025, representing a CAGR of 10.7% from 2020 to 2025. Within the maternity testing market in China, the largest three participants accounted for 67.3% of the total market in China by revenue in 2020. Other players, including the Company, accounted for 32.7% of the total market in China by revenue in 2020. If excluding NIPT market and covid-19 testing market, which is a relatively developed, automated and consumer-driven testing service, the Company would rank second among the ICL esoteric testing companies in China in terms of revenue, accounting for 9.5% of the total China's ICL esoteric testing market share.

**China ICL Maternity Testing Market Size and Forecast, 2016-2025E**

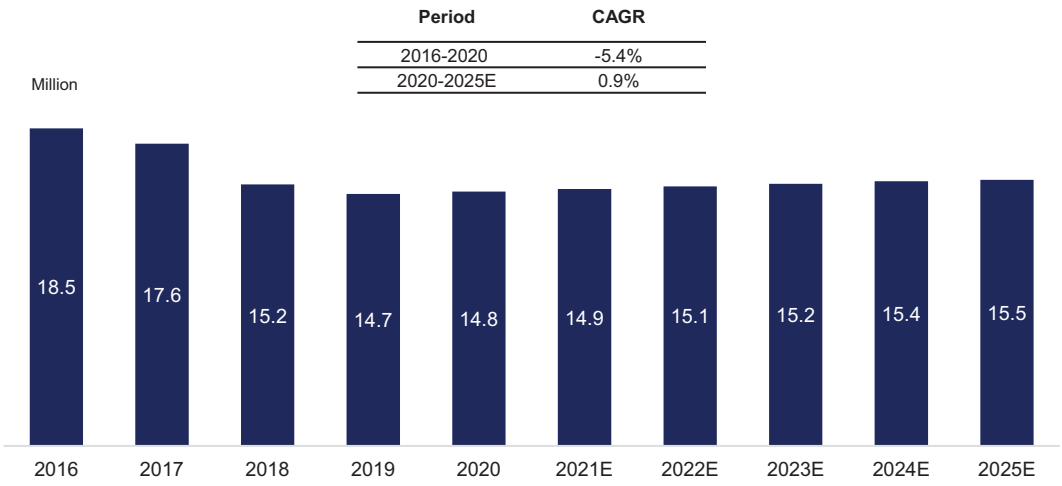



*Source: Frost & Sullivan analysis*

Maternity-related testing is mostly conducted on pregnant women, upon which the number of pregnant women is related to the number of new born babies. In 2020, the number of annual newborns in China is 14.8 million, compared to 18.5 million new born babies in 2016, representing a CAGR of -5.4%

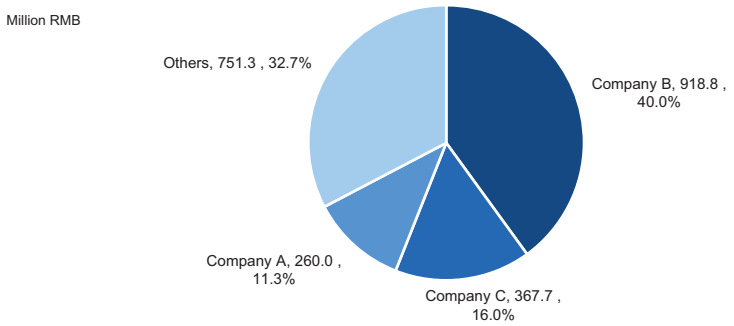
from 2016 to 2020. The number of new born in China is expected to steadily grow to 15.5 million in 2025, representing a CAGR of 0.9% from 2020 to 2025.

**Patients Size of Maternity-related Testing in China, 2016-2025E**




*Source: Frost & Sullivan analysis*

**Breakdown of China ICL Maternity-related Testing Market by Companies, 2020**




*Source: Annual Report, Frost & Sullivan analysis*

## RAW MATERIALS

Raw materials in the independent esoteric testing industry primarily include reagents. According to Frost & Sullivan, the unit price of reagents had been continuously decreasing since 2017. For example, the average market price of immunofixation electrophoresis reagent, which is widely used in hematology testing, decreased from approximately RMB79 per unit in 2017 to RMB72 per unit in 2020. Another example is tuberculosis specific T-cell detection kit/interferon gamma release assay (TB-IGRA), a reagent that is widely used in infectious disease testing, the average market price of which decreased from approximately RMB146 per unit in 2017 RMB96 per unit in 2020. Immunofixation electrophoresis reagent is mainly used in testing items including multiple myeloma testing bundle, and TB-IGRA is mainly used for tuberculous infection T cell test. The average shelf-life of these types of reagents is normally more than one year and they can be replaced by other products manufactured by other manufacturers. The price of the major raw materials in the independent esoteric testing industry is expected to show a relatively stable and

slightly decreasing trend in the foreseeable future. A similar trend for the reagents is expected to be observed in US, South East Asia and Middle East.

## REPORT COMMISSIONED BY FROST & SULLIVAN

In connection with the **[REDACTED]**, we have engaged Frost & Sullivan to conduct a detailed analysis and to prepare an industry report on the cancer screening market. Frost & Sullivan is an independent global market research and consulting company founded in 1961 and is based in the United States. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and market planning for a variety of industries.

We have included certain information from the Frost & Sullivan Report in this Document because we believe such information facilitates an understanding of the cancer screening market for potential **[REDACTED]**. Frost & Sullivan prepared its report based on its in-house database, independent third-party reports and publicly available data from reputable industry organizations. Where necessary, Frost & Sullivan contacts companies operating in the industry to gather and synthesize information in relation to the market, prices and other relevant information. Frost & Sullivan believes that the basic assumptions used in preparing the Frost & Sullivan Report, including those used to make future projections, are factual, correct and not misleading. Frost & Sullivan has independently analyzed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Frost & Sullivan research may be affected by the accuracy of these assumptions and the choice of these primary and secondary sources.

We have agreed to pay Frost & Sullivan a fee of RMB700,000 for the preparation of the Frost & Sullivan Report. The payment of such amount was not contingent upon our successful **[REDACTED]** or on the content of the Frost & Sullivan Report. Except for the Frost & Sullivan Report, we did not commission any other industry report in connection with the **[REDACTED]**. We confirm that after taking reasonable care, there has been no adverse change in the market information since the date of the report prepared by Frost & Sullivan, which may qualify, contradict or have an impact on the information set forth in this section in any material respect.

Our business operations are subject to extensive supervision and regulation by the government of the People's Republic of China (the "**PRC**"). This section sets out an introduction to a summary of the main applicable laws, rules, regulations and policies, which may have a significant impact on our business.

**Laws and Regulations Related to the Healthcare Service Sector in the PRC**

***Regulations on the Reform of Healthcare Institutions***

*Opinions on Promoting Further Reform of the Healthcare System*

The Opinions on Promoting Further Reform of the Healthcare System (《中共中央、國務院關於深化醫藥衛生體制改革的意見》) ("**Opinions**"), which were promulgated by the Central Committee of the Communist Party of China and the State Council on March 17, 2009, advocate a range of measures to reform healthcare institutions in the PRC and establish a basic healthcare system covering urban and rural residents. Measures aimed at reforming healthcare institutions include the separation of: (i) government agencies from public healthcare institutions, (ii) for-profit healthcare institutions from not-for-profit healthcare institutions, (iii) sponsorship from operations of public hospitals, and (iv) pharmaceutical dispensing from pharmaceutical prescription. The Opinions include proposals for the establishment and improvement of corporate governance systems of public healthcare institutions, and checks and balances in decision-making, execution and supervision processes between organizers and operators of public healthcare institutions. The Opinions also encourage private capital to invest in healthcare institutions (including investments by foreign investors), the development of private healthcare institutions and the reform of public healthcare institutions (including those established by state-owned enterprises) through private capital investment.

*Notice on Further Encouraging and Guiding Private Capital to Invest in Medical Institutions*

The Notice of the State Council on Forwarding the Opinions of the National Development and Reform Commission of the PRC (the "**NDRC**"), the NHC and other Departments on Further Encouraging and Guiding Private Capital to Invest in Medical Institutions (《關於進一步鼓勵和引導社會資本舉辦醫療機構意見的通知》), which was promulgated by the General Office of the State Council on November 26, 2010, stipulates that the PRC government encourages and supports investments by private investors in healthcare institutions of various types. Private investors are permitted to apply to establish for profit or not-for-profit healthcare institutions. Private investors are also encouraged to participate in the reform of existing public hospitals, including those established by state-owned enterprises, by converting them into not-for-profit healthcare institutions in order to systematically reduce the proportion of public hospitals in the system. Private healthcare institutions with experience in the provision of healthcare services and good reputation shall be selected as participants in the restructuring of public hospitals. The restructuring of public hospitals may be carried out through pilot reform programs in hospitals established by state owned enterprises. Private healthcare institutions are encouraged to modernize hospital management, establish standardized corporate governance structures, step up cost control and quality management systems, and employ professional managers to manage the hospital. Private investors are encouraged to set up hospital management companies to provide specialized services. Private healthcare institutions are encouraged to engage or authorize domestic or overseas healthcare institutions with professional experience to participate in the management of hospitals to improve their efficiencies. Healthcare institutions are encouraged to

develop into large, sophisticated, technology-intensive medical groups and adopt brand-focused development strategies to build good reputation and image. Private healthcare institutions are encouraged to improve their clinical research and build their research and development teams.

*Several Opinions on Promoting the Development of Healthcare Service Industry*

Several Opinions on Promoting the Development of Healthcare Service Industry (《國務院關於促進健康服務業發展的若干意見》) (the "**2013 Opinions**") was promulgated by the State Council on September 28, 2013. The 2013 Opinions encourage the private sector to invest in the healthcare service industry by various means including new establishment and participation in restructuring, and also encourage private capital investment in not-for-profit healthcare institutions for provision of basic health care services. The 2013 Opinions proposes the idea of the relaxation of the requirement for sino-foreign equity joint or cooperative joint healthcare institutions and expand eligibility in the pilot program for wholly foreign-invested healthcare institutions.

*Several Opinions on Accelerating the Development of Medical Institutions with Social Capital*

Several Opinions on Accelerating the Development of Medical Institutions with Social Capital (《關於加快發展社會辦醫的若干意見》), which were promulgated on December 30, 2013 by the NHC and the State Administration of Traditional Chinese Medicine, stipulate the policies that support the development of private-invested healthcare institutions, including the (i) gradual relaxation of investment in healthcare institutions by foreign capital; (ii) relaxation of requirements for service sectors, allowing social capital's investment in the areas which are not explicitly prohibited; (iii) relaxation of requirements for the deployment and use of large medical equipment in private hospitals; improvement of supporting policies for the development of private hospitals in aspects such as medical insurance and price control; (v) acceleration of the approval processing regarding the establishment and operation of private hospitals.

*Several Policies and Measures Regarding the Promotion of Accelerating the Development of the Medical Institutions Invested by Private Capital*

Several Policies and Measures Regarding the Promotion of Accelerating the Development of the Medical Institutions Invested by Private Capital (《關於促進社會辦醫加快發展若干政策措施的通知》), which were promulgated by the General Office of the State Council on June 11, 2015, stipulate that, (i) the elimination and cancelation of unreasonable preceding items for examination and approval and the reduction in the time required for making such examination and approval; (ii) the reasonable control of the number and scale of the public medical institutions and the exploration of the space for development of the medical institutions invested by private capital; (iii) the support for the listing and financing of such eligible and qualified for-profit medical institutions invested by private capital; (iv) and that private investors with managerial experience in medical institutions are encouraged to participate in the management of public medical institutions through various forms including hospital management groups and subject to the clear distribution of power and responsibilities.

*Guiding Opinions of the General Office of the State Council on Promoting the Establishment of a Hierarchical Diagnosis and Treatment System*

The Guiding Opinions of the General Office of the State Council on Promoting the Establishment of a Hierarchical Diagnosis and Treatment System (《國務院辦公廳關於推進分級診療制度建設的指導意見》), which was promulgated by the General Office of the State Council on September 8, 2015, encourage the exploration of the establishment of independent regional medical testing institutions, pathological diagnostic institutions, medical imaging examination agencies, sterilization and supply institutions and blood purification institutions to achieve the sharing of regional resources, and promote mutual recognition of inspection and testing results between medical institutions at the same level and between medical institutions and independent inspection and testing institutions.

*Notice on Printing Guiding Principles for the Allocation Planning of Medical Institutions (2016-2020)*

The Notice on Printing Guiding Principles for the Allocation Planning of Medical Institutions (2016-2020) (《國家衛生計生委關於印發醫療機構設置規劃指導原則（2016-2020年）的通知》), which was promulgated by the NHC on July 21, 2016, encourages the medical institutions with social capital and stipulates (i) the acceleration of the scale and high-level development of medical institutions with social capital, and the involvement of medical institutions with social capital in relevant planning to reserve space for the allocation of resources such as beds and large medical equipment according to a certain proportion; (ii) the cancelation of limitations on the amount and location of medical institutions with social capital in terms of the accordance with total amount and structure of planning; (iii) the preference to the allocation approval of resource-scarce and not-for-profit specialized medical institutions established by social capital; (iv) the encouragement of the establishment of private clinics by medical practitioners with middle and high professional title.

*Opinions of the General Office of the State Council on Encouraging Social Forces to Provide Multi-layered and Diverse Healthcare Services*

The Opinions of the General Office of the State Council on Encouraging Social Forces to Provide Multi-layered and Diverse Healthcare Services (《國務院辦公廳關於支持社會力量提供多層次多樣化醫療服務的意見》), which was promulgated by the General Office of the State Council on May 16, 2017, support social forces to set up independent institutions specialized in medical testing, pathological diagnosis, medical imaging, disinfection supply, blood purification, peace therapy, etc., and provide relevant services within certain areas.

***Pricing Policy of Laboratory Testing***

The Opinions on Promoting Further Reform of the Healthcare System (《中共中央、國務院關於深化醫藥衛生體制改革的意見》), which was promulgated by the Central Committee of the Communist Party of China and the State Council on March 17, 2009, separates for-profit healthcare institutions from not-for-profit healthcare institutions, the basic medical service provided by non-profit healthcare institutions shall apply benchmark price, while others be priced by healthcare institutions themselves. The Circular on Issuing the Opinions on Promoting the Medical Service Pricing Reform (《關於印發推進醫療服務價格改革意見的通知》), which was promulgated jointly by the NDRC, the Ministry of Human Resources and Social

Security and the MOF, came into effect on July 1, 2016, stipulates that basic medical services provided by not-for-profit healthcare institutions are guided by the benchmark price while the special medical services provided by not-for-profit institutions and other medical services with sufficient market competition and strong personalized demand shall subject to market adjusted price. For medical services provided by for-profit healthcare institutions, the market-adjusted price policy shall be implemented. Currently, there are no unified laws and regulations at the nationwide level specifying the requirements and procedures for tendering, procurement and price setting involving test items and services rendered in routine testing and esoteric testing by a for-profit healthcare institution. Generally speaking, to price a testing item, we will consider various factors, including benchmark rate for same or similar testing items offered by non-for-profit healthcare institutions, cost base for such testing item, as well as service premium. We may also adjust our testing item pricings from time to time to respond to market demand as well as our competitor's pricing strategy.

***Regulations on LDTs***

***Evolving and lack of a unified regulatory framework governing the LDT industry in China***

The regulation of LDTs has been evolving over the past decades, driven in large part by the significant increase in the number and complexity of genetic tests. Diagnostic science, technology and innovation have significantly advanced whereas government regulations enacted decades ago have not yet kept up with the progress of technological development. The U.S. Food and Drug Administration has adopted a policy of not enforcing pre-market review and is of the view that LDTs are important to the continued development of personalized medicine. LDTs are therefore effectively exempted in the United States from regulatory review before they are put into commercial use. In terms of formal legislation, some representative clinical associations, laboratories, and manufacturers of LDTs, including, among others, the American Clinical Laboratory Association, American Society for Clinical Laboratory Science and American Society of Clinical Oncology, have urged the U.S. Congress to reform the federal diagnostic oversight and specifically, the American Clinical Laboratory Association supports innovations that both patients and the health system depend on, and the U.S. Congress must undertake reforms such that any new diagnostic framework acknowledges the unique function, value, and workflow of LDTs.

Due to the relatively short history of the LDT industry in China, a comprehensive regulatory framework governing the LDT industry has not been established. As advised by the PRC Legal Advisor, there is no specific or industry-accepted definition for LDTs under the PRC laws and regulations, nor is there any standard for the use of LDTs within the PRC healthcare industry.

***Relevant Governmental Authorities***

According to the Governmental Consultations (as defined below) and as advised by the PRC Legal Advisor, governmental authorities which will be involved in the regulation of LDTs and use of unregistered testing kits mainly include NHC and NMPA, among which, (i) the provision of Genomic LDTs should be regulated by NHC and its provincial or municipal counterparts, and (ii) the provision of Non-Genomic LDTs should be regulated by NHC and its provincial or municipal counterparts. In addition, the use of unregistered testing kits during the provision of Non-Genomic LDTs shall be regulated by NMPA and its provincial or municipal counterparts.

***Authorities and responsibilities of NHC***

As advised by the PRC Legal Advisor, pursuant to Article 9 of the Administrative Regulations on Medical Institutions (《醫療機構管理條例》), Article 2 and Chapter 6 of the Interim Administrative Measures on Clinical Laboratories (《醫學檢驗實驗室管理暫行辦法》) promulgated by the State Council in August 2020, Articles 4 and 51 of the Administrative Measures on Clinical Laboratories of Medical Institutions (《醫療機構臨床實驗室管理辦法》) promulgated by NHC in February 2006, and amended on July 10, 2020 as well as Section 5 of the Clinical Laboratories Administrative Standards (For Trial Implementation) (《醫學檢驗實驗室管理規範》(試行)) promulgated by NHC in July 2016, each provincial or municipal counterpart of NHC is in charge of approval of establishment, supervision, administration and quality control over activities of clinical laboratories located within its province or municipality.

Considering the provision of LDTs by us is conducted in our Proprietary Labs, the relevant provincial or municipal counterparts of NHC where such labs are located shall have the authority to regulate such LDTs pursuant to the above regulations, as advised by the PRC Legal Advisor.

In February 2014, the General Office of the National Health and Family Planning Commission (國家衛生和計劃生育委員會, "**NHFPC**", predecessor of the NHC) and the General Office of China Food and Drug Administration (the predecessor of the NMPA), jointly issued the Notice of Strengthening the Administration of Products and Technologies Relating to Clinical Genomic Testing (關於加強臨床使用基因測序相關產品和技術管理的通知, "**Joint Notice No. 25**"). According to the Joint Notice No. 25, the NHFPC is in charge of the management of clinical use of genomic testing technology. Therefore, the NHFPC and later the NHC is in charge of the management of clinical use of genomic testing technology, including Genomic LDTs.

*Authorities and responsibilities of NMPA*

Pursuant to the Regulations on Supervision and Administration of Medical Devices (Revised in 2021) (《醫療器械監督管理條例》(2021 年修訂)) (the "**Medical Devices Regulations**") promulgated by the State Council and as advised by the PRC Legal Advisor, the NMPA and its provincial or municipal counterparts shall regulate the registration, manufacturing, sales and use of medical devices, including testing kits. Where the NMPA finds any unauthorized use of unregistered medical device, it may levy a fine against the user and confiscate the unregistered medical device involved.

***Governmental Consultations***

In light of the regulatory uncertainty with respect to the provision of LDTs, numerous governmental consultations were conducted orally with relevant competent governmental authorities listed out above by us, our PRC Legal Advisor and the PRC legal advisor to the Joint Sponsors (the "**Governmental Consultations**"), including:

(1) consultation with NCCL of NHC in July, 2020;

(2) consultation with Health Commission of Hubei Province (湖北省衛生健康委員會, "**Hubei NHC**") in September, 2020;

(3) consultations with NMPA of Hubei Province (湖北省藥品監督管理局, "**Hubei NMPA**") in August, 2020, November, 2020 and January, 2021, respectively;

(4) consultations with the Beijing NMPA (北京市藥品監督管理局, "**Beijing NMPA**") in November, 2020 and December, 2020, respectively;

(5) consultations with the Sichuan NMPA (四川省藥品監督管理局, "**Sichuan NMPA**") in November, 2020 and January, 2021;

(6) consultations with the Health Commission of Beijing (北京市衛生健康委員會, "**Beijing NHC**" in March, 2021; and

(7) consultations with the Health Commission of Sichuan Province (四川省衛生健康委員會, "**Sichuan NHC**") in April, 2021, respectively.

As advised by the PRC Legal Advisor, (i) NCCL of NHC is authorized by the NHC and is the competent authority to promulgate rules relating to testing activities of clinical laboratories and to supervise testing activities and quality control of clinical laboratories; (ii) each of Hubei NHC, Beijing NHC, and Sichuan NHC is the competent authority to oversee medical practice of and enforces applicable rules applicable to clinical laboratory in Hubei Province, Beijing, and Sichuan Province, respectively, including LDTs; and (iii) each of Hubei NMPA, Beijing NMPA and Sichuan NPMA is the competent authority to supervise and regulate registration and recordation of medical devices including the testing kits used in LDTs, in Hubei Province, Beijing and Sichuan Province, respectively. In consideration of the regulatory authority of each government authority with which relevant Governmental Consultations were conducted and position of each officer who were consulted, we believe and as advised by our PRC Legal Advisor that each officer is duly authorized to provide relevant confirmations.

The reason that the Company selected Hubei NMPA, Beijing NMPA and Sichuan NMPA to conduct the Governmental Consultations by taking into consideration of the fact that the Group's Proprietary Labs located in Hubei Province, Beijing and Sichuan Province rank top three among all the labs of the Group in terms of revenue contribution. For the year ended December 31, 2020, the revenue generated from the Group's Proprietary Labs located in Hubei Province, Beijing and Sichuan Province accounted for approximately 88.2% of the Group's total revenue for the year ended December 31, 2020.

***Genomic LDTs***

As advised by the PRC Legal Advisor, legal issues involved in our provision of Genomic LDTs mainly include (i) the utilization of NGS technology to provide Genomic LDTs; and (ii) the use of unregistered testing kits.

*Utilization of NGS technology*

We apply an advanced laboratory NGS platform to provide Genomic LDTs ("**NGS-based Genomic LDTs**"). According to (i) Notice on Application for Pilot Program on Clinical Use of NGS-based Testing (關於開展高通量基因測序技術臨床應用試點單位申報工作的通知, the "**Notice 44**"), and (ii) Notice on

Commencement of Pilot Program on NGS Technology Clinical Use (關於開展高通量基因測序技術臨床應用試點工作的通知, Notice 407) issued by the NHFPC in 2014 (the "**2014 Notices**"), the NHFPC started a pilot scheme on clinical use of NGS for four identified projects, namely prenatal screening and diagnosis, genetic disease diagnosis, tumor screening and diagnosis and preimplantation embryo genetic diagnosis, and identified the first group of pilot enterprises, all of which are medical institutions, to participate in such pilot program. As advised by the PRC Legal Advisor, based on Governmental Consultations and in light of various rules published by the NHC and its internal departments, no other enterprises have been approved to become new pilot enterprises after the launch of the first group of pilot enterprises and the NHC has not granted licenses or permits to any enterprises or institutions to carry out NGS testing.

Despite that we were not a member of the first group of pilot enterprises, according to the Notice on the Standard and Orderly Development of Prenatal Testing and Diagnosis Work of CellFree DNA in Maternal Peripheral Blood (《關於規範有序開展孕婦外周血胎兒游離DNA產前篩查與診斷工作的通知》) promulgated in October 2016 by the NHFPC (the "**2016 Notice**"), the scope of the pilot program was further alleviated, with the pilot program with respect to NGS testing on prenatal screening and diagnosis terminated. It is explicitly provided in the 2016 Notice that (i) prenatal diagnosis medical institution can independently or cooperate with a clinical laboratory and other medical institutions to carry out NGS testing on prenatal screening and diagnosis; (ii) only clinical laboratory and other medical institutions are allowed to carry out NGS testing on prenatal screening and diagnosis; and (iii) the pilot program with respect to NGS testing on prenatal screening and diagnosis has been terminated. Accordingly, any prenatal diagnosis medical institution can cooperate with a clinical laboratory or other medical institutions to carry out NGS testing on prenatal screening and diagnosis legitimately, despite whether such laboratory is run by a pilot enterprise of the then pilot scheme.

Pursuant to the Governmental Consultations, the pilot enterprises identified by the NHFPC pursuant to the 2014 Notices can carry out NGS testing for pilot clinical use, and if the results of such pilot clinical use were promising, NGS technology may be adopted for wider clinical use. However, except for the NGS testing on prenatal screening and diagnosis, the progress on the pilot clinical use of NGS under the 2014 Notices has been very slow, and therefore such pilot scheme with respect to remaining three identified projects (i.e., genetic disease diagnosis, tumor screening and diagnosis and preimplantation embryo genetic diagnosis) has not led to wide clinical use of NGS technology and the pilot scheme was brought to an end with no conclusive regulatory guidance. Pursuant to the Governmental Consultations, as there are market demand and clinical needs for independent clinical laboratories conducting NGS testing, the clinical laboratories conducting Genomic LDTs, including us, may in practice continue to provide NGS-based testing services before final regulations are promulgated. As such, we are not prohibited from continuing to use unregistered testing kits on trial for the purposes of Genomic LDTs.

*Use of unregistered testing kits*

Pursuant to the Joint Notice No. 25, diagnostic devices (such as the testing kits) are treated as medical devices and shall generally be registered as medical devices with the NMPA or its provincial counterpart(s), and the NHC is in charge of the management of clinical use of genomic testing technology. Clinical genomic sequencing pilot enterprises identified by the NHC (the "**Pilot Enterprises**") can use genomic testing products on a trial basis in accordance with relevant regulations on administration of clinical use of medical technology without further action from the NMPA.

According to the Governmental Consultations, the Pilot Enterprises refer to enterprises carrying out genomic tests, including both NGS-based and non-NGS based tests. As the pilot scheme for NGS testing provided under the 2014 Notices has not made material progress and was brought to an end with no conclusive regulatory guidance, the clinical laboratories conducting Genomic LDTs, including the Group, may in practice continue to provide NGS-based testing services before final regulations are promulgated. As such, the Group is not prohibited from continuing to use unregistered testing kits on trial for the purposes of Genomic LDTs.

According to Frost & Sullivan, market practice shows that other medical companies conducting Genomic LDTs in the PRC adopt similar approaches in respect of the testing kits for the provision of Genomic LDTs.

The PRC Legal Advisor is of the opinion that, in view of the applicable laws, the Governmental Consultations, the prevailing industry norm and market practice, and our provision of Genomic LDTs is in compliance with the laws and regulations of the PRC in all material aspects and the Group is not prohibited from continuing to use unregistered testing kits for research, clinical development and commercial use for Genomic LDTs.

***Non-Genomic LDTs***

As advised by the PRC Legal Advisor, there is no specific laws or regulations in the PRC governing the provision of Non-Genomic LDTs and the principal legal issue of our provision of Non-Genomic LDTs is the use of unregistered testing kits. Our Non-Genomic LDTs can be divided into two categories: (i) Non-Genomic LDTs which use both unregistered testing kits and registered testing kits ("**Bundled Non-Genomic LDTs**"); and (ii) Non-Genomic LDTs which only use unregistered testing kits ("**Relevant Non-Genomic LDTs**"). Among approximately 400 of our Group's Non-Genomic LDT portfolios, around 300 are Relevant Non-Genomic LDTs. The revenue generated from such Relevant Non-Genomic LDTs for each of the three years ended December 31, 2018, 2019 and 2020, was approximately RMB26 million, RMB44 million and RMB45 million, representing approximately 3.7%, 5.2% and 5.0% of the our total revenue, respectively. As advised by Frost & Sullivan, it is common in the specialty esoteric diagnostic testing industry that the clinical laboratories provide specialty esoteric diagnostic testing services with testing diagnostic products not registered as "medical devices" with the NMPA or its provincial counterpart(s).

If the relevant PRC governmental authorities apply a broad definition of "medical devices" and apply the related laws and regulations on medical devices to Non-Genomic LDTs, our Proprietary Labs conducting testing items using unregistered testing kits during Non-Genomic LDTs may not be in strict compliance with applicable PRC laws and regulations, and may be subject to administrative penalties, including confiscation of the unregistered testing kits and monetary penalties. The above, however, is subject to implementation and enforcement by local competent authorities as demonstrated by the Governmental Consultations.

*Bundled Non-Genomic LDTs*

Based on the Governmental Consultations and as advised by the PRC Legal Advisor, it is understood that unregistered testing kits are allowed to be used during the provision of Non-Genomic LDTs as long as

unregistered testing kits are not monetized during the provision of Non-Genomic LDTs, i.e., (i) the Group does not charge for unregistered testing kits; and (ii) no distribution or sale of unregistered testing kits is involved in the provision of Non-Genomic LDTs.

Based on the Governmental Consultations, it is confirmed that (i) our pricing mechanism of Bundled Non-Genomic LDT, i.e., we do not take into account the cost of the unregistered testing kits in our pricing mechanism and therefore the unregistered testing kits are provided free of charge, is acceptable; and we will not be considered as charging money for the unregistered testing kits under such pricing mechanism by charging service fee for LDTs; (ii) we will not be considered as distribution and sale of unregistered testing kits for use of unregistered testing kits during Non-Genomic LDTs; and (iii) the use of unregistered testing kits during the provision of LDTs will not alter the nature of the provision of LDTs (i.e., provision of testing services instead of sales of medical device products).

Based on the Governmental Consultations, our PRC Legal Advisor is of the view that our Bundled Non-Genomic LDTs and the use of unregistered testing kits during the Bundled Non-Genomic LDTs are in compliance with applicable laws and regulations of the PRC in all material aspects, due to following reasons:

- During the Governmental Consultations, relevant provincial / municipal counterparts of NMPA confirmed that we may use unregistered testing kits to provide LDTs, provided that we do not charge for unregistered testing kits and no distribution of unregistered testing kits is involved in the provision of LDTs.
- Relevant provincial / municipal counterparts of NMPA further clarified that compliance risks associated with using unregistered testing kits can be further reduced if LDT providers offer Bundled Non-Genomic LDTs while not charging for unregistered testing kits through offering a discounted price.
- Price of our Bundled Non-Genomic LDT is determined either on cost-plus basis or on standard market price basis. Cost-plus pricing mainly reflects the cost of services provided and procurement cost of testing kits, plus a service premium (the "**Standard Price**"). Service premium takes into account the required skills, knowledge, experience and medical background associated with the provision of testing and medical consultation service, and does not include the cost of unregistered testing kits, as confirmed by our Directors. For Bundled Non-Genomic LDT determined on cost-plus basis, the cost of unregistered testing kits to be used in providing such LDT is excluded when formulating the Standard Price. As for Bundled Non-Genomic LDT determined on standard market price basis, the standard market price is calculated based on quantity of only registered testing kits to be used in providing such LDT multiplied by the unit price of such registered testing kits formulated by certain official price manual on medical service (the "**Standard Market Price**"). We additionally offer a discount to the Standard Market Price. Therefore, the unregistered Testing Kits are provided free of charge.
- During the Governmental Consultations, relevant provincial / municipal counterparts of NMPA confirmed that (i) our pricing mechanism of Bundled Non-Genomic LDT is acceptable; and (ii) they will not consider us as charging money for the unregistered testing kits under such pricing mechanism.

*Relevant Non-Genomic LDTs*

Our PRC Legal Advisor is of the view that potential penalty and consequence arising out of the Non-Genomic LDTs will depend on application and enforcement of applicable laws and regulations over Relevant Non-Genomic LDTs. The main reasons for us to carry out Relevant Non-Genomic LDTs were not commercial consideration but the unmet medical needs in rare and complex medical conditions, supporting further R&D of self-developed testing kits and benefits of patients. A majority of our Relevant Non-Genomic LDTs are emerging testing related to neurology and mass spectrometry (質譜). According to Frost & Sullivan, the medical needs for LDTs related to these two areas have been increasing significantly during recent years. Meanwhile, since such tests are newly emerging, most of testing kits involved have not been registered. Although our suppliers are already in the process of registering certain testing kits involved for such testing, such applications are still pending NMPA's review.

As advised by our PRC Legal Advisor, pursuant to the Medical Devices Regulations, use of unregistered medical device may be subject to a fine of not less than five times but not more than ten times the value of unregistered medical device, and unregistered medical device may be confiscated by NMPA or its local counterpart. If the relevant PRC governmental authorities apply a broad definition of "medical devices" and apply the relate laws and regulations on medical devices to the Relevant Non-Genomic LDTs, the Proprietary Labs conducting testing items using unregistered testing kits only during Relevant Non-Genomic LDTs may not be in strict compliance with applicable PRC laws and regulations, and may be subject to administrative penalties, including confiscation of the unregistered testing kits and monetary penalties. In 2018, 2019 and 2020, procurement cost of unregistered testing kits consumed in Relevant Non-Genomic LDT is approximately RMB3.6 million, RMB5.7 million and RMB6.4 million, respectively, representing only 0.5%, 0.7% and 0.7% of our total revenue in 2018, 2019 and 2020, and therefore the maximum penalty would be a monetary penalty of a cumulative of RMB156.4 million plus confiscation of unregistered testing kits if the Relevant Non-Genomic LDT business would be deemed illegal.

***Regulations on COVID-19-related testing capability and services, and the resultant quality assurance***

Pursuant to the Notice of the General Office of the National Health Commission on Requirements for Medical Institutions to Carry out COVID-19-related Testing issued by the NHC (《國家衛生健康委辦公廳關於醫療機構開展新型冠狀病毒核酸檢測有關要求的通知》) on January 22, 2020, each Province can procure COVID-19-related testing services and cooperate with qualified third-party testing institutions to carry out testing. The Notice further provided various testing requirements on COVID-19-related testing to regulate testing procedure, including sample collection, sample storage and transportation, quality control, etc.

In the process of prevention and control of COVID-19, independent medical test laboratories have played an active role in providing COVID-19-related testing. In order to further strengthen the management of independently established medical test laboratories and ensure medical quality and medical safety, the Medical Treatment Team of the Joint Prevention and Control Mechanism of the State Council promulgated the Interim Measures for the Management of Medical Test Laboratories (《關於印發<醫學檢驗實驗室管理暫行辦法>的通知》) on August 1, 2020. It stipulates that medical test laboratories may receive the specimens provided by other medical and health institutions and medical practitioners according to their application for testing, or directly collect relevant specimens from the subject, and provide the applicant with a test report. Medical test laboratories shall follow the requirements of the Management Measures for Clinical

Laboratories of Medical Institutions (《醫療機構臨床實驗室管理辦法》) as well as the IS015189 Medical Laboratory Quality and Capability Accreditation Guidelines (《醫學實驗室質量和能力認可準則》), establish and operate a medical inspection quality management system, and comply with relevant technical specifications and standards, implement the three-stage quality management system categorized as before analysis, during analysis, and after analysis, including standard operating procedures for medical inspection projects, standard operating and maintenance procedures for inspection instruments, performance verification or confirmation procedures, etc., to continuously improve inspection quality.

The Notice on Printing and Distributing the Workbook for COVID-19 Testing in Medical Institutions (Trial Version 2) (《醫療機構新型冠狀病毒核酸檢測工作手冊（試行第二版）》), which was promulgated by the Medical Treatment Team of the Joint Prevention and Control Mechanism of the State Council on December 28, 2020, stipulates that laboratories conducting COVID-19-related testing should comply with the Regulations on the Biosafety of Pathogenic Microorganism Laboratories (《病原微生物實驗室生物安全管理條例》) and the Administrative Measures for Clinical Gene Amplification Test Laboratories of Medical Institutions (《醫療機構臨床基因擴增檢驗實驗室管理辦法》), possess the biosafety level two and above laboratory conditions that have been reviewed and filed by the administrative department of health and health, and the conditions of clinical gene amplification testing laboratories. Independently established medical test laboratories shall also meet the requirements of the Basic Standards for Medical Test Laboratories (Trial) (《醫學檢驗實驗室基本標準（試行）》) and Management Regulations of Medical Test Laboratories (Trial) (《醫學檢驗實驗室管理規範（試行）》). In principle, laboratories conducting COVID-19-related testing should set reagent storage and preparation area, specimen preparation area and amplification and product analysis area. These three areas should be completely isolated of each other in physical space, and there can be no direct communication with air. Further, test laboratories shall use the nucleic acid extraction reagents and thermal cyclers specified by the amplification detection kit so as to strengthen the quality control of COVID-19-related testing.

***Regulations on medical ethics and the monetization policies***

*Law of the People's Republic of China on Basic Medical Care and Health Promotion*

The Law of the People's Republic of China on Basic Medical Care and Health Promotion (《中華人民共和國基本醫療衛生與健康促進法》) promulgated by the Standing Committee of the National People's Congress on December 28, 2019 and came into effect on June 1, 2020, stipulates that for medical information security systems and safeguard measures of medical and health institutions are not sound, which leads to medical information leakage, or medical quality management and medical technology management systems, and safety measures are not sound, and the people's government at or above the county level shall order corrections, give warnings, and impose a fine of RMB10,000 to RMB50,000; if the circumstances are serious, they may be ordered to stop the corresponding practice activities, and the directly responsible persons in charge and other directly responsible persons shall be investigated for legal responsibility in accordance with the law.

*The Regulation for the Administration of Human Genetic Resources*

The Regulation for the Administration of Human Genetic Resources of the PRC (《中華人民共和國人類遺傳資源管理條例》), or the HGR Regulation, promulgated by the State Council on May 28, 2019, and

effective from July 1, 2019, regulates entities engaging in collection, preservation, utilization and outbound provision of human genetic resources.

Human genetic resources include (i) human genetic resources materials, such as organs, tissues and cells that contain hereditary substances such as human genomes genes, and (ii) human genetic resources information, such as data generated from human genetic resources.

Pursuant to the HGR Regulation, the collection, preservation, utilization, and external provision of PRC's human genetic resources shall comply with ethical principles and conduct ethical review in accordance with relevant national regulations and abide by the technical specifications formulated by the science and technology administrative department of the State Council. The privacy rights of providers of human genetic resources should be respected, their prior informed consent should be obtained, and their legitimate rights and interests should be protected. To collect human genetic resources in PRC, the provider of human genetic resources shall be informed in advance of the aims of collection, the purpose of use of collection, the possible impact on health, personal privacy protection measures and the right to voluntary participation and unconditional withdrawal at any time, and obtain the written consent from the provider of human genetic resources. The providers of human genetic resources should be informed of the above-mentioned information in a comprehensive, complete, true and accurate manner, and must not be concealed, misleading, or deceived. Failure to comply with the HGR Regulation set forth may subject us to suspension of relevant activities, confiscation of the illegally collected and preserved human genetic resources and illegal income, as well as a fine ranging from RMB500,000 to RMB1,000,000. If the illegal income exceeds RMB1,000,000, the fine imposed would be 5 times to 10 times of the illegal income.

Utilizing PRC's human genetic resources to carry out biotechnology research and development activities or clinical trials shall also abide by relevant laws, administrative regulations and relevant provisions of the state on the administration of biotechnology research and clinical application.

*Biosecurity Law of the People's Republic of China*

The Biosecurity Law of the People's Republic of China (《中華人民共和國生物安全法》) promulgated by the Standing Committee of the National People's Congress on October 17, 2020 and came into effect on April 15, 2021, establishes a comprehensive legislative framework for the pre-existing regulations in such areas as epidemic control of infectious diseases for humans, animals and plants; research, development, and application of biology technology; biosecurity management of pathogenic microbials laboratories; security management of human genetic resources and biological resources; countermeasures for microbial resistance; and prevention of bioterrorism and defending threats of biological weapons. It stipulates that the clinical research of new biomedical technologies shall pass the ethical review and be conducted in the medical institutions with corresponding qualifications and the operation of human clinical research shall be conducted by the professional medical workers with corresponding qualifications. It stipulates further that the collection, preservation, utilization and external provision of human genetic resources of China shall comply with the ethical principles and shall not endanger public health, national security and public interests. The State enjoys sovereignty over China's human genetic and biological resources. No institution or individual may preserve, collect, trade or export human genetic resources, or take such resources outside of China, or provide the same to other countries in other forms without permission or recordation. Foreign organizations and individuals and the institutions formed or actually controlled by any foreign organizations

and individuals shall not collect or preserve China's human genetic resources within the territory of PRC, and shall not provide China's human genetic resources abroad. Where a Foreign Entity needs to use China's human genetic resources to conduct scientific research activities, it shall cooperate with Chinese scientific research institutions and obtain an approval in accordance with the law.

***Regulations on the Administration and Classification of Healthcare Institutions***

*Administrative Measures on Medical Institutions and the Medical Institution Practicing License*

The Administrative Measures on Medical Institutions (《醫療機構管理條例》), which were promulgated on February 26, 1994 by the State Council and came into effect on September 1, 1994 and amended on February 6, 2016, and the Implementation Measures of the Administrative Measures on Medical Institutions (《醫療機構管理條例實施細則》), which were promulgated by the NHC on August 29, 1994, came into effect on September 1, 1994, amended on November 1, 2006, June 24, 2008 and February 21, 2017, stipulate that the establishment of healthcare institutions shall comply with the relevant regional planning requirements as well as the basic standards of healthcare institutions. Any entity or individual that intends to establish a healthcare institution must follow the application approval procedures and register with the relevant healthcare administrative authorities to obtain a Medical Institution Practicing License (醫療機構執業許可證).

*Administrative Measures for the Examination of Medical Institutions (For Trial Implementation)*

The Administrative Measures for the Examination of Medical Institutions (For Trial Implementation) (《醫療機構校驗管理辦法(試行)》) (the "**Administrative Measures for Examination**"), which were promulgated by the NHC and came into effect on June 15, 2009, stipulate that a healthcare institution's Medical Institution Practicing License is subject to periodic examinations and verifications by the registration authorities, and will be canceled if such healthcare institution fails to pass the examination.

*Opinions on Implementing Classification Administration of Urban Medical Institutions*

The Opinions on Implementing Classification Administration of Urban Medical Institutions (《關於城鎮醫療機構分類管理的實施意見》), which were jointly promulgated by the NHC, State Administration of Chinese Traditional Medicine, MOF and NDRC on July 18, 2000 and came into effect on September 1, 2000, provide that not-for-profit and for-profit healthcare institutions shall be classified based on their business objectives, service purposes and implementation of various financial, taxation, pricing and accounting policies. Also, governments shall not operate for-profit healthcare institutions. Healthcare institutions shall file with relevant authorities of health written statements of their not-for-profit/for-profit status when they go through application, registration and re-examination procedures in accordance with relevant laws, and the handling authority of health shall, jointly with other relevant authorities, decide the not-for-profit/for-profit status for such healthcare institution based on the source of its investment and the nature of its business.

*Categories of Healthcare Institutions in the PRC*

According to the Basic Standards for Medical Institutions (For Trial Implementation) (《醫療機構基本標準(試行)》) which was promulgated on September 2, 1994 and revised on August 2, 2010, March 15,

2011 and December 5, 2011, and the Interim Measures for the Assessment of Medical Institutions (《醫院評審暫行辦法》) promulgated by the NHC on September 21, 2011, medical institutions in the PRC can be graded into three classes (Class I, II and III) with regard to their medical practice conditions, including but not limited to, the amount of registered beds, treatment departments, personnel, properties, equipment as well as completeness of their internal rules and regulations.

*Notice on Further Encouraging and Guiding Private Capital to Invest in Medical Institutions*

Pursuant to Order No. 58 (《關於進一步鼓勵和引導社會資本舉辦醫療機構意見的通知》), foreign investors are permitted to establish for-profit or not-for-profit healthcare institutions in the PRC as foreign-invested projects. Overseas healthcare institutions, enterprises and other economic organizations are permitted to establish medical facilities together with domestic healthcare institutions, enterprises or other economic organizations in the form of equity or cooperative joint ventures, and the restrictions on equity proportion for foreign capital will be gradually removed. A pilot program will be introduced and gradually expanded to permit eligible foreign investors to establish wholly foreign owned healthcare institutions.

***Laws and Regulations on Medical Personnel of Healthcare Institutions***

*Law on Medical Practitioners of the PRC*

The Law on Medical Practitioners of the PRC (《中華人民共和國執業醫師法》), which was promulgated by the Standing Committee of the National People's Congress (the "**SCNPC**"), came into effect on May 1, 1999, and amended on August 27, 2009, provides that physicians in the PRC must obtain qualification licenses for their medical profession. Qualified physicians and qualified assistant physicians must register with the relevant public health administrative authorities at or above the county level. After registration, physicians may work at healthcare institutions in their registered location in the types of jobs and within the scope of medical treatment, disease-prevention or healthcare business as provided in their registration. On February 28, 2017, the NHC promulgated the Administrative Measures for the Registration of Medical Practitioners (《醫師執業注冊管理辦法》) (the "**Medical Practitioners Registration Measures**"), which became effective on April 1, 2017, further stipulate that medical practitioners shall obtain the Practicing Certificate to practice upon registration and provide in detail the requirements and procedures for the registration and the modifications to be made to such registration upon occurrence of certain prescribe circumstances.

*Several Opinions on Accelerating the Development of Medical Institutions with Social Capital and Several Opinions on Promoting and Standardizing Multi-Institution Practice of Medical Practitioners*

Several Opinions on Accelerating the Development of Medical Institutions with Social Capital (《關於加快發展社會辦醫的若干意見》), promulgated on December 30, 2013 by the NHFPC and the SATCM, specifically stipulate that multi-institution practices of medical practitioners shall be permitted and relevant authorities should permit the orderly movements of the medical personnel among medical institutions of various sponsorships. Several Opinions on Promoting and Standardizing Multi-Institution Practice of Medical Practitioners (《關於印發推進和規範醫師多點執業的若干意見的通知》), jointly issued by the NHC, the NDRC, the Ministry of Human Resources and Social Security, the State Administration of Traditional Chinese Medicine and the China Insurance Regulatory Commission on November 5, 2014, stipulate that the

clinical, dental and traditional Chinese medicine practitioners are allowed to practice in multiple places. According to the Medical Practitioners Registration Measures, for any other institution in which the medical practitioner intends to practice, such medical practitioner shall apply to the health administrative authority for approval on the practice of such institution for separate registration, in which the name of such institution shall be indicated.

***Regulations on the Medical Test Laboratories***

*Regulations on Medical Test Laboratory*

The Administrative Measures on Clinical Laboratories of Medical Institutions (《醫療機構臨床實驗室管理辦法》), which were promulgated by the NHC on February 27, 2006, came into effect on June 1, 2006, and amended on July 10, 2020, regulates general management, quality management and safety management of clinical laboratories of medical institutions. Clinical laboratories of medical institutions shall conduct clinic testing in accordance with the clinical testing items and clinical methods prescribed by the NHC. Clinical testing items shall be announced by the NHC separately, and the current version is the Clinical Inspection Project List of Medical Institutions (2013) (《醫療機構臨床檢驗項目目錄（2013年）》) (the "**Testing Items Catalog**"), which was promulgated by the NHC on August 5, 2013. In addition, pursuant to the Notice on Issues Related to the Management of Clinical Laboratory Items (《關於臨床檢驗項目管理有關問題的通知》) (the "Circular 167") promulgated by the NHC on February 25, 2016, the clinical testing items which are not included in the Testing Items Catalog, but with clear clinical significance, relatively high specificity and sensitivity, and reasonable price, shall be validated in time to meet clinical needs.

The Basic Standards and Practice of Medical Test Laboratory (for Trial Implementation) (《醫學檢驗實驗室基本標準和管理規範(試行)》), which was promulgated by the NHC and came into force on July 20, 2016, stipulates that a medical test laboratory, which conducts clinical tests, including clinical hematology tests and body fluid tests, clinical chemistry tests, clinical immunology tests, clinical microbiology tests, clinical molecular cytogenetic tests and clinical pathology tests, for the purpose of diagnosis, management, prevention or treatment of diseases and health assessment, shall be regulated as a medical institution. The establishment and operation of a medical test laboratory shall apply for an approval from National Health Commission of the PRC (formerly known by the names the Ministry of Health and National Health and Family Planning Commission, hereinafter collectively, the "**NHC**") or its local counterparts to obtain a Medical Institution Practicing License.

According to the Administrative Measures on Clinical Laboratories of Medical Institutions, medical institutions shall strengthen the bio-safety management of clinical laboratories while establishing and strictly following the bio-safety management system and safe operation procedures. At the same time, the clinical laboratories' personnel shall be provided with pre-job safety training and bio-safety protection knowledge training every year. In addition, the bio-safety protection and architectural design of clinical laboratories shall meet the corresponding level of bio-safety protection according to the risk of biological hazards. Clinical laboratories shall be equipped with necessary safety equipment and personal protective articles according to the level of bio-safety protection and ensure the staff can use them correctly. Besides, the prevention and control of infections should be strengthened in accordance with the relevant regulations of the Ministry of Health. Preventive measures and emergency plans shall be formulated for bio-safety accidents as well.

The Interim Administrative Measures on Clinical Laboratories (《醫學檢驗實驗室管理暫行辦法》), which was promulgated by the Joint Prevention and Control Mechanism of the State Council and came into force from August 1, 2020, regulates institutional management, quality management, safety, prevention and control of infection, personnel training, etc. for medical test Laboratories. Medical test laboratories should establish and operate a quality management system for medical test following the requirements of the Administrative Measures on Clinical Laboratories of Medical Institutions (《醫療機構臨床實驗室管理辦法》) and using Accreditation Criteria for the Quality and Competence of Medical Laboratories (《醫學實驗室質量和能力認可準則》, IS015189) as reference, and shall participate in inter-departmental quality evaluation activities for medical testing at the provincial level and above. Medical test laboratories should obtain the approval from competent authorities for carrying out special testing items such as gene amplification, AIDS testing, prenatal screening and diagnosis, preimplantation genetic screening and diagnosis, etc.

The Administration of Medical Institution Clinical Gene Amplification Test Laboratories (《醫療機構臨床基因擴增檢驗實驗室管理辦法》) (the "Notice 194"), which was promulgated by the NHC and effective from December 6, 2010, stipulates that the NHC at the provincial level is responsible for the supervision and administration of clinical gene amplification test laboratories of medical institutions. A clinical gene amplification test laboratory shall register its clinical testing items with the NHC at the provincial level after technical verification passed by the center for clinical laboratories at the provincial level. In the event that any clinical testing items conducted by any clinical gene amplification test laboratory exceed the scope of clinical testing items registered with the NHC, or clinical testing reagents used by any clinical gene amplification test laboratory for clinical gene amplification test are not registered with the NMPA, such laboratory may potentially be required to suspend its business of clinical gene amplification testing.

Notice on Regulation of Proper Commencement of Non-Invasive Prenatal Screening and Diagnosis Activities (《關於規範有序開展孕婦外周血胎兒游離DNA產前篩查與診斷工作的通知》) (the "**2016 Notice**"), which was promulgated by the General Office of the NHC and came into effect on October 27, 2016, stipulates that prenatal diagnosis institutions can carry out prenatal screening and diagnosis services of cell-free DNA in maternal peripheral blood independently or in cooperation with medical testing institutions or other medical institutions with corresponding testing capabilities.

According to the Notice on Strengthening the Management of Products and Technologies Related to Clinical Use of Gene Sequencing (《關於加强臨床使用基因測序相關產品和技術管理的通知》) (the "Joint Notice No. 25"), as promulgated by the NMPA and NHC in February 2014, NHC shall be responsible for clinical application management of gene sequencing technology, and entities identified by NHC for clinical application of gene sequencing can use on a trial basis (試用) gene sequencing products in accordance with relevant administrative rules on clinical application of medical technology.

According to the Notice on Application for Pilot Program on Clinical Use of Next-Generation Sequencing-Based Testing (關於開展高通量基因測序技術臨床應用試點單位申報工作的通知) and the Notice on Commencement of Pilot Program on Next-Generation Sequencing Technology Clinical Use (關於開展高通量基因測序技術臨床應用試點工作的通知), which were both issued by Medical Affairs and Hospital Administration Bureau of the NHFPC in 2014 (together, the "2014 Notices"), the NHFPC started a pilot scheme on clinical use of NGS for four identified projects, namely prenatal screening and diagnosis, genetic disease diagnosis, tumor screening and diagnosis and preimplantation embryo genetic diagnosis, and

identified the first group of pilot enterprises, all of which are medical institutions, to participate in such pilot program.

*Administrative Measures for the Clinical Application of Medical Technologies*

The Administrative Measures for the Clinical Application of Medical Technologies (《醫療技術臨床應用管理辦法》), which were promulgated by NHC on August 13, 2018 and effective from November 1, 2018, stipulate that a negative management system is established for the clinical application of medical technologies. More specifically, those listed on the negative list to be promulgated are deemed to be prohibited medical technologies and the clinical application of which is prohibited; certain medical technologies that are beyond the negative list but possess certain prescribed characteristics are subject to strict record-filing management by the relevant health administrative department which require self-assessment of the medical technologies in question and submission of certain prescribed materials; and those medical technologies that are not categorized as prohibited or restricted medical technologies may be subject to clinical application by medical institutions according to their own functions, objectives, technical capabilities and so on and be strictly managed by the medical institutions themselves.

*Administrative Regulations for National AIDS Testing Work*

The Administrative Regulations for National AIDS Testing Work (《全國艾滋病檢測工作管理辦法》), which were promulgated by the NHC on June 12, 2006 and came into effect on the same day, stipulate that AIDS testing laboratories are classified into three types, namely, AIDS reference laboratory, AIDS testing confirmation laboratory, and AIDS testing and screening laboratory in terms of the functions of the laboratories and the nature and scope of the testing work. AIDS testing laboratories should pass the acceptance in accordance with these Regulations before carrying out AIDS testing work.

***Regulations on Judicial Authentication Institutions***

*Administrative Measures for the Registration of Judicial Authentication Institutions*

The Administrative Measures for the Registration of Judicial Authentication Institutions (《司法鑒定機構登記管理辦法》), which were promulgated by the Ministry of Justice on September 29, 2005 and become effective on the same date, stipulate that judicial authentication institutions are the practicing institutions of judicial authenticators and shall satisfy the conditions stipulated in these Measures, obtain the Judicial Authentication License after the examination, approval and registration by the judicial administrative authorities of the province level, and then carry out judicial authentication activities within the scope of business registered.

***Regulations on Medical Devices***

*Regulations on the Supervision and Classification of Medical Devices*

The Regulations on Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) (the "Medical Devices Regulations"), which was promulgated by the State Council of China on January 4, 2000, amended on March 7, 2014, May 4, 2017 and February 9, 2021 and came into effect on June 1, 2021,

regulates activities in forms of research and development, manufacture, operation and utility as well as supervision and administration of medical devices in the PRC. In accordance to the Medical Devices Regulations, Class I medical devices shall refer to those devices with low risk whose safety and effectiveness can be guaranteed through routine administration. Class II medical devices shall refer to those devices with moderate risk whose safety and effectiveness should be ensured by strict control and administration. Class III medical devices shall refer to those devices with relatively high risk whose safety and effectiveness should be ensured by taking special measures to conduct strict control and administration. The classification of specific medical devices is stipulated in the Medical Device Classification Catalog (《醫療器械分類目錄》), which was issued by the NMPA on August 31, 2017, became executive on August 1, 2018 and revised on December 18, 2020.

*Regulations on Registration of Medical Devices*

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

According to IVD Registration Measures, in vitro diagnostic reagents refer to in vitro diagnostic reagents regulated as medical devices. Medical devices, as specified in Medical Device Regulation, refer to the instruments, equipment, appliance, in vitro diagnostic reagents and calibrators, materials and other similar or related articles, the purposes of which are, among others, to provide information for the purpose of medical treatment or diagnose by testing of samples from a human body.

***Regulations on Pathogenic Microbe Laboratories***

The Regulations on Administration of Bio-safety in Pathogenic Microorganism Laboratories (《病原微生物實驗室生物安全管理條例》), which were promulgated by the State Council, effective on November 12, 2004, and latest amended on March 19, 2018, stipulate that pathogenic microorganism laboratories are classified into four levels, namely bio-safety levels 1, 2, 3 and 4 in terms of bio-safety protection levels in accordance with national standards on biosafety of laboratories. Laboratories at bio-safety levels 1 and 2 shall not engage in laboratory activities related to highly pathogenic microorganisms. The construction, alternation or expansion of a laboratory at bio-safety level 1 or 2 shall be filed for record with the local counterparts of NHC. The entity launched a pathogenic microorganism laboratory shall develop a scientific and strict management system, regularly inspect the implementation of the regulations on bio-safety, and regularly inspect, maintain and update the facilities, equipment and materials in the laboratory, to ensure its compliance with the national standards.

***Laws and Regulations on Service Quality and Consumer Protection***

*Civil Code of the PRC*

The Civil Code of the PRC (《中華人民共和國民法典》), which was promulgated by the National People's Congress (the "NPC") on May 28, 2020 and came into effect on January 1, 2021, provided that when conducting a civil activity, a person of the civil law shall, in compliance with the principle of good faith, uphold honesty and honor commitments. A contract formed in accordance with law is legally binding on the parties to the contract. A person that performs a civil juristic act may not change or revoke the act without authorization, unless doing so is in compliance with law or as consented to by the other party. In addition, Where a defect of a product causes damage to another person, the infringed person may claim compensation against the manufacturer or the seller of the product. Where a defect is caused by the fault of the seller, the manufacturer who has paid compensation has the right to indemnification against the seller.

*Consumer Protection Law of the PRC*

The Consumer Protection Law of the PRC (《中華人民共和國消費者權益保護法》), which was promulgated by the SCNPC on October 31, 1993, and latest amended and came into force on March 15, 2014, the rights and interests of the consumers who buy or use commodities or receive services for the purposes of daily consumption are protected, and all manufacturers and sellers involved shall ensure that the products and services provided will not cause damage to the customers. Violations of the Consumer Protection Law of the PRC may result in the imposition of fines. In addition, the manufacturers and sellers may be ordered to suspend operations and its business license may be revoked, while criminal liability may be imposed in serious cases.

**Laws and Regulations Related to the Environmental Sector in the PRC**

***Environmental Protection Law of the PRC***

The Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) (the "**Environmental Protection Law**"), which was promulgated by the SCNPC on December 26, 1989, last amended on April 24, 2014 and came into effect on January 1, 2015, outlines the authorities and duties of various environmental protection regulatory agencies. The Ministry of Environmental Protection is authorized to issue national standards for environmental quality and emissions, and to monitor the environmental protection scheme of the PRC. Meanwhile, local environment protection authorities may formulate local standards which are more rigorous than the national standards, in which case, the concerned enterprises must comply with both the national standards and the local standards.

***Regulations on the Management of Medical Waste and its Implementation Measures***

The Regulations on the Management of Medical Waste (《醫療廢物管理條例》), which were promulgated by the State Council on June 16, 2003, came into effect on the same day and amended on January 8, 2011, and the Implementation Measures of the Management of Medical Waste (《醫療衛生機構醫療廢物管理辦法》), which were promulgated by the NHC on October 15, 2003 and came into effect on the same day, stipulate that healthcare institutions must timely deliver medical waste to a specially

designated location for centralized disposal of medical waste and categorize the medical waste in accordance with the Classified Catalog of Medical Waste. High-risk waste such as the culture medium or specimens of pathogens and the preserving liquid of bacteria strains or virus strains must be sterilized on the spot before disposal. Sewage generated by any healthcare institution and excretion of its patients or patients suspected of infectious diseases must be sterilized in accordance with the relevant laws, rules and regulations, and must not be discharged into sewage until the relevant standards are met.

***Regulations on Urban Drainage and Sewage Treatment***

The Regulations on Urban Drainage and Sewage Treatment (《城鎮排水與污水處理條例》), which were promulgated by the State Council on October 2, 2013 and came into effect on January 1, 2014, require that urban entities and individuals shall dispose sewage through urban drainage facilities covering their geographical area in accordance with relevant rules. Companies or other entities engaging in medical activities shall apply for a Sewage Disposal Drainage License (污水排入排水管網許可證) before disposing sewage into urban drainage facilities. Sewage-disposing entities and individuals shall pay sewage treatment fee in accordance with relevant rules.

***Measures for the Bio-Safety Environmental Management of Pathogenic Microbe Laboratories***

The Measures for the Bio-safety Environmental Management of Pathogenic Microbe Laboratories (《病原微生物實驗室生物安全環境管理辦法》), which were promulgated by the State Environmental Protection Administration on March 8, 2006 and came into effect on May 1, 2006, stipulate that where a laboratory intends to discharge waste water or waste gas, it shall comply with the relevant provisions of the State Environmental Protection Administration, and implement the system for report and registration of discharged pollutants. Where a laboratory causes hazardous wastes, it must, in accordance with the relevant provisions on prevention and control of pollution from hazardous wastes to the environment, report the relevant information on the category, quantity, destination, storage and disposal, etc. of the hazardous wastes to the environmental protection administrative department of the local people's government at the county level or above.

***Administration Rules on Environmental Protection of Construction Projects***

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

***Environmental Impact Appraisal Law of PRC***

The Environmental Impact Appraisal Law of PRC (《中華人民共和國環境影響評價法》) (the "**Environmental Impact Appraisal Law**"), which was promulgated by the SCNPC on October 28, 2002, amended on July 2, 2016 and December 29, 2018, stipulates that, for any construction projects that have an impact on the environment, an entity is required to produce either a report, or a statement, or a registration form of such environmental impacts depending on the seriousness of effect that may be exerted on the environment.

**Laws and Regulations Related to the Fire Prevention Sector in the PRC**

The Fire Prevention Law of the PRC (《中華人民共和國消防法》) (the "**Fire Prevention Law**"), which was promulgated by the SCNPC on April 29, 1998 and amended on October 28, 2008 and April 23, 2019, and the Interim Provisions on the Administration of Fire Protection Design Review and Acceptance of Construction Projects (《建設工程消防設計審查驗收管理暫行規定》), which was promulgated by the Ministry of Housing and Urban-Rural Development on April 1, 2020 and came into effect on June 1, 2020, stipulate that for any construction project which must be designed to prevent fires under national fire protection technical standards, the construction unit must submit the fire prevention design documents for approval or filing purposes. Upon completion of such construction project, the construction unit must apply for fire protection approval or conduct fire protection filing for fire protection design and completion approval, as the case may be.

**Laws and Regulations Related to the Intellectual Properties in the PRC**

***The Patent Law of the PRC and its Implementation Regulations***

The Patent Law of the PRC (《中華人民共和國專利法》) (the "**Patent Law**"), which was issued by the SCNPC on March 12, 1984, came into effect on April 1, 1985 and revised on September 4, 1992, August 25, 2000, December 27, 2008 and October 17, 2020 which came into effect on June 1, 2021 as well as the Implementation Regulations for the Patent Law of the PRC (《中華人民共和國專利法實施細則》) issued by the State Council on June 15, 2001, came into effect on July 1, 2001 and revised on December 28, 2002 and January 9, 2010, stipulate that the patent administrative departments are responsible for managing patent work. According to the Patent Law, inventions refer to inventions, utility models and designs. An invention or utility model for which patent rights are granted shall reach the standards of novelty, creativity and practicability. The validity period of patent for an invention is 20 years, while the validity period of patent for a utility model is 10 years, the validity period of patent for an design is 15 years all counted from the date of application. Others may use the patent after obtaining the permit of the patent holder, otherwise such behavior will constitute an infringing act of the patent right.

***The Trademark Law of the PRC and its Implementation Regulations***

The Trademark Law of the PRC (《中華人民共和國商標法》), which was promulgated on August 23, 1982 and last amended on April 23, 2019 and came into effect on November 1, 2019, as well as the Implementation Regulations of the Trademark Law of PRC (《中華人民共和國商標法實施條例》), which was issued on August 3, 2002 and amended on April 29, 2014, and came into effect on May 1, 2014, stipulates that the Trademark Office under the State Administration for Industry and Commerce of the PRC

(the "**Trademark Office**") shall handle trademark registrations and grant a term of ten years to registered trademarks, which may be renewed for additional ten year period upon request from the trademark owner.

***The Copyright Law of the PRC and its Implementation Regulations***

The Copyright Law of the PRC (《中華人民共和國著作權法》) was promulgated on September 7, 1990 (later amended on October 27, 2001, February 26, 2010 and November 11, 2020 which came into effect on June 1, 2021) and Implementation Regulations of the Copyright Law of PRC (《中華人民共和國著作權法實施條例》) was promulgated on August 2, 2002 (later amended on January 8, 2011 and January 30, 2013) by the State Council. These laws and regulations provide the classification of works and the obtaining and protection of copyright in China.

***Measures for the Administration of Internet Domain Names***

The Measures for the Administration of Internet Domain Names (《互聯網域名管理辦法》), which were issued by the Ministry of Information Industry on August 24, 2017 and came into effect on November 1, 2017, stipulate that the Ministry of Information Industry is responsible for supervision and administration of domain name services in the PRC. Communication administrative bureaus at provincial levels shall conduct supervision and administration of the domain name services within their respective administrative jurisdictions. Domain name registration services shall, in principle, be subject to the principle of "first apply, first register". A domain name registrar shall, in the process of providing domain name registration services, ask the applicant for which the registration is made to provide authentic, accurate and complete identity information on the holder of the domain name and other domain name registration related information.

**Regulations Related to Importation and Exportation of Goods in the PRC**

***Administrative Provisions on the Registration of Customs Declaration Entities of the PRC***

The Administrative Provisions on the Registration of Customs Declaration Entities of the PRC (《中華人民共和國海關報關單位注冊登記管理規定》), which were promulgated by the General Administration of Customs of the PRC on March 13, 2014, latest amended on May 29, 2018, stipulate that import and export of goods shall be declared by the consignor or consignee itself, or by a customs declaration enterprise entrusted by the consignor or consignee and duly registered with the customs authority. Consignors and consignees of imported and exported goods shall go through customs declaration entity registration formalities with the competent customs departments in accordance with the applicable provisions. After completing the registration formalities with the customs, consignors and consignees of the imported and exported goods may handle their own customs declarations at customs ports or localities where customs supervisory affairs are concentrated within the customs territory of the PRC.

**Laws and Regulations Related to Foreign Investment in the PRC**

***Company Law of the PRC***

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

***Foreign Investment Law of the PRC and its Implementation Regulations***

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

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

***Measures for the Reporting of Foreign Investment Information***

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

***Interim Provisions on Investment Made by Foreign-Invested Enterprises in the PRC***

The Interim Provisions on Investment Made by Foreign-Invested Enterprises in the PRC (《關於外商投資企業境內投資的暫行規定》), which were jointly promulgated by the Ministry of Commerce and the State Administration of Industry and Commerce on July 25, 2000 and amended on October 28, 2015 stipulates that, Foreign-invested enterprises are not permitted to invest in any sector prohibited to foreign investment. Where a foreign-invested enterprise makes investment in a restricted sector, the foreign-invested enterprise must file an application with the provincial commercial department of the place where the investee company is located. The relevant company registration authority will, in accordance with the relevant provisions of the Company Law and the Regulations on the Administration of Company Registration of the People's Republic China (《中華人民共和國公司登記管理條例》), decide whether to approve the registration or not. If the registration is approved, a Business License of an Enterprise Legal Person will be issued with the designation "Invested by a Foreign-Invested Enterprise" added. The foreign-invested enterprise is required to report the establishment of the investee company within 30 days of the date of its establishment to the original examination and approval authority for record-filing.

***Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors***

The Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**"), which were jointly promulgated by the Ministry of Commerce, the State Assets Supervision and Administration Commission, the State Administration for Taxation, the State Administration of Industry and Commerce, the China Securities Regulatory Commission, and the State Administration of Foreign Exchange on August 8, 2006, came into effect on September 8, 2006 and subsequently amended on June 22, 2009, require that foreign investors acquiring domestic companies by means of asset acquisition or equity acquisition shall comply with relevant foreign investment industry policies and shall be subject to approval by relevant commerce authorities.

***Regulations on Industries of Foreign Investment***

Special Management Measures for the Market Entry of Foreign Investment (Negative List) (2020 version) (《外商投資准入特別管理措施(負面清單)(2020年版)》) (the "Negative List"), which was promulgated on June 23, 2020 and came into effect on July 23, 2020, sets out special administrative measures in respect of the access of foreign investments in a centralized manner. The Catalog of Industries for Encouraging Foreign Investment (《鼓勵外商投資產業目錄(2020年版)》), which was promulgated on December 27, 2020 and came into effect on January 27, 2021, sets out the encouraged industries for foreign investment.

**Laws and Regulations Related to Labor Protection in the PRC**

***Labor Law of the PRC***

The Labor Law (《中華人民共和國勞動法》), which was promulgated by the SCNPC on July 5, 1994, came into effect on January 1, 1995, and was amended on August 27, 2009 and December 29, 2018, provides that an employer shall develop and improve its rules and regulations to safeguard the rights of its workers. An employer shall develop and improve its labor safety and health system, stringently implement national protocols and standards on labor safety and health, conduct labor safety and health education for workers, guard against labor accidents and reduce occupational hazards. Labor safety and health facilities must comply with relevant national standards. An employer must provide workers with the necessary labor protection equipment that complies with labor safety and health conditions stipulated under national regulations, as well as provide regular health checks for workers that are engaged in operations with occupational hazards. Workers engaged in special operations shall have received specialized training and obtained the pertinent qualifications. An employer must develop a vocational training system. Vocational training funds must be set aside and used in accordance with national regulations and vocational training for workers must be carried out systematically based on the actual conditions of the company.

***Labor Contract Law of the PRC and its Implementation Regulations***

The Labor Contract Law (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on June 29, 2007, came into effect on January 1, 2008, and was amended on December 28, 2012, and the Implementation Regulations on Labor Contract Law (《中華人民共和國勞動合同法實施條例》) which were promulgated on September 18, 2008 and came into effect on the same day, regulate employer and the employee relations and contain specific provisions involving the terms of the labor contract. Labor contracts

must be made in writing and may, after reaching agreement upon due negotiations, be for a fixed-term, an un-fixed term, or conclude upon the completion of certain work assignments. An employer may legally terminate a labor contract and dismiss its employees after reaching an agreement upon due negotiations with the employee or by fulfilling the statutory conditions.

***Laws and Regulations on the Supervision over the Social Security and Housing Funds***

According to the Temporary Regulations on the Collection and Payment of Social Insurance Premium (《社會保險費征繳暫行條例》), the Regulations on Work Injury Insurance (《工傷保險條例》), the Regulations on Unemployment Insurance (《失業保險條例》) and the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》), enterprises in the PRC must provide benefit plans for their employees, which include basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and medical insurance. An enterprise must provide social insurance by processing social insurance registration with local social insurance agencies, and must pay or withhold relevant social insurance premiums for or on behalf of employees. The Law on Social Insurance (《中華人民共和國社會保險法》), which was promulgated on October 28, 2010, came into effect on July 1, 2011 and amended on December 29, 2018, regulate basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and medical insurance, and has elaborated in detail the legal obligations and liabilities of employers who do not comply with relevant laws and regulations on social insurance.

The Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》), which were promulgated and came into effective on April 3, 1999, and were amended on March 24, 2002 and March 24, 2019, stipulate that housing provident fund contributions paid by an individual employee and housing provident fund contributions paid by his or her employer all belong to the individual employee.

**Laws and Regulations Related to Taxation in the PRC**

***Laws and Regulations on Enterprise Income Tax***

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

And non-resident enterprises that have not set up institutions or sites in the PRC or have set up institutions or sites but the incomes obtained by the said enterprises have no actual connection with the set-up institutions or sites, shall pay enterprise income tax at the rate of 10% in relation to their income sources from the PRC.

***Regulations on Value-Added Tax***

The major PRC law and regulation governing value-added tax are the Interim Regulations on Value-added Tax of the PRC (《中華人民共和國增值稅暫行條例》) (issued on December 13, 1993 by the State Council, came into effect on January 1, 1994, and revised on November 10, 2008, February 6, 2016 and November 19, 2017), as well as the Implementation Rules for the Interim Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例實施細則》) (issued on December 25, 1993 by the Ministry of Finance, the "**MOF**", came into effect on the same day and revised on December 15, 2008 and October 28, 2011), any entities and individuals engaged in the sale of goods, supply of processing, repair and replacement services, and import of goods within the territory of the PRC are taxpayers of VAT and shall pay the VAT in accordance with the law and regulation. The rate of VAT for sale of goods is 17% unless otherwise specified, such as the rate of VAT for sale of transportation is 11%. With the VAT reforms in the PRC, the rate of VAT has been changed several times. The MOF and the STA issued the Notice of on Adjusting VAT Rates (《關於調整增值稅稅率的通知》) on April 4, 2018, which came into force on May 1, 2018, to adjust the tax rates of 17% and 11% applicable to any taxpayer's VAT taxable sale or import of goods to 16% and 10%, respectively, this adjustment became effect on May 1, 2018. Subsequently, the MOF, the STA and the General Administration of Customs jointly issued the Announcement on Relevant Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》) on March 20, 2019 to make a further adjustment, which came into effect on April 1, 2019. The tax rate of 16% applicable to the VAT taxable sale or import of goods shall be adjusted to 13%, and the tax rate of 10% applicable thereto shall be adjusted to 9%.

***Withholding Tax and International Tax Treaties***

According to the Treaty on the Avoidance of Double Taxation and Tax Evasion between Mainland and Hong Kong (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) (the "**Tax Treaty**"), if the non-PRC parent company of a PRC enterprise is a Hong Kong resident which beneficially owns a 25% or more interest in the PRC enterprise, the 10% withholding tax rate applicable under the EIT Law may be lowered to 5% for dividends and 7% for interest payments once approvals have been obtained from the relevant tax authorities. The determination of beneficial ownership is clarified under the Announcement of the State Administration of Taxation on Issues concerning the "Beneficial Owner" in Tax Treaties (《國家稅務總局關於稅收協定中"受益所有人"有關問題的公告》) issued by the STA on February 3, 2018 and came into force on April 1, 2018, which expressly excludes from the definition of a beneficial owner any company not engaged in actual operations such as manufacturing, sales or management but that is established for the purpose of avoiding or reducing tax obligations or transferring or accumulating profits.

Pursuant to the Notice on the Several Issues of the Implementation of Tax Treaty (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》), which was promulgated by the STA and came into effect on February 20, 2009, the non-resident taxpayer or the withholding agent is required to obtain and keep sufficient documentary evidence proving that the recipient of the dividends meets the relevant requirements

for enjoying a lower withholding tax rate under a tax treaty. Pursuant to the Administrative Measures for Tax Convention Treatment for Non-resident Taxpayers (《非居民納稅人享受稅收協定待遇管理辦法》), which was promulgated by the STA on October 14, 2019 and came into effect on January 1, 2020, any non-resident taxpayer fulfilling conditions for enjoying the convention treatment may be entitled to the convention treatment on its own when filing a tax return or making a withholding declaration through a withholding agent, subject to the subsequent administration by the tax authorities.

**Regulations Related to Foreign Exchange and Overseas Investment**

***Regulations on Foreign Exchange***

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

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

On May 10, 2013, the SAFE issued the Administrative Provisions on Foreign Exchange in Domestic Direct Investment by Foreign Investors (《外國投資者境內直接投資外匯管理規定》) (the "**SAFE Circular 21**"), which came into effect on May 13, 2013, amended on October 10, 2018 and partially abolished on December 30, 2019. The SAFE Circular 21 specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC must be conducted by way of registration and banks

must process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

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

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

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

On October 23, 2019, SAFE promulgated the Notice on Further Facilitating Cross-Board Trade and Investment (《國家外匯管理局關於進一步促進跨境貿易投資便利化的通知》), which came into effect on the same date (except for Article 8.2, which came into effect on January 1, 2020). The notice canceled restrictions on domestic equity investments made with capital funds by non-investing foreign-funded enterprises. In addition, restrictions on the use of funds for foreign exchange settlement of domestic accounts for the realization of assets have been removed and restrictions on the use and foreign exchange settlement of foreign investors' security deposits have been relaxed. Eligible enterprises in the pilot area are also allowed to use revenues under capital accounts, such as capital funds, foreign debts and overseas listing revenues for domestic payments without providing materials to the bank in advance for authenticity verification on an item by item basis, while the use of funds should be true, in compliance with applicable rules and conforming to the current capital revenue management regulations.

***Regulations on Foreign Exchange Registration of Overseas Investment by PRC Resident***

In July 2014, SAFE promulgated the Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) ("**SAFE Circular 37**") and its implementation guidelines. Pursuant to SAFE Circular 37 and its implementation guidelines, PRC residents (including PRC institutions and individuals) must register with local branches of SAFE in connection with their direct or indirect offshore investment in an overseas special purpose vehicle, or SPV, directly established or indirectly controlled by PRC residents for the purposes of offshore investment and financing with their legally owned assets or interests in domestic enterprises, or their legally owned offshore assets or interests. PRC residents required to make these registrations are also required to amend their registrations with SAFE when there is a change to the basic information of the SPV, such as changes of a PRC resident individual shareholder, the name or operating period of the SPV, or when there is a significant change to the SPV, such as changes of the PRC individual resident's increase or decrease of its capital contribution in the SPV, or any share transfer or exchange, merger, division of the SPV. In February 2015, SAFE further promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment (《國家外匯管理局關於進一步簡化和改進直接投資外匯管理政策的通知》) ("**SAFE Circular 13**"), effective June 1, 2015. SAFE Circular 13 amends SAFE Circular 37 by requiring PRC residents or entities to register with qualified banks rather than the SAFE or its local branch in connection with their establishment or control of an offshore entity established for the purpose of overseas investment or financing. Failure to comply with the registration procedures set forth in these regulations may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the payment of dividends and other distributions to its offshore parent or affiliate, the capital inflow from the offshore entities and settlement of foreign exchange capital, and may also subject relevant onshore company or PRC residents to penalties under PRC foreign exchange administration regulations.

***Regulations on Share Option***

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the "**Stock Option Rules**"). In accordance with the Stock Option Rules and relevant rules and regulations, PRC citizens or non-PRC citizens residing in China for a continuous period of not less than one year, who participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, must register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain procedures. In addition, the State Administration of Taxation has issued circulars concerning employee share options or restricted shares. Under these circulars, employees working in the PRC who exercise share options, or whose restricted shares vest, will be subject to PRC individual income tax. The PRC subsidiaries of an overseas listed company have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold individual income tax of these employees related to their share options or restricted shares. If the employees fail to pay, or the PRC subsidiaries fail to withhold, their individual income tax in accordance with relevant laws, rules and regulations, the PRC subsidiaries may face sanctions imposed by the tax authorities or other PRC government authorities.

**Regulations Related to Data Protection**

The Basic Standards and Practice of Medical Test Laboratory (for Trial Implementation) ((《醫學檢驗實驗室基本標準和管理規範(試行)》)), which was promulgated by the NHC and came into force on July 20, 2016, provides that medical laboratories must establish information management and patient privacy protection policies. The Measures for the Administration of General Population Health Information (for Trial Implementation) (《人口健康信息管理辦法（試行）》) as promulgated by the NHC in 2014 sets forth the operational measures for patient privacy protection in medical institutions. The measures regulate the collection, use, management, safety and privacy protection of general population health information by medical institutions. Medical institutions must establish information management departments responsible for general population health information and establish quality control procedures and relevant information systems to manage this information. Medical institutions must adopt stringent procedures to verify the general population health data collected, timely update and maintain the data, establish policies on the authorized use of this information, and establish safety protection systems, policies, practice and technical guidance to avoid divulging confidential or private information.

**Regulations Related to Commercial Bribery**

The SCNPC adopted the Anti-Unfair Competition Law (《中華人民共和國反不正當競爭法》), which became effective on December 1, 1993 and was amended on November 4, 2017 and April 23, 2019. The Anti-Unfair Competition Law provides that a business operator commits a crime if it offers money or any other bribes in the course of selling or purchasing products.

## OVERVIEW

We are the first and leading independent esoteric clinical testing service provider in China. We have the largest esoteric testing portfolio among all the independent esoteric testing providers in China, with over 3,500 testing items in our service menu, which includes over 2,300 testing items for hematology. Since our inception in 2003, we have strategically focused on esoteric clinical tests to address the significant unmet medical needs in China. We started from hematology as it is a leading specialty area for the development of novel therapies and adoption of new clinical diagnostic tests. The overall independent esoteric clinical testing market in China accounted for 46.2% of the entire independent clinical laboratory ("ICL") testing market in 2019, and the market for independent hematology esoteric clinical testing represented 11.8% of the independent esoteric testing market in 2019. We have successfully established a leading position in China's independent hematology esoteric clinical testing industry, accounting for the largest or 42.3% of the market share by revenue in 2020, as well as a leading position in the overall independent esoteric testing market, accounting for the fifth largest or 4.1% market share in terms of revenue, according to Frost & Sullivan. We offer one of the most extensive hematology testing portfolios worldwide, according to Frost & Sullivan.

Our history can be traced back to 2003 when Wuhan Kindstar was established by Dr. Huang, our principal founder, executive Director, Chairman, Chief Executive Officer and Chief Medical Officer, Qin Wenhua (秦文華), a former director of Beijing Hightrust until July 20, 2020, and four Independent Third Parties (the "**Initial Investor(s)**") with a view to providing esoteric clinical testing service in the Wuhan area. Dr. Huang has over 34 years of experience in medical practice, research, diagnosis and management. Prior to founding Wuhan Kindstar, Dr. Huang served as an associate project scientist at UCSD Cancer Center and worked as a vice president and chief technology officer at W.B. Technologies, Inc. Dr. Huang has also been working at the Union Hospital affiliated to Tongji Medical College of Huazhong University of Science and Technology (華中科技大學同濟醫學院附屬協和醫院) ("**Union Hospital**") as a distinguished professor and later as a professor. For further details on Dr. Huang's credentials and experience, see "Directors and Senior Management."

Over the years, we have been expanding our services into other adjacent specialty areas. Today, we have emerged as a leading independent esoteric clinical testing service provider in China. As of the Latest Practicable Date, we served over 3,000 hospitals in China, among which, over 1,500 were Class III hospitals, including all of the top 20 hospitals in 2019 ranked by Hospital Management Institute, Fudan University, a well recognized independent third-party, based on factors including the level of the clinical discipline, the reputation of specialty department, as well as the academic output. The level of the clinical discipline is reviewed by experts from the Chinese Medical Association and the Physician Association and covers 37 clinical specialties. Hospital Management Institute, Fudan University is equipped with rich experience of theoretical research on hospital management, practical experience in management, and scientific analysis ability. The non-profit characteristic of the evaluator and multi-source founding also ensure the unbiased evaluation process and results. Therefore, with such scientifically rigorous ranking mechanism and reputable ranking institute, the ranking is well recognized by the health industry. It has been released for consecutive 11 years since 2010. We believe that we bring unique value to various participants in the esoteric testing industry. We offer customers access to extensive testing items and customized and high-quality esoteric tests performed with advanced technologies in a cost-efficient manner.

## BUSINESS MILESTONES

The following is a summary of the key business development milestones of our Group:

| Year | Event |
|---|---|
| 2003 | • We established Wuhan Kindstar and started providing esoteric clinical testing services in Wuhan. |
| 2004 | • We set up a center with Union Hospital to carry out esoteric clinical testing services. |
| | • We expanded our service network to other regions in Hubei province. |
| 2008 | • We were awarded "Top Ten Independent Medical Laboratories" in the PRC by the Science Times (科學時報). |
| 2010 | • We introduced advanced esoteric testing technology on oncology molecular pathology to keep up with the international oncology diagnostics. |
| 2011 | • As of the end of 2011, our service network included the majority of provinces in the PRC. |
| 2012 | • We acquired Shanghai SimpleGene to strengthen our operations in the East China region. |
| 2013 | • We streamlined our operation into various specializations, including hematology, gynecology, pediatrics, infections and tumors. |
| 2014 | • Wuhan Kindstar was accredited ISO15189:2007 by the China National Accreditation Service for Conformity Assessment (中國合格評定國家認可委員會) ("**CNAS**") in recognition of its quality and competence as a medical laboratory. |
| 2015 | • Beijing Hightrust was accredited ISO15189:2012 by the CNAS in recognition of its quality and competence as a medical laboratory. |
| 2017 | • We were named a National Model Logistics Pilot Enterprise in "Pharmaceutical Cold Chain Logistics Operation Guidance" (《藥品冷鏈物流運作規範》 國家標準物流試點企業). |
| 2018 –2021 | • We were named a Hubei Golden Seed Enterprise (湖北省金種子企業). |
| 2020 | • Shanghai SimpleGene was accredited ISO15189:2012 by the CNAS in recognition of its quality and competence as a medical laboratory. |

## OUR MAJOR SUBSIDIARIES AND OPERATING ENTITIES

We set forth below information about the operating subsidiaries of our Company that made a material contribution to our total assets, gross profit and/or revenue during the Track Record Period(Note):

| Name | Date of establishment | Place of establishment | Ownership as of the Latest Practicable Date | Principal business activities |
|---|---|---|---|---|
| Wuhan Kindstar | August 8, 2003 | PRC | Controlled through the Contractual Arrangements | Clinical testing services |
| Shanghai SimpleGene | September 28, 2004 | PRC | Controlled through the Contractual Arrangements | Clinical testing services |
| Beijing Hightrust | August 26, 2005 | PRC | Controlled through the Contractual Arrangements | Clinical testing services |
| Xinjiang Kindstar | April 6, 2017 | PRC | Controlled through the Contractual Arrangements | Clinical testing services |

*Note:* An operating subsidiary of our Company is considered a major subsidiary if it contributed 5% or more to the total asset, revenue and/or gross profit of our Group during any year of the Track Record Period.

## MAJOR CORPORATE DEVELOPMENT AND SHAREHOLDING CHANGES OF OUR GROUP

We describe below the major changes in the shareholding of our Company and changes in the equity capital of our major subsidiaries.

### Our Company

#### *(i) Initial subscriptions and the Series A investment*

Pursuant to the Share Subscription Agreements dated September 19, 2007 (the "**September 2007 Subscription Agreement**"), Ms. Guo, Highally Group Limited ("**Highally**") and Chen Zhong agreed to subscribe for an aggregate of 16,000,000 ordinary shares of our Company. The consideration for the subscriptions was (a) payment of the par value of such shares, (b) transfer of ownership of certain medical equipment to our Company, and (c) the subscribers providing certain covenants and undertakings in relation to the operation of our Company. Such covenants and undertakings include, among others, the subscribers avoiding or resolving any conflicts between their duties in our Company and their then employers, complying with all requirements and obligations of the relevant PRC authorities for holdings our Shares, and entering into shareholders' agreement with HCA Investments, which have been fulfilled. In addition, HCA Investments, our Series A Investor, agreed to subscribe for 15,000,000 Series A Preference Shares at

the consideration of RMB15,000,000. The consideration was determined after arm's length negotiations between each of the subscribers, the Series A Investor and our Company taking into account the timing of the investments and the operating results and prospects of our business and operating entities.

Pursuant to the Share Subscription Agreement dated May 18, 2010 (the "**May 2010 Subscription Agreement**") and the supplemental agreement dated February 22, 2011, Star Hero Investments Limited ("**Star Hero**"), Zhu Jim Jianzhong and Chen Xiaoqing agreed to subscribe for an aggregate of 9,777,777 ordinary shares. The consideration for the subscriptions was (a) payment of the par value of such shares, (b) their undertaking to make use of their respective network, connection and experience to assist our Group's operation, and (c) procuring the transfer of the equity interest in Rongheng to Wuhan Kindstar. In addition, HCA Investments, a business partner of Beijing Kanghua Investment Co., Ltd (北京康華投資有限公司) ("**Beijing Kanghua**"), agreed to further subscribe for 3,666,667 Series A Preference Shares for the consideration of (a) the par value of such shares, and (b) procuring the transfer of the equity interest in Rongheng to Wuhan Kindstar. The consideration was determined after arm's length negotiations between each of the subscribers, the Series A Investor and our Company taking into account the timing of the investments and the operating results and prospects of Rongheng and our business and operating entities.

Immediately prior to the transfer, the entire equity interest of Rongheng was owned by Beijing Kanghua (as financial investor), Zhu Jianqiang (as a nominee of Zhu Jim Jianzhong), Shi Rong (史榮) and Yang Xiaomeng (楊曉萌) (the "**Rongheng Nominee Shareholders**") as to 50.13%, 26.03%, 20.05% and 3.79%, respectively. On May 22, 2010, the Rongheng Nominee Shareholders entered into a series of contractual arrangements with Kindstar Beijing WFOE such that Rongheng became contractually controlled by Kindstar Beijing WFOE.

The Series A Preference Shares were issued on December 8, 2010 and the ordinary shares were issued on February 22, 2011 and March 11, 2011 as set forth in the table below:

| Name | Number of Series A Preference Shares | Number of ordinary shares |
|---|---|---|
| *Series A Preference Shares issued on December 8, 2010* | | |
| HCA Investments | 18,666,666[7] | – |
| *Ordinary shares issued on February 22, 2011* | | |
| Ms. Guo[1] | – | 13,727,229[8] |
| Star Hero[2] | – | 5,015,873 |
| Zhu Jim Jianzhong[3] | – | 4,081,632 |
| Highally[4] | – | 2,312,600[8] |
| Chen Zhong[5] | – | 867,200 |
| *Ordinary shares issued on March 11, 2011* | | |
| Chen Xiaoqing[6] | – | 680,272 |
| **Total** | 18,666,666 | 26,684,806 |

*Notes:*

(1) Ms. Guo is the spouse of Dr. Huang.

(2) Star Hero held our ordinary shares as a nominee of Shi Rong (史榮), an Independent Third Party.

(3) Zhu Jim Jianzhong is an Independent Third Party.

(4) Highally is wholly owned by the spouse of Huang Jie (黃節), a former director of Beijing Hightrust.

(5) Chen Zhong is a former employee of our Group and an Independent Third Party.

(6) Chen Xiaoqing is an Independent Third Party and the spouse of Yang Xiaomeng.

(7) The one ordinary share held by Morningside Venture (I) Investments Limited, an affiliate of HCA Investments, as initial subscriber share was reclassified to one Series A Preference Share on March 28, 2008 and was transferred to HCA Investments on April 23, 2008. Hence, only 18,666,666 was issued to HCA Investments.

(8) Ms. Guo and Highally originally agreed to subscribe for 10,491,400 and 4,641,400 ordinary shares, respectively, under the September 2007 Subscription Agreement. However, pursuant to the May 2010 Subscription Agreement, Ms. Guo agreed to purchase 2,328,800 ordinary shares from Highally and further subscribe for 907,029 newly issued ordinary shares. Hence, the net balance of ordinary shares issued and allotted to Ms. Guo and Highally were 13,727,229 and 2,312,600 ordinary shares, respectively.

### *(ii) Series B investment and Series B1 investment*

Pursuant to the Series B Preference Share Purchase Agreements dated December 31, 2010 and June 18, 2011, the Series B Investors agreed to subscribe for 20,943,230 Series B Preference Shares and the Series B1 Investor agreed to subscribe for 1,991,720 Series B1 Preference Shares in aggregate to be issued by our Company for an aggregate consideration of approximately US$10.5 million and US$1 million, respectively. Further, our Company agreed to issue to the Series B Investors warrants (the "**Series B Warrants**") for an aggregate of US$950,000 worth of Series B Preference Shares at an exercise price of approximately US$0.7531 per Series B Preference Share.

The Series B Preference Shares were issued on February 25, 2011 and June 22, 2011 as set forth in the table below:

| Name | Number of Series B Preference Shares | Consideration |
|---|---|---|
| | | *(US$)* |
| *Series B Preference Shares issued on February 25, 2011* | | |
| WI Harper | 7,966,882 | 4,000,000 |
| Baird Capital Partners Asia I Limited Partnership | 3,965,039 | 1,990,761 |
| BCPA I Affiliates Fund Limited Partnership | 1,759,171 | 883,242 |
| Baird Capital Partners Asia I (Cayman) Limited Partnership | 250,951 | 125,997 |
| *Series B Preference Shares issued on June 22, 2011* | | |
| Mayo Clinic | 4,979,301 | 2,500,000 |
| HCA Investments | 1,157,417 | 581,114 |
| WI Harper | 493,982 | 248,018 |
| Baird Capital Partners Asia I Limited Partnership | 245,850 | 123,436 |
| BCPA I Affiliates Fund Limited Partnership | 109,077 | 54,765 |
| Baird Capital Partners Asia I (Cayman) Limited Partnership | 15,560 | 7,812 |
| **Total** | 20,943,230 | 10,515,145 |

The Series B1 Preference Shares were issued on June 22, 2011 as set forth in the table below.

| Name | Number of Series B1 Preference Shares | Consideration |
|---|---|---|
| | | *(US$)* |
| Mayo Foundation | 1,991,720 | 1,000,000*(Note)* |
| **Total** | 1,991,720 | 1,000,000 |

*Note:* The US$1 million is settled by way of Mayo Foundation transferring to us, and waiving the first US$1 million of the royalties payable for the use of, the data, information, trade secrets and know-how of certain of its reference laboratory tests. The quota of US$1 million in royalties was used up in August 2014.

The consideration was determined after arm's length negotiations between each of the Series B Investors, the Series B1 Investor and our Company taking into account the timing of the investments and the operating results and prospects of our business and operating entities.

***(iii) Acquisition of Shanghai SimpleGene***

In connection to our Group's acquisition of Shanghai SimpleGene, our Company issued and allotted 2,942,956 Series B1 Preference Shares to HCA Investments on January 30, 2012 in satisfaction of US$1,477,595 of the aggregate consideration of RMB14,000,000 for the acquisition. The remaining consideration of RMB4,665,589 was settled on August 27, 2012 in cash. The consideration was determined after arm's length negotiations with reference to the operating results and prospects of business of Shanghai SimpleGene at the time. Further, in order to maintain their respective shareholding in our Company, on January 19, 2012, the other Series B Investors agreed to subscribe for 1,189,345 Series B1 Preference Shares in aggregate to be issued by our Company for an aggregate consideration of approximately US$0.6 million. For details of our Group's acquisition of Shanghai SimpleGene, see "– Major Corporate Development and Shareholding Changes of our Group – Shanghai SimpleGene" in this section.

The Series B1 Preference Shares were issued on January 30, 2012 as set forth in the table below:

| Name | Number of Series B1 Preference Shares | Consideration |
|---|---|---|
| | | *(US$)* |
| WI Harper | 508,591 | 255,352 |
| Mayo Clinic | 299,311 | 150,277 |
| Baird Capital Partners Asia I Limited Partnership | 253,121 | 127,087 |
| BCPA I Affiliates Fund Limited Partnership | 112,302 | 56,384 |
| Baird Capital Partners Asia I (Cayman) Limited Partnership | 16,020 | 8,043 |
| **Total** | 1,189,345 | 597,143 |

*(iv) Series C investment*

Pursuant to the Series C Preference Share Subscription Agreement dated January 30, 2012, the Series C Investors agreed to subscribe for 21,998,558 Series C Preference Shares in aggregate to be issued by our Company for an aggregate consideration of approximately US$20.0 million. Further, the Series B Investors agreed to terminate their Series B Warrants, and subscribe together with the other Series C Investors for warrants (the "**Series C Warrants**") for an aggregate of US$2 million worth of Series C Preference Shares at an exercise price of US$0.909151 per Series C Preference Share.

The Series C Preference Shares were issued on January 30, 2012 as set forth in the table below:

| Name | Number of Series C Preference Shares | Consideration |
|---|---|---|
| | | *(US$)* |
| KPCB China Fund, L.P. | 8,210,803 | 7,464,860 |
| KPCB China Founders Fund, L.P. | 616,119 | 560,146 |
| KPCB China Fund II, L.P. | 8,826,921 | 8,025,005 |
| Baird Capital Partners Asia I Limited Partnership | 948,867 | 862,663 |
| Baird Capital Partners Asia I (Cayman) Limited Partnership | 60,055 | 54,599 |
| BCPA I Affiliates Fund Limited Partnership | 420,984 | 382,738 |
| WI Harper | 1,539,899 | 1,400,000 |
| Mayo Clinic | 1,374,910 | 1,250,000 |
| **Total** | 21,998,558 | 20,000,011 |

All the Series C Warrants were exercised and the corresponding Series C Preference Shares were issued on August 3, 2013 as set forth in the table below:

| Name | Number of Series C Preference Shares | Consideration |
|---|---|---|
| | | *(US$)* |
| KPCB China Fund, L.P. | 821,085 | 746,490 |
| KPCB China Founders Fund, L.P. | 61,612 | 56,015 |
| KPCB China Fund II, L.P. | 882,693 | 802,501 |
| Baird Capital Partners Asia I Limited Partnership | 94,886 | 86,266 |
| Baird Capital Partners Asia I (Cayman) Limited Partnership | 6,005 | 5,459 |
| BCPA I Affiliates Fund Limited Partnership | 42,093 | 38,269 |
| WI Harper | 153,990 | 140,000 |
| Mayo Clinic | 137,491 | 125,000 |
| **Total** | 2,199,855 | 2,000,000 |

The consideration was determined after arm's length negotiations between each of the Series C Investors and our Company taking into account the timing of the investments and the operating results and prospects of our business and operating entities.

***(v) Shareholding changes subsequent to the series C investment***

Subsequent to the series C investment and as of January 1, 2020, the shareholding structure of our Company was as follows:

| Name | Ordinary shares | Series A Preference Shares | Series B Preference Shares | Series B1 Preference Shares | Series C Preference Shares | Total number of Shares | Shareholding in our Company |
|---|---|---|---|---|---|---|---|
| Ms. Guo(1) | 26,684,806 | – | – | – | – | 26,684,806 | 27.62% |
| HCA Investments | – | 18,666,667 | 1,157,417 | 2,942,956 | – | 22,767,040 | 23.56% |
| WI Harper | – | – | 8,460,864 | 508,591 | 1,693,889 | 10,663,344 | 11.04% |
| KPCB China Fund I(2) | – | – | – | – | 9,709,619 | 9,709,619 | 10.05% |
| KPCB China Fund II | – | – | – | – | 9,709,614 | 9,709,614 | 10.05% |
| Mayo(3) | – | – | 4,979,301 | 2,291,031 | 1,512,401 | 8,782,733 | 9.09% |
| Baird Capital(4) | – | – | 6,345,648 | 381,443 | 1,572,890 | 8,299,981 | 8.59% |
| **Total** | 26,684,806 | 18,666,667 | 20,943,230 | 6,124,021 | 24,198,413 | 96,617,137 | 100.00% |

*Notes:*

(1) Pursuant to the voting proxy arrangements entered into on January 1, 2017 and January 1, 2019, Ms. Guo, the spouse of Dr. Huang, has effective control over the voting rights attached to the shares held by Highally, Chen Zhong, Star Hero, Zhu Jim Jianzhong and Chen Xiaoqing. As of January 1, 2020, Ms. Guo, Highally, Chen Zhong, Star Hero, Zhu Jim Jianzhong and Chen Xiaoqing held 13,727,229, 2,312,600, 867,200, 5,015,873, 4,081,632 and 680,272 ordinary shares of our Company, respectively.

(2) KPCB China Fund I includes KPCB China Fund, L.P. and KPCB China Founders Fund, L.P., which as of January 1, 2020 held 9,031,888 and 677,731 Preference Shares, respectively.

(3) Mayo includes Mayo Clinic and Mayo Foundation, which as of January 1, 2020 held 6,791,013 and 1,991,720 Preference Shares, respectively.

(4) Baird Capital includes Baird Capital Partners Asia I Limited Partnership, Baird Capital Partners Asia I (Cayman) Limited Partnership and BCPA I Affiliates Fund Limited Partnership, which as of January 1, 2020 held 5,507,763, 348,591 and 2,443,627 Preference Shares, respectively.

With a view to realizing their profits from their subscriptions in our ordinary shares, several holders of our ordinary shares disposed of their entire shareholding at the time to Kindstar Rui An for a consideration of approximately US$1.24 per ordinary share as particularized below:

| Date of share purchase agreement | Date of settlement | Transferor | Number of ordinary shares | Total consideration *(US$)* |
|---|---|---|---|---|
| August 20, 2019 | June 18, 2020 | Zhu Jim Jianzhong | 4,081,632 | 5,061,223.00 |
| August 20, 2019 | June 18, 2020 | Chen Xiaoqing | 680,272 | 843,537.00 |
| August 30, 2019 | June 10, 2020 | Star Hero | 5,015,873 | 6,219,682.52 |
| August 30, 2019 | August 14, 2020 | Highally | 2,312,600 | 2,867,624.00*(Note)* |

*Note:* In this connection, Huang Jie (黃節), as a nominee shareholder of Beijing Hightrust, also transferred his entire shareholding in Beijing Hightrust to Wuhan Kindstar.

With a view to realizing their profits from the **[REDACTED]** Investment, Baird Capital, our Series B Investors and Series C Investors, disposed of their entire holding of our Preference Shares at the time for a consideration of approximately US$1.75 per Preference Share as particularized below:

| Purchaser | Relationship with our Group | Date of share purchase agreement | Date of settlement | Number of Series B Preference Shares | Number of Series B1 Preference Shares | Number of Series C Preference Shares | Total consideration |
|---|---|---|---|---|---|---|---|
| | | | | | | | *(US$)* |
| Panacea | Series B, B1 and C investor | January 17, 2020 | June 30, 2020 | 2,839,709 | 170,698 | 703,876 | 6,499,995.25 |
| | | July 31, 2020 | August 7, 2020 | 1,248,225 | 75,031 | 309,396 | 2,857,142.95 |
| Ningbo Xinyue | Series D Investor | February 5, 2020 | September 28, 2020 | 1,872,337 | 112,548 | 464,095 | 4,285,714.44 |
| Changjiang Yuantong | Series B, B1 and C investor | May 18, 2020 | September 25, 2020 | 385,377 | 23,166 | 95,523 | 882,117.62 |

The consideration of each of the foregoing transfers was determined after arm's length negotiations between the respective seller and purchaser taking into account the timing of the transfers and the operating results and prospects of our business and operating entities.

***(vi) Series D investment***

Pursuant to the Series D Preference Share Purchase Agreement dated July 14, 2020, our Company agreed to issue and allot 19,868,842 Series D Preference Shares in aggregate to the Series D Investors in settlement of the convertible bonds issued to them by Wuhan Kindstar.

The Series D Preference Shares were issued as set forth in the table below:

| Date of Issue | Name | Number of Series D Preference Shares | Principal amount settled |
|---|---|---|---|
| | | | *(RMB)* |
| September 28, 2020 | Ningbo Xinyue | 5,228,643 | 50,000,000 |
| October 27, 2020 | Wuhan Ruifu | 10,457,285 | 100,000,000 |
| October 27, 2020 | Changzhou Huasheng | 4,182,914 | 40,000,000 |
| **Total** | | 19,868,842 | 190,000,000 |

The consideration was determined after arm's length negotiations between each of the Series D Investors and our Company taking into account the timing of the investments and the operating results and prospects of our business and operating entities.

***(vii) Series D+ investment***

Pursuant to the Series D+ Preference Share Purchase Agreement dated September 8, 2020, the Series D+ Investor agreed to subscribe for 9,698,920 Series D+ Preference Shares to be issued by our Company for a consideration of US$20,000,000.

The Series D+ Preference Shares were issued on September 8, 2020 as set forth in the table below.

| Name | Number of Series D+ Preference Shares | Consideration |
|---|---|---|
| | | *(US$)* |
| Forebright | 9,698,920 | 20,000,000 |
| **Total** | 9,698,920 | 20,000,000 |

The consideration was determined after arm's length negotiations between the Series D+ Investor and our Company taking into account the timing of the investment and the operating results and prospects of our business and operating entities.

***(viii) Repurchase of Preference Shares from WI Harper***

With a view to realizing part of its profits from the **[REDACTED]** Investment, pursuant to the Share Repurchase Agreement dated September 30, 2020, WI Harper, one of our Series B Investors and Series C Investors, agreed to dispose of part of their holding of our Preference Shares to our Company for a consideration of approximately US$2.06 per Preference Share, which was determined with reference to the issue price of the Series D+ Preference Shares in the series D+ investment. Details of the repurchase are as set forth below:

| Date of settlement | Number of Series B Preference Shares | Number of Series B1 Preference Shares | Number of Series C Preference Shares | Consideration |
|---|---|---|---|---|
| | | | | *(US$)* |
| October 6, 2020 | 2,538,259 | 152,577 | 508,167 | 6,596,617 |

***(ix) Series E investment***

On October 6, 2020, CK Lab Tech, one of the Series E Investors, agreed to purchase from KPCB China Fund I, our Series C Investors, certain Series C Preference Shares for a consideration of US$3 per Series C Preference Share as particularized below:

| Date of settlement | Transferor | Number of Series C Preference Shares | Consideration (US$) |
|---|---|---|---|
| October 21, 2020 | KPCB China Fund, L.P. | 2,709,566 | 8,128,698 |
| October 21, 2020 | KPCB China Founders Fund, L.P. | 203,320 | 609,960 |
| **Total** | | 2,912,886 | 8,738,658 |

Further, pursuant to the Series E Preference Share Purchase Agreements entered into between October 6, 2020 and December 9, 2020, the Series E Investors agreed to subscribe for 33,962,595 Series E Preference Shares in aggregate to be issued by our Company for an aggregate consideration of approximately US$108.3 million.

The Preference Shares were issued as set forth in the table below.

| Date of issue | Name | Number of Series E Preference Shares | Consideration (US$) |
|---|---|---|---|
| October 27, 2020 | CK Lab Tech | 14,640,021 | 46,701,668.00 |
| November 3, 2020 | Giant Hero | 3,134,796 | 9,999,999.24 |
| November 5, 2020 | China Healthcare | 4,378,981 | 13,968,950.00 |
| | BOCI Financial Products | 3,134,796 | 10,000,000.00 |
| November 10, 2020 | China Healthcare | 1,463,970 | 4,670,064.00 |
| November 12, 2020 | Golden Talent – Hua Zhi | 2,507,837 | 8,000,000.00 |
| | DBR Capital | 1,567,398 | 5,000,000.00 |
| December 4, 2020 | Right Goodness | 3,134,796 | 10,000,000.00 |
| **Total** | | 33,962,595 | 108,340,681.24 |

The consideration of each of the foregoing share transfer and the subscription was determined after arm's length negotiations between each of the Series E Investors and our Company taking into account the timing of the transfer and investment and the operating results and prospects of our business and operating entities. For further details of the above **[REDACTED]** Investments, see "– **[REDACTED]** Investments" in this section.

In addition, pursuant to their respective Series E Preference Share Purchase Agreements, certain Series E Investors subscribed for all the Preference Shares repurchased from WI Harper for a consideration

of approximately US$2.06 per Preference Share, which represented the repurchase price of such Preference Shares from WI Harper.

| Name | Number of Series B Preference Shares | Number of Series B1 Preference Shares | Number of Series C Preference Shares | Consideration |
|---|---|---|---|---|
| | | | | *(US$)* |
| CK Lab Tech | 1,878,259 | 152,577 | 508,167 | 5,235,679.07 |
| China Healthcare | 660,000 | – | – | 1,360,986.00 |
| | **2,538,259** | **152,577** | **508,167** | **6,596,665.07** |

***(x) Transfer of Shares by Ms. Guo and Kindstar Rui An to family trusts***

The Gui-Rong Guo Trust was established by Ms. Guo, Dr. Huang's spouse, as settlor and Jackson Hole as trustee on November 13, 2020. The Gui-Rong Guo Trust is a discretionary trust and the beneficiaries of which includes Ms. Guo and her family members who are her associates, and their lineal descendant. Under the trust deed of the Gui-Rong Guo Trust, for so long as Jackson Hole holds or controls any Shares, all voting rights attaching thereto will be exercised by Huang Bo, the son of Dr. Huang and Ms. Guo, as investment advisor to the Gui-Rong Guo Trust. On December 31, 2020, 12,734,474 ordinary shares in our Company were transferred by Ms. Guo to Jackson Hole.

Perfect Tactic is a company incorporated in the BVI held as to 99.8% and 0.2% by Infinite Prosperity Holdings LLC ("**Infinite Prosperity**") and Kindstar Rui An, respectively. Infinite Prosperity is wholly owned by Jackson Hole. Jackson Hole is the trustee of the Shiang Huang Family Trust which was established by Dr. Huang as settlor on December 23, 2020. The Shiang Huang Family Trust is a discretionary trust and the beneficiaries of which includes Dr. Huang and his family members who are this associates, and their lineal descendants. Under the trust deed of the Shiang Huang Family Trust, for so long as the Jackson Hole holds or controls any shares in Perfect Tactic, all voting rights with respect to investment decisions attaching thereto will be exercised by Huang Bo as investment advisor to the Shiang Huang Family Trust. On April 28, 2021, Kindstar Rui An transferred 12,090,377 ordinary shares in our Company to Perfect Tactic, representing its entire shareholding in our Company at the time.

On April 28, 2021, Perfect Tactic entered into voting proxy arrangement with Ms. Guo whereby Ms. Guo has effective control over the voting rights attached to the shareholding of Perfect Tactic in our Company. The voting proxy arrangement between Perfect Tactic and Ms. Guo is a reproduction of the voting proxy arrangement entered into between Kindstar Rui An and Ms. Guo on June 11, 2020 to maintain and continue their previous voting proxy arrangement after Kindstar Rui An transferred its shares in our Company to Perfect Tactic. No such voting proxy arrangement was entered into with respect to the Gui-Rong Guo Trust due to family wealth management and personal tax planning reasons.

*(xi) Summary of shareholding changes since January 1, 2020*

The table below sets forth the shareholding structure of our Company since January 1, 2020.

| | Voting rights in our Company (%) | | | |
|---|---|---|---|---|
| **Shareholder** | **As of January 1, 2020** | **As of December 31, 2020** | **As of the Latest Practicable Date** | **Immediately following completion of the [REDACTED][6]** |
| Ms. Guo[1] | | | | |
| – Perfect Tactic | – | – | 7.12 | **[REDACTED]** |
| – Ever Prospect | – | 5.69 | 5.69 | **[REDACTED]** |
| – Ms. Guo | 14.21 | 0.58 | 0.58 | **[REDACTED]** |
| – Chen Zhong | 0.90 | 0.51 | 0.51 | **[REDACTED]** |
| – Golden Talent – Hua Zhi | – | 1.48 | 1.48 | – |
| – DBR Capital | – | 0.92 | 0.92 | – |
| – Kindstar Rui An | – | 7.12 | – | – |
| – Star Hero | 5.19 | – | – | – |
| – Zhu Jim Jianzhong | 4.22 | – | – | – |
| – Highally | 2.39 | – | – | – |
| – Chen Xiaoqing | 0.70 | – | – | – |
| **– Subtotal** | **27.62** | **16.30** | **16.30** | **[REDACTED]** |
| Huang Zui-Chin[2] | – | 13.83 | 13.83 | **[REDACTED]** |
| HCA Investments | 23.56 | 13.41 | 13.41 | **[REDACTED]** |
| CK Lab Tech | – | 11.83 | 11.83 | **[REDACTED]** |
| Jackson Hole | – | 7.50 | 7.50 | **[REDACTED]** |
| KPCB China Fund II | 10.05 | 5.72 | 5.72 | **[REDACTED]** |
| Forebright | – | 5.71 | 5.71 | **[REDACTED]** |
| Mayo[3] | 9.09 | 5.17 | 5.17 | **[REDACTED]** |
| WI Harper | 11.04 | 4.40 | 4.40 | **[REDACTED]** |
| KPCB China Fund I[4] | 10.05 | 4.00 | 4.00 | **[REDACTED]** |
| China Healthcare | – | 3.83 | 3.83 | **[REDACTED]** |
| Changzhou Huasheng | – | 2.46 | 2.46 | **[REDACTED]** |
| BOCI Financial Products | – | 1.85 | 1.85 | **[REDACTED]** |
| Giant Hero | – | 1.85 | 1.85 | **[REDACTED]** |
| Right Goodness | – | 1.85 | 1.85 | **[REDACTED]** |
| Golden Talent – Hua Zhi[1] | – | – | – | **[REDACTED]** |
| DBR Capital[1] | – | – | – | **[REDACTED]** |
| Changjiang Yuantong | – | 0.30 | 0.30 | **[REDACTED]** |
| Baird Capital[5] | 8.59 | – | – | – |
| **[REDACTED]** taking part in the **[REDACTED]** | – | – | – | **[REDACTED]** |
| **Total** | 100.00 | 100.00 | 100.00 | 100.00 |

*Notes:*

(1) Pursuant to the voting proxy arrangements dated (i) January 1, 2017, (ii) January 1, 2019, (iii) June 11, 2020, (iv) November 2, 2020, (v) November 5, 2020, (vi) November 9, 2020 and (vii) April 28, 2021, Ms. Guo, the spouse of Dr. Huang, has effective control over the voting rights attached to the Shares held by (i) Chen Zhong, Zhu Jim Jianzhong, Chen Xiaoqing and Highally, (ii) Star Hero, (iii) Kindstar Rui An, (iv) Ever Prospect, (v) Golden Talent – Hua Zhi, (vi) DBR Capital and (vii) Perfect Tactic. The voting proxy arrangements between Ms. Guo and Golden Talent – Hua Zhi and DBR Capital will terminate upon **[REDACTED]**.

(2) Includes Panacea, Ningbo Xinyue and Wuhan Ruifu, which are controlled by Huang Zuie-Chin.

(3) Includes Mayo Clinic and Mayo Foundation.

(4) Includes KPCB China Fund, L.P. and KPCB China Founders Fund, L.P.

(5) Includes Baird Capital Partners Asia I Limited Partnership, Baird Capital Partners Asia I (Cayman) Limited Partnership and BCPA I Affiliates Fund Limited Partnership.

(6) Assuming all of the Preference Shares have been converted to ordinary shares on a one-to-one basis, the **[REDACTED]** is not exercised, no additional Shares are issued pursuant to the **[REDACTED]** Stok Incentive Plans and no Shares are issued pursuant to the **[REDACTED]** Shares Schemes.

## Wuhan Kindstar

Wuhan Kindstar is a limited liability company established in the PRC on August 8, 2003 with an initial registered capital of RMB1,560,000. Since its establishment up to December 18, 2006, Wuhan Kindstar had undergone two rounds of capital increases by the Initial Investors and incoming shareholders, as particularized below:

| Shareholder[1] | Registered capital as of establishment | | Increase to the registered capital settled on November 11, 2004 | Increase to the registered capital settled on December 18, 2006 | Registered capital after the capital increases | |
|---|---|---|---|---|---|---|
| | *(RMB'000)* | | *(RMB'000)* | *(RMB'000)* | *(RMB'000)* | |
| Dr. Huang | 704 | 45.13% | 1,180 | 1,300 | 3,184 | 46.14% |
| Huang Haiyan (黃海燕) | – | – | 310 | 600 | 910 | 13.19% |
| Qin Wenhua (秦文華)[2] | 200 | 12.82% | 100 | 300 | 600 | 8.70% |
| Jie Shenghua (揭盛華) | 150 | 9.615% | 150 | 250 | 550 | 7.97% |
| Zhang Suming (張蘇明) | 100 | 6.41% | 100 | 100 | 300 | 4.35% |
| Huang Wei (黃巍) | – | – | – | 300 | 300 | 4.35% |
| Chen Bin (陳斌) | 150 | 9.615% | 150 | – | 300 | 4.35% |
| Li Yaolong (李耀龍) | 256 | 16.41% | – | – | 256 | 3.71% |
| Wei Chaohua (魏朝華) | – | – | 250 | – | 250 | 3.62% |
| Yuan Yinghong (袁英鴻) | – | – | 100 | – | 100 | 1.45% |
| Tong Chunrong (童春容) | – | – | 50 | 50 | 100 | 1.45% |
| Mr. Tu | – | – | 50 | – | 50 | 0.72% |
| | 1,560 | 100.00% | 2,440 | 2,900 | 6,900 | 100.00% |

*Notes:*

(1) Except for Dr. Huang and Mr. Tu, our executive Directors, each of the Initial Investors and incoming shareholders of Wuhan Kindstar is an Independent Third Party.

(2) Qin Wenhua had been a supervisor of Wuhan Kindstar from March 16, 2004 to June 18, 2018 and a director of Beijing Hightrust since its establishment. Qin Wenhua ceased to hold any equity interest in Wuhan Kindstar on June 18, 2016. As Qin Wenhua did not participate in the day-to-day management of Beijing Hightrust, the Company did not take the initiative to remove him as a director of Beijing Hightrust. On July 20, 2020, in connection with the transfer of equity interest from Huang Jie and Zeng Lingyun to Wuhan Kindstar, the Company resolved to remove all then existing directors of Beijing Hightrust including Qin Wenhua and appoint Dr. Huang as the sole director of Beijing Hightrust as Wuhan Kindstar would become the sole shareholder of Beijing Hightrust upon the completion of the transfer.

Subsequently, following a series of arm's-length transfers of the equity interest in Wuhan Kindstar by Huang Haiyan, Qin Wenhua, Jie Shenghua, Zhang Suming, Huang Wei, Chen Bin, Li Yaolong, Wei Chaohua, Yuan Yinghong, Tong Chunrong and Mr. Tu, the entire equity interest in Wuhan Kindstar was transferred to Dr. Huang and Mr. Tu. As of the Latest Practicable Date, Wuhan Kindstar was legally held as to 96.29% and 3.71% by Dr. Huang and Mr. Tu as registered shareholders, respectively.

On February 14, 2011, each of the then shareholders of Wuhan Kindstar entered into a series of contractual arrangements whereby Wuhan Kindstar became contractually controlled by Kindstar Beijing WFOE. For details, see "– Corporate Reorganization – Onshore Reorganization – Contractual Arrangements."

In anticipation of the series D investment in our Group, Wuhan Kindstar issued a series of convertible bonds to the Series D Investors. Details of the convertible bonds are as follows:

| Date of agreement | Date of settlement | Name | Principal amount |
|---|---|---|---|
| | | | *(RMB)* |
| November 22, 2016 | September 28, 2020 | Ningbo Xinyue | 30,000,000 |
| February 16, 2017 | September 28, 2020 | Ningbo Xinyue | 20,000,000 |
| February 27, 2017 | October 27, 2020 | Changzhou Huasheng | 40,000,000 |
| May 18, 2017 | October 27, 2020 | Wuhan Ruifu | 100,000,000 |
| **Total** | | | 190,000,000 |

For the principal terms of the convertible bonds, see note 33 of the Accountants' Report set out in Appendix I to this Document. Pursuant to the Series D Preference Share Purchase Agreement dated July 14, 2020, all the convertible bonds were settled by our Company issuing Series D Preference Shares to the Series D Investors. For details, see "– Major Corporate Development and Shareholding Changes of our Group – Our Company – (vi) Series D investment" in this section.

**Shanghai SimpleGene**

Shanghai SimpleGene is a limited liability company established in the PRC on September 28, 2004 under its former name Shanghai Meizhong Clinical Testing Center Co., Ltd. (上海美眾臨床檢驗中心有限公司) with an initial registered capital of RMB2,000,000 held as to 80% and 20% by Shanghai Zhonghong Biological Development Co., Ltd. (上海眾泓生物發展有限公司) and Shanghai Eryi Investment Management

Co., Ltd. (上海二醫投資管理有限公司), each an Independent Third Party, respectively. Following a series of arm's-length share transfer and capital contribution and immediately before being acquired by our Group, Shanghai SimpleGene had a registered capital of RMB5,000,000 wholly owned by Beijing Kanghua, a business partner of HCA Investments.

Pursuant to a share transfer agreement dated January 19, 2012 and a merger framework agreement, Beijing Kanghua transferred its entire equity interest in Shanghai SimpleGene to Wuhan Kindstar for a consideration of RMB14,000,000 which was determined after arm's length negotiations with reference to the operating results and prospects of business of Shanghai SimpleGene at the time. The consideration was settled by (i) the issue of 2,942,956 Series B1 Preference Shares to HCA Investments in lieu of US$1,477,595 out of the aggregate consideration, and (ii) RMB4,665,589 in cash. The relevant Series B1 Preference Shares were issued on January 30, 2012, and the cash consideration was fully settled on August 27, 2012. As confirmed by the PRC Legal Advisor, the acquisition of Shanghai SimpleGene has been duly registered with relevant government authorities pursuant to applicable PRC laws and regulations.

On July 17, 2012, the registered capital of Shanghai SimpleGene was increased to RMB20,000,000 by way of capital injection by Wuhan Kindstar. As of the Latest Practicable Date, Shanghai SimpleGene remained to be wholly owned by Wuhan Kindstar.

**Beijing Hightrust**

Beijing Hightrust is a limited liability company established in the PRC under its former name Beijing Hightrust Clinical Laboratory Co., Ltd. (北京海思特臨床檢驗所有限公司) on August 26, 2005 with an initial registered capital of RMB1,000,000 held as to 51% by Wuhan Kindstar, 24.5% by Huang Jie (黃節), whose spouse holds the entire issued share capital in Highally, a holder of our Company's ordinary shares prior to August 14, 2020, and 24.5% by Zeng Lingyun (曾淩雲), a former director of Beijing Hightrust until July 20, 2020 and otherwise an Independent Third Party. As a condition of the Series B Preference Share Purchase Agreement, from February 12, 2011 to October 9, 2020 and November 2, 2020, Huang Jie and Zeng Lingyun held such interest in Beijing Hightrust as nominees of Kindstar Beijing WFOE, respectively. Following a series of changes in its registered capital and immediately before the Track Record Period, Beijing Hightrust was held as to 97.55% by Wuhan Kindstar, and 1.225% by each of Huang Jie and Zeng Lingyun. In connection with the transfer of our ordinary shares from Highally to Kindstar Rui An, on October 9, 2020 and November 2, 2020, Huang Jie and Zeng Lingyun, as nominee shareholders, transferred their entire shareholding in Beijing Hightrust to Wuhan Kindstar, respectively. Henceforth and up to the Latest Practicable Date, Beijing Hightrust was legally and beneficially wholly-owned by Wuhan Kindstar.

**Xinjiang Kindstar**

Xinjiang Kindstar is a limited liability company established in the PRC on April 6, 2017 with a registered capital of RMB16,000,000. Upon its establishment, the registered capital of Xinjiang Kindstar was held as to 55% by Wuhan Kindstar, 25% by Zheng Jianhua (鄭建華), 16% by Xinjiang Yijiali Medical Technology Service Co., Ltd. (新疆醫嘉利醫學技術服務股份有限公司) ("**Xinjiang Yijiali**") and 4% by Xi'an Kaibaite Biotechnology Co., Ltd. (西安凱百特生物科技有限公司) ("**Xi'an Kaibaite**"). Xinjiang Yijiali is held as to approximately 95.8% and 4.2% by Zheng Jianhua and Cang Cuilian (藏翠連), respectively, who are also directors of Xinjiang Yijiali. Xinjiang Yijiali is principally engaged in the provision of clinical

testing services. Prior to the establishment of Xinjiang Kindstar, Xinjiang Yijiali is a business partner of Wuhan Kindstar, supplying it with samples for analysis. With a view to deepening our cooperation and service coverage in Xinjiang, Wuhan Kindstar, Zheng Jianhua, Xinjiang Yijiali and Xi'an Kaibaite (as financial investor) established Xinjiang Kindstar and agreed to contribute to its registered capital. Otherwise than Zheng Jianhua and Xinjiang Yijiali being substantial shareholders of Xinjiang Kindstar, each of Zheng Jianhua, Xinjiang Yijiali and Xi'an Kaibaite is an Independent Third Party.

On August 31, 2020, Xi'an Kaibaite transferred 2% of the equity interest in Xinjiang Kindstar to each of Wuhan Kindstar and Zheng Jianhua for a consideration of RMB320,000 each, which was determined with reference to the paid-up capital of Xinjiang Kindstar. Henceforth and up to the Latest Practicable Date, Xinjiang Kindstar was held as to 57%, 27% and 16% by Wuhan Kindstar, Zheng Jianhua and Xinjiang Yijiali, respectively.

## ACQUISITIONS DURING THE TRACK RECORD PERIOD

With a view to expanding our operation in clinical testing services into Tianjin and Guangzhou and strengthening our operation in Sichuan and Shanghai, during the Track Record Period, we acquired the following companies established in the PRC:

### Tianjin Kindstar

Tianjin Kindstar is a limited liability company established in the PRC on October 27, 2017 under its former name Ou Nuo An (Tianjin) Medical Technology Co., Ltd. (歐諾安(天津)醫學科技有限公司) with a registered capital of RMB5,000,000. Immediately before the acquisition, Tianjin Kindstar was held as to 80% and 20% by two of its initial shareholders, namely Beijing Ou Nuo An Engineering Construction Co., Ltd. (北京歐諾安工程建設有限公司) ("**Beijing Ou Nuo An**"), a construction company specializing in medical laboratories wholly-owned by Zhang Jiage (張家鴿), and Liu Huanfeng (劉煥峰), respectively. At the time of acquisition, Zhang Jiage was also the supervisor and Liu Huanfeng was also the sole shareholder and director of Zhongjia Yide (Beijing) Medical Technology Co., Ltd. (中嘉宜德(北京)醫療科技有限公司) (then known as Ou Nuo An (Beijing) Medical Technology Co., Ltd. (歐諾安(北京)醫學科技有限公司), which is principally engaged in the provision of genetic testing, biomedicine and bioinformatics solutions. Each of Beijing Ou Nuo An, Zhang Jiage and Liu Huanfeng is an Independent Third Party.

Through introduction of industry connection and following a series of arm's length negotiations, a Share and Asset Transfer Agreement was entered into on December 28, 2019, whereby Beijing Ou Nuo An and Liu Huanfeng transferred 70% and 20% of the equity interest in Tianjin Kindstar, as well as the equipment and facilities kept in Tianjin Kindstar's laboratory and office to Kindstar Global (Tianjin) Medical Technology Co., Ltd. (康聖環球(天津)醫學科技有限公司) ("**Kindstar Global Tianjin**"), a wholly owned subsidiary of Wuhan Haijie Technology Co., Ltd. (武漢海傑科技有限公司) ("**Wuhan Haijie**"), which at the time was held as to 51% and 49% by Dr. Huang and Mr. Tu, our executive Directors. The consideration for the transfer was RMB1.26 million, which was determined after arm's length negotiations and taking into account the fact that no capital had been contributed to Tianjin Kindstar at the time of transfer.

In order to consolidate Tianjin Kindstar into our Group, on September 21, 2020, Kindstar Global Wuhan acquired the entire equity interest in Tianjin Kindstar held by Kindstar Global Tianjin at a

consideration of RMB1.26 million, which is determined after arm's length negotiations with reference to the consideration paid by Kindstar Global Tianjin to Beijing Ou Nuo An and Liu Huanfeng. Henceforth and up to the Latest Practicable Date, Tianjin Kindstar was held as to 90% and 10% by Kindstar Global Wuhan and Beijing Ou Nuo An, respectively.

**Chengdu Shengyuan**

Chengdu Shengyuan is a limited liability company established in the PRC on October 16, 2018 with a registered capital of RMB5,000,000. Immediately before the acquisition, Chengdu Shengyuan was held as to 60% and 40% by Wuhan Haijie and Chengdu Zhongzecheng Enterprise Management Partnership (Limited Partnership) (成都眾澤成企業管理合夥企業(有限合夥)) ("**Chengdu Zhongzecheng**"), a special purpose vehicle established for the purpose of holding shares of Chengdu Shengyuan for its employee stock ownership plan, respectively.

The employee stock ownership plan was an initiative during the establishment of Chengdu Shengyuan to allow key employees and industry experts to invest in Chengdu Shengyuan. Pursuant to the partnership agreement dated April 29, 2019, the entire equity interest in Chengdu Zhongzecheng, which constitutes all the shares issuable under the plan, was subscribed by the following persons:

| Name | Role in Chengdu Zhongzecheng | Role in our Group | Registered capital subscribed (RMB'000) | Shareholding |
|---|---|---|---|---|
| Li Hongjun (李紅軍) | General partner | General manager of Chengdu Shengyuan | 290 | 29% |
| Mr. Tu | Limited partner | See "Directors and Senior Management" | 500 | 50% |
| Jiang Hui (姜輝) | Limited partner | Consultant of Chengdu Shengyuan | 50 | 5% |
| Zhu Qiang (朱強) | Limited partner | Marketing director of Wuhan Kindstar responsible for the hematology product line | 40 | 4% |
| Tang Chengcheng (唐呈呈) | Limited partner | Sales director of Wuhan Kindstar responsible for the hematology product line | 40 | 4% |
| Li Qiang (李強) | Limited partner | Regional manager of Wuhan Kindstar responsible for the hematology product line | 40 | 4% |
| Wang Zhijiao (王志姣) | Limited partner | Marketing director and supervisor of Chengdu Shengyuan | 40 | 4% |
| | | | 1,000 | 100% |

On January 19, 2020, the contribution commitment was altered such that the registered capital of Chengdu Shengyuan will be contributable as to 65% and 35% by Wuhan Haijie and Chengdu Zhongzecheng, respectively. On the same day, Wuhan Haijie entered into a series of contractual arrangements such that it held its equity interest in Chengdu Shengyuan as a nominee of Kindstar Beijing WFOE. On August 30, 2020, Wuhan Haijie as nominee shareholder transferred its entire equity interest in Chengdu Shengyuan to Kindstar Global Wuhan for a consideration of RMB1.95 million, which was determined after arm's length negotiations between the parties with reference to the registered capital paid up by Wuhan Haijie. From there on and up to the Latest Practicable Date, Chengdu Shengyuan was held as to 65% and 35% by Kindstar Global Wuhan and Chengdu Zhongzecheng, respectively.

**Guangzhou Xinuo**

Guangzhou Xinuo is a limited liability company established in the PRC on October 10, 2019 with a registered capital of RMB10,000,000. Immediately before the acquisition, Guangzhou Xinuo was held as to 90% and 10% by Shanghai Ruoze Medical Technology Co., Ltd. (上海若澤醫療科技有限公司) ("**Shanghai Ruoze**") and Zhu Xiaoyan (朱曉燕), our employee, respectively. Shanghai Ruoze is held as to 80%, 10% and 10% by Wuhan Haijie, Mr. Tu and Zhu Xiaoyan, an Independent Third Party, respectively, and is therefore a connected person of our Company. On August 27, 2020, Shanghai Ruoze transferred 80% and 10% of the equity interest in Guangzhou Xinuo to Kindstar Global Wuhan and Mr. Tu, respectively, for nil consideration. On March 19, 2021, Mr. Tu transferred 0.5% of the equity interest in Guangzhou Xinuo to Kindstar Global Wuhan for nil consideration. The consideration of each of the aforesaid transfers was determined after arm's length negotiations and taking into account the fact that no capital had been contributed to Guangzhou Xinuo by the transferors at the respective time of transfer. Henceforth and up to the Latest Practicable Date, Guangzhou Xinuo was held as to 80.5% by Kindstar Global Wuhan, 10% by Zhu Xiaoyan and 9.5% by Mr. Tu.

**Shanghai Xinuo**

Shanghai Xinuo is a limited liability company established in the PRC on October 15, 2019 with a registered capital of RMB5,000,000. Immediately before the acquisition, Shanghai Xinuo was held as to 90% and 10% by Shanghai Ruoze and Zhu Xiaoyan, respectively. On August 12, 2020, Shanghai Ruoze transferred 80% and 10% of the equity interest in Shanghai Xinuo to Kindstar Global Wuhan and Mr. Tu, respectively, for nominal consideration. On March 24, 2021, Mr. Tu transferred 0.5% of the equity interest in Shanhai Xinuo to Kindstar Global Wuhan for nil consideration. The consideration of each of the aforesaid transfers was determined after arm's length negotiations and taking into account the fact that no capital had been contributed to Shanghai Xinuo by the transferors at the respective time of transfer. Henceforth and up to the Latest Practicable Date, Shanghai Xinuo was held as to 80.5% by Kindstar Global Wuhan, 10% by Zhu Xiaoyan and 9.5% by Mr. Tu.

Our Directors have confirmed that none of the applicable percentage ratios as defined under the Listing Rules in respect of any of the above acquisitions exceeds 25%. Accordingly, the relevant pre-acquisition financial information of Tianjin Kindstar, Chengdu Shengyuan, Guangzhou Xinuo and Shanghai Xinuo are not required to be disclosed pursuant to Rule 4.05A of the Listing Rules.

## OTHER INVESTMENTS

With a view to expanding our operation in clinical testing services, we subscribed for certain equity interests in various unlisted companies established in the PRC (the "**Investee Companies**") as particularized below.

| Name | Investment entity of our Group and shareholding as of the Latest Practicable Date | Other shareholders and shareholding as of the Latest Practicable Date[1] | Principal business | Date of investment and fulfillment period of capital contribution | Registered capital subscribed[2] |
|---|---|---|---|---|---|
| | | | | | *(RMB'000)* |
| Henan Kindstar Medical Laboratory Co., Ltd. (河南康聖達醫學檢驗所有限公司) | Wuhan Kindstar: 39% | Li Dan (李丹): 20%<br>Xu Ding (徐鼎): 20%<br>Zhang Jiaxin (張嘉欣): 15%,<br>Li Han (李寒): 3%<br>Lin Sen (林森): 3% | Clinical testing services | November 2, 2015 / October 19, 2025 | 7,800 |
| Anyang Kindstar Global Medical Laboratory Co., Ltd. (安陽康聖環球醫學檢驗所有限公司) ("**Anyang Kindstar**") | Wuhan Kindstar: 51%[3] | Zhang Jiaxin (張嘉欣): 32.8%<br>Li Shunqing (李順慶): 16.2% | Clinical testing services | June 26, 2018 / December 31, 2027 | 2,550 |
| Mainuo (Wuhan) Medical Technology Co., Ltd. (脈諾(武漢)醫療科技有限公司) | Wuhan Kindstar: 10% | Jie Shenghua (揭盛華)[5]: 51%<br>Chen Chen (陳琛): 30%<br>Wei Hong (魏紅): 9% | Clinical testing services | November 28, 2019 / November 20, 2039 | 1,000 |
| Wuhan Haixi Life Technology Co., Ltd. (武漢海希生命科技有限公司) ("**Haixi Life Technology**")[4] | Kindstar Beijing WFOE: 30% | Li Xiaoqing (李小青): 36%<br>Dr. Huang: 34% | Investment holding | August 18, 2020 / September 18, 2025 | 3 |
| Wuhan Puyun Medical Laboratory Co., Ltd. (武漢蒲雲醫學檢驗實驗室有限公司) | Kindstar Global Wuhan: 25% | Wuhan Synergy Likang Biotechnology Co., Ltd. (武漢協同力康生物技術有限公司): 49%<br>Jie Shenghua (揭盛華)[5]: 26% | Clinical testing services | September 2, 2020 / October 6, 2048 | 2,500 |
| Wuhan Yijianyun Information Technology Co., Ltd. (武漢易檢雲信息技術有限公司) | Kindstar Global Wuhan: 25% | Xu Wei (徐威): 49%<br>Jie Shenghua (揭盛華)[5]: 26% | Value-added telecommunication services | September 16, 2020 / December 31, 2047 | 500 |
| Wuhan Degu Medical Laboratory Co., Ltd. (武漢德穀醫學檢驗實驗室有限公司) ("**Wuhan Degu**") | Kindstar Global Wuhan: 25% | Jie Shenghua (揭盛華)[5]: 46%<br>Wuhan Kangfenghe Enterprise Management | Clinical testing services | September 16, 2020 / December 31, 2047[2] | 1,250 |

| Name | Investment entity of our Group and shareholding as of the Latest Practicable Date | Other shareholders and shareholding as of the Latest Practicable Date[1] | Principal business | Date of investment and fulfillment period of capital contribution | Registered capital subscribed[2] |
|---|---|---|---|---|---|
| | | | | | *(RMB'000)* |
| | | Partnership (Limited Partnership) (武漢康豐和企業管理合夥企業(有限合夥)): 16.5%<br>Liao Zhenlan (廖珍蘭): 7.5%<br>Jiang Songlin (蔣松林): 5% | | | |

*Notes:*

(1) Save as Dr. Huang, who is our principal founder, executive Director and Chairman, all the other shareholders of the Investee Companies are Independent Third Parties.

(2) As of December 31, 2020, save as Wuhan Degu, the registered capital of the Investee Companies contributable by our Group had not been paid up as the Investee Companies can sustain its operations independently relying upon the portion of share capital already paid up considering their existing business demands and cash flow generated from their operations. We plan to make full contribution to our subscribed portion of the share capital of each of the Investee Companies pursuant to the fulfillment periods of capital contribution set forth in their respective articles of association. In the event a Investee Company's cash flow is insufficient to sustain its operations, shareholders including us may, after taking into account the actual conditions of the said investee company, pay up their respective subscribed portion of the share capital in part or in whole in advance. As of the Latest Practicable Date, none of the Investee Companies had called up the unpaid portion of the share capital in advance. As confirmed by our PRC Legal Advisor, the fact that we had not made full contribution to the share capital of the Investee Companies while within the fulfillment period of capital contribution would not affect the validity of our interests in the Investee Companies.

(3) Pursuant to the articles of association of Anyang Kindstar, Wuhan Kindstar despite holding a majority interest is not entitled to appoint the sole director of Anyang Kindstar. Also, pursuant to the Company Law of the PRC, an actual controller refers to any person who is not a shareholder but is in a position to exercise actual control over the acts of the company by means of investment relationships, agreements or any other arrangements. Considering Anyang Kindstar's local operations and the local resources of Anyang Kindstar's minority shareholders, we agreed that the minority shareholders shall appoint the sole director of Anyang Kindstar and Anyang Kindstar's business, financials, chops, and various regulatory licenses are possessed or controlled by the sole director. Therefore, since the establishment of Anyang Kindstar and up to the Latest Practicable Date, Wuhan Kindstar was not the actual controller of Anyang Kindstar, and Anyang Kindstar is not consolidated in the audited accounts of our Company as a subsidiary.

(4) As of the Latest Practicable Date, Haixi Life Technology held the entire equity interests in Wuhan Haixi Biological Technology Co., Ltd. (武漢海希生物科技有限公司), which is also principally engaged in the research and development, manufacturing and sales of reagents consumables.

(5) Jie Shenghua (揭盛華) is one of the Initial Investors and an Independent Third Party.

(6) Anyang Kindstar and Henan Kindstar Medical Laboratory Co., Ltd. (河南康聖達醫學檢驗所有限公司) were accounted as our associates in view of our significant influence over them, while Mainuo (Wuhan) Medical Technology Co., Ltd. (脈諾(武漢)醫療科技有限公司) was accounted as financial assets at fair value through profit or loss due to our insignificant 10% shareholding in its share capital and influence over it. As no capital had been contributed by our Group and these Investee Companies had no material operation during the Track Record Period, these investments do not have any material impact on our financial statements.

The Directors consider the above investments do not have any material impact on our results of operations. Save as disclosed above, up to the Latest Practicable Date, we did not conduct any major acquisitions, disposals or mergers.

## CAPITALIZATION OF OUR COMPANY

The following table sets out our shareholding structure as of the Latest Practicable Date and immediately upon completion of the **[REDACTED]** and the Share Subdivision (assuming the **[REDACTED]** is not exercised, no additional Shares are issued pursuant to the **[REDACTED]** Stock Incentive Plans and no Shares are issued pursuant to the **[REDACTED]** Share Schemes):

| Shareholder[1] | Ordinary shares with a par value of US$0.001 each | Series A Preference Shares | Series B Preference Shares | Series B1 Preference Shares | Series C Preference Shares | Series D Preference Shares | Series D+ Preference Shares | Series E Preference Shares | Shares immediately following the Share Subdivision | Shareholding in our Company as of the Latest Practicable Date[2] | Shareholding in our Company upon completion of the [REDACTED] and the Share Subdivision |
|---|---|---|---|---|---|---|---|---|---|---|---|
| HCA Investments | – | 18,666,667 | 1,157,417 | 2,942,956 | – | – | – | – | [91,068,160] | 13.41% | **[REDACTED]**% |
| CK Lab Tech* | – | – | 1,878,259 | 152,577 | 3,421,053 | – | – | 14,640,021 | [80,367,640] | 11.83% | **[REDACTED]**% |
| Jackson Hole | 12,734,474 | – | – | – | – | – | – | – | [50,937,896] | 7.50% | **[REDACTED]**% |
| Perfect Tactic# | 12,090,377 | – | – | – | – | – | – | – | [48,361,508] | 7.12% | **[REDACTED]**% |
| Wuhan Ruifu | – | – | – | – | – | 10,457,285 | – | – | [41,829,140] | 6.16% | **[REDACTED]**% |
| KPCB China Fund II* | – | – | – | – | 9,709,614 | – | – | – | [38,838,456] | 5.72% | **[REDACTED]**% |
| Forebright* | – | – | – | – | – | – | 9,698,920 | – | [38,795,680] | 5.71% | **[REDACTED]**% |
| Ever Prospect# | 9,656,036 | – | – | – | – | – | – | – | [38,624,144] | 5.69% | **[REDACTED]**% |
| Ningbo Xinyue | – | – | 1,872,337 | 112,548 | 464,095 | 5,228,643 | – | – | [30,710,492] | 4.52% | **[REDACTED]**% |
| WI Harper* | – | – | 5,922,605 | 356,014 | 1,185,722 | – | – | – | [29,857,364] | 4.40% | **[REDACTED]**% |
| Mayo Clinic* | – | – | 4,979,301 | 299,311 | 1,512,401 | – | – | – | [27,164,052] | 4.00% | **[REDACTED]**% |
| China Healthcare* | – | – | 660,000 | – | – | – | – | 5,842,951 | [26,011,804] | 3.83% | **[REDACTED]**% |
| KPCB China Fund, L.P.* | – | – | – | – | 6,322,322 | – | – | – | [25,289,288] | 3.72% | **[REDACTED]**% |
| Panacea | – | – | 4,087,934 | 245,729 | 1,013,272 | – | – | – | [21,387,740] | 3.15% | **[REDACTED]**% |
| Changzhou Huasheng* | – | – | – | – | – | 4,182,914 | – | – | [16,731,656] | 2.46% | **[REDACTED]**% |
| BOCI Financial Products* | – | – | – | – | – | – | – | 3,134,796 | [12,539,184] | 1.85% | **[REDACTED]**% |
| Giant Hero* | – | – | – | – | – | – | – | 3,134,796 | [12,539,184] | 1.85% | **[REDACTED]**% |
| Right Goodness* | – | – | – | – | – | – | – | 3,134,796 | [12,539,184] | 1.85% | **[REDACTED]**% |
| Golden Talent – Hua Zhi*# | – | – | – | – | – | – | – | 2,507,837 | [10,031,348] | 1.48% | **[REDACTED]**% |
| Mayo Foundation* | – | – | – | 1,991,720 | – | – | – | – | [7,966,880] | 1.17% | **[REDACTED]**% |
| DBR Capital*# | – | – | – | – | – | – | – | 1,567,398 | [6,269,592] | 0.92% | **[REDACTED]**% |
| Ms. Guo | 992,755 | – | – | – | – | – | – | – | [3,971,020] | 0.58% | **[REDACTED]**% |
| Chen Zhong# | 867,200 | – | – | – | – | – | – | – | [3,468,800] | 0.51% | **[REDACTED]**% |
| Changjiang Yuantong* | – | – | 385,377 | 23,166 | 95,523 | – | – | – | [2,016,264] | 0.30% | **[REDACTED]**% |
| KPCB China Founders Fund, L.P.* | – | – | – | – | 474,411 | – | – | – | [1,897,644] | 0.28% | **[REDACTED]**% |
| **[REDACTED]** taking part in the **[REDACTED]*** | – | – | – | – | – | – | – | – | – | – | **[REDACTED]**% |

*Notes:*

* The Shares held by each of these Shareholders will be counted towards public float.

\# The Share held by each of these Shareholders are held under voting proxy arrangements with Ms. Guo. The voting proxy arrangements between Ms. Guo and each of Golden Talent – Hua Zhi and DBR Capital shall terminate upon **[REDACTED]**. See "– Voting Proxy Arrangements of our Existing Shareholders" and "– Corporate Structure – Corporate Structure Before the **[REDACTED]**."

(1) For further details about these Shareholders, see "– Corporate Structure" in this section.

(2) Based on the assumption that each of the Preference Shares will be converted into one ordinary share [and will be subdivided into four Shares] upon the **[REDACTED]** becoming unconditional.

## [REDACTED] INVESTMENTS

### Overview

Our Group has received several rounds of **[REDACTED]** Investments since its inception as described above. In connection with the **[REDACTED]** Investments, the **[REDACTED]** Investors entered into relevant share subscription agreements at the time of their respective investments, the principal terms of which are summarized in the table below:

| | **Series A investment** | **Series B investment** | **Series B1 investment** | **Series C investment** | **Series D investment** | **Series D+ investment** | **Series E investment** |
|---|---|---|---|---|---|---|---|
| *Date of initial share subscription agreement* | September 19, 2007 | December 31, 2010 | June 18, 2011 | January 30, 2012 | July 14, 2020 | September 8, 2020 | October 6, 2020 |
| *Date on which investment was fully settled* | As to the par value: January 5, 2021<br>As to the rest: May 22, 2010 | June 25, 2011 | –[5] | July 31, 2013 | October 22, 2020 | September 10, 2020 | December 4, 2020 |
| *Total number of shares subscribed* | 18,666,666 Series A Preference Shares | 20,943,230 Series B Preference Shares | 1,991,720 Series B1 Preference Shares | 24,198,413 Series C Preference Shares | 19,868,842 Series D Preference Shares | 9,698,920 Series D+ Preference Shares | 33,962,595 Series E Preference Shares |
| *Funds raised by our Group (approximation)* | N/A[4] | US$10.5 million (equivalent to HK$81.6 million) | US$1 million (equivalent to HK$7.8 million) | US$22.0 million (equivalent to HK$170.7 million) | RMB190 million (equivalent to HK$230.8 million) | US$20 million (equivalent to HK$155.2 million) | US$108.3 million (equivalent to HK$840.7 million) |
| *Cost per Preference Share*[1] | N/A[4] | US$[0.13] (equivalent to HK$[0.97]) | US$[0.13] (equivalent to HK$[0.97]) | US$[0.23] (equivalent to HK$[1.76]) | RMB[2.39] (equivalent to HK$[2.90]) | US$[0.52] (equivalent to HK$[4.00]) | US$[0.80] (equivalent to HK$[6.19]) |
| *Corresponding valuation of our Company (approximation)*[2] | N/A[4] | US$33.3 million (equivalent to HK$258.3 million) | US$34.3 million (equivalent to HK$266.0 million) | US$99.8 million (equivalent to HK$774.6 million) | RMB1,556.1 million (equivalent to HK$1,890.5 million) | US$355.6 million (equivalent to HK$2,759.0 million) | US$633.4 million (equivalent to HK$4,914.8 million) |
| *Discount to the* **[REDACTED]**[3] | N/A[4] | **[REDACTED]**% | **[REDACTED]**% | **[REDACTED]**% | **[REDACTED]**% | **[REDACTED]**% | **[REDACTED]**% |

| | |
|---|---|
| *Use of proceeds* | The proceeds from the **[REDACTED]** Investments have been utilized as our Group's investment capital in aid of our business expansion, capital expenditures and general working capital requirements. As of the Latest Practicable Date, approximately 55.2% of the net proceeds from the **[REDACTED]** Investments had been utilized. |
| *Lock-up period* | Each of the **[REDACTED]** Investors which are our existing Shareholders undertakes not to dispose of or otherwise encumber any of its interest in our Company during the period from the completion date of their respective **[REDACTED]** Investments to the date falling on the expiration of 180 days of the **[REDACTED]** (both days inclusive). |
| *Strategic benefits* | At the time of each **[REDACTED]** Investment, our Directors were of the view that the **[REDACTED]** Investors' investments in our Company was an endorsement of our Company's strength and prospects, and that our Company would benefit from the additional capital that would be provided by such investments. |

*Notes:*

(1) As adjusted to reflect the Share Subdivision.

(2) The corresponding valuation of our Company is calculated based on the capitalization of our Company of the relevant time on a fully diluted basis assuming all outstanding share options granted under the **[REDACTED]** Stock Incentive Plans have been exercised in full.

(3) The discount to the **[REDACTED]** is calculated based on the assumption that the **[REDACTED]** is HK$**[REDACTED]** per Share, being the mid-point of the indicative **[REDACTED]** of HK$**[REDACTED]** to HK$**[REDACTED]**, assuming the conversion of the Preference Shares into ordinary shares on a one-to-one basis and the Share Subdivision have been completed prior to the completion of the **[REDACTED]**.

(4) The series A investment was settled partly by cash and partly by non-cash consideration. For details, see "– Major Corporate Development and Shareholding Changes of our Group – Our Company – (i) Initial subscriptions and the Series A investment" in this section.

(5) The series B1 investment was settled by non-cash consideration. For details, see "– Major Corporate Development and Shareholding Changes of our Group – Our Company – (ii) Series B investment and Series B1 investment" in this section.

**Special rights of the [REDACTED] Investors**

Our Company and the **[REDACTED]** Investors have entered into the **[REDACTED]** Shareholders' Agreement, pursuant to which the **[REDACTED]** Investors are entitled to certain customary special rights, including:

(1) holders of the Series A Preference Shares collectively, and each of WI Harper, Wuhan Ruifu and CK Lab Tech has the right to appoint one Director to the Board. As of the Latest Practicable Date, the relevant **[REDACTED]** Investors had appointed a total of three directors to the current Board;

(2) each of Mayo Clinic and Forebright has the right to appoint an observer to the Board who may attend and participate in the meetings of the Board but will have no voting rights;

(3) HCA Investments has the right to appoint a supervisor to each of Kindstar Beijing WFOE, Wuhan Kindstar, Beijing Hightrust and Shanghai SimpleGene, provided that such companies are

not converted from a limited liability company (有限責任公司) into a company limited by shares (股份有限公司);

(4) each holder of Preference Shares has a right of first offer to purchase and subscribe for a number of new Shares which our Company proposes to issue (except for shares to be issued upon, among others, a Qualified **[REDACTED]** (as defined below) sufficient to maintain its/his/her proportionate beneficial ownership interest in our Company (on an as-converted basis);

(5) each holder of Preference Shares has a right of first refusal to purchase the ordinary shares of our Company or Preference Shares proposed to be disposed by any Shareholders, and holders of Preference Shares that have not exercised its right of first refusal may elect to exercise its co-sale right and participate on a pro-rata basis in the proposed transfer of ordinary shares on the same terms and conditions;

(6) each series of Preference Shares is, at the option of the holder thereof at any time after the issuance date of such Preference Shares, convertible into, and in any event upon the consummation of an **[REDACTED]** of our Shares or other securities on an internationally recognized securities exchange with our Company's equity value immediately prior to such **[REDACTED]** being not less than US$1 billion (a "**Qualified [REDACTED]**"), will be automatically converted into, fully paid up ordinary shares of our Company at their respective then applicable conversion price;

(7) if any Preference Shares remain capable of being converted into ordinary shares of our Company and there is an allotment of new securities by our Company (except those issued upon, among others, a Qualified **[REDACTED]**[, which includes the **[REDACTED]**]) at an issuing price less than the then effective conversion price of such Preference Shares, the conversion price will be subject to down-round adjustment and the number of ordinary shares to be issued upon conversion of such Preference Shares shall be increased;

(8) upon the occurrence of certain events, our Company shall forthwith redeem all of such Preference Shares requested to be redeemed by such holders of Preference Shares; and

(9) customary information rights.

Save for the special rights entered to in paragraph 8 above, each of the special rights shall terminate and cease to be effective upon **[REDACTED]**. The special rights referred to in paragraph 8 above had ceased to be exercisable immediately before the first filing of the **[REDACTED]** by our Company with the Stock Exchange, and shall resume to be exercisable upon the earliest of (i) the withdrawal of the **[REDACTED]** by our Company; (ii) the rejection of the **[REDACTED]** by the Stock Exchange; (iii) the lapse of the **[REDACTED]** and our Company fails to submit the renewed **[REDACTED]** within three months after lapse of original application; or (iv) the failure by our Company to achieve a Qualified **[REDACTED]** before **[REDACTED]**.

**Information about the [REDACTED] Investors**

Set our below is a description of the **[REDACTED]** Investors being private equity funds and corporations that have made meaningful investments in our Company:

Baird Capital is the direct private investment group of Robert W. Baird & Co. ("**Baird & Co.**") and includes both venture capital and private equity funds. Baird Capital makes venture capital, growth equity and private equity investments in the United States, United Kingdom and Asia focusing on the healthcare, industrial solutions and technology services sectors.

BOCI Financial Products is a company incorporated in the BVI. It is wholly owned by BOC International Holdings Limited, which in turn is wholly owned by Bank of China Limited dual listed on the Shanghai Stock Exchange (stock code: 601988) and the Hong Kong Stock Exchange (stock code: 3988). BOC International Holdings Limited and its subsidiaries provide clients with a full range of investment banking products and services in both mainland China and overseas capital markets, including share issuance, merger and acquisition, bond issuance, fixed-income, private banking, private equity, global commodities, asset management, equity derivatives, and leveraged and structured financing.

China Healthcare is a private company limited by shares incorporated under the laws of Singapore wholly owned and controlled by China Healthcare Opportunities LDP 1 Pte. Ltd., a private company limited by shares incorporated under the laws of Singapore which is ultimately controlled by Investcorp Holdings B.S.C. ("**Investcorp**"). Investcorp is an asset management company founded in 1982 and listed on the Bahrain Bourse (stock code: INVCORP). It provides alternative investment products including private equity, real estate, absolute return investments, infrastructure, credit management and strategic capital.

Changjiang Yuantong is a venture capital fund established in the PRC. It is controlled by Wuhan Busi Investment Information Co., Ltd. (武漢布斯投資資訊有限公司) ("**Wuhan Busi**"), its fund manager which is wholly owned by Ruijiang Investment Management (Wuhan) Co., Ltd. (瑞江投資管理(武漢)有限公司) ("**Ruijiang Investment**"). Ruijiang Investment is owned as to 45%, 35% and 20% by Zhao Jinqiang (趙進強), Zhao Jianxia (趙劍霞) and Beijing Huarui Xingchen Asset Management Co., Ltd. (北京華瑞星辰資產管理有限公司), each an Independent Third Party, respectively. As of the Latest Practicable Date, the equity interest of Changjiang Yuantong is owned as to approximately 98.3% by Chengdu Changjiang Yuantong II Equity Investment Fund Partnership (Limited Partnership) (成都長江源通貳號股權投資基金合夥企業(有限合夥)), which is owned by five individual shareholders including Zhang Qingxi (張清溪) (as to approximately 35.4%), Qi Yaohong (齊耀宏) (as to approximately 22.9%), Wu Xirong (吳席榮) (as to approximately 20.8%), Jiang Jinlan (蔣金蘭) (as to approximately 6.9%), and Li Erheng (李爾亨) (as to approximately 6.9%), each an Independent Third Party, and Wuhan Busi (as to approximately 6.9%). Changjiang Yuantong focuses on investing in growth phase equity in the areas such as medicare service and supplies, and high-tech companies.

CK Lab Tech is a company incorporated in the BVI held as to approximately 85.1% by CPEChina Fund III, L.P. ("**CPE Fund III**") and 14.9% by CPE Global Opportunities Fund, L.P. ("**GOF**", collectively with CPE Fund III, the "**CPE Funds**"). The CPE Funds are both exempted limited partnerships registered in the Cayman Islands. The general partner of CPE Fund III is CPE Funds III Limited, an exempted company incorporated in the Cayman Islands with limited liability, which is wholly owned by CPE

Holdings Limited. CPE Holdings Limited is wholly owned by CPE Holdings International Limited. CPE Holdings International Limited is owned by a number of shareholders that are natural persons none of whom controls CPE Holdings International Limited. The general partner of GOF is CPE GOF GP Limited, an exempted company incorporated in the Cayman Islands with limited liability, which is wholly owned by CPE Management International Limited. CPE Management International Limited is wholly owned by CPE Management International II Limited. CPE Management International II Limited is owned by a number of shareholders that are natural persons none of whom controls CPE Management International II Limited. The CPE Funds are principally engaged in private equity investments. The investors of CPE Funds include sovereign wealth funds, pensions, financial institutions and other global institutional investors across North America, Europe, Asia and the Middle East.

Changzhou Huasheng is a private equity investment fund established in the PRC. It is controlled by Changzhou Lianhua Fusi Investment Management Partnership (Limited Partnership) (常州市聯華復思投資管理合夥企業(有限合夥)) ("**Changzhou Lianhua Fusi**") , its general manager. Changzhou Lianhua Fusi is in turn controlled by Chenzhe (Shanghai) Investment Management Co., Ltd. (晨哲(上海)投資管理有限公司), its general partner which is owned as to 51%, 33% and 16% by Xia Da (夏達), Chen Jing (陳菁) and Shi Jingjin (施靜瑾), respectively. As of the Latest Practicable Date, Changzhou Huasheng was ultimately beneficially owned by Tibet Golden Sunflower Capital Management Co., Ltd. (西藏金葵花資本管理有限公司) (as to approximately 74.5%) ("**Tibet Golden Sunflower**"), Shandong Xinhua Health Industry Co., Ltd. (山東新華健康產業有限公司) (as to approximately 14.9%), Changzhou Lianhua Fusi (as to approximately 1.6%) and six other individuals whose shareholding are less than 5%. Tibet Golden Sunflower is owned as to 90% and 10% by Xia Xin (夏昕) and Xia Shibing (夏仕兵), respectively. Changzhou Huasheng specializes in investing in the medical and health sector.

DBR Capital is a venture capital fund registered as an exempted limited partnership in the Cayman Islands, and is controlled by Deep Blue Ridge Capital Limited, its general partner which is in turn owned and controlled by Mr. Peng Zhou. DBR Capital mainly provides advisory services and invests in the inter-consumer, media and healthcare industries in China. Pursuant to the voting proxy arrangement dated November 9, 2020, Ms. Guo has effective control over the voting rights attached to the shareholding of DBR Capital in our Company. Such arrangement will terminate upon **[REDACTED]**.

Forebright is a special purpose vehicle incorporated in the BVI for the purpose of investing in our Group. It is wholly owned by Forebright New Opportunities Fund II, L.P. ("**Forebright Fund II**"), a private equity fund registered as an exempted limited partnership in the Cayman Islands. The general partner of Forebright Fund II is FNOF GP II Limited, which is wholly owned by Forebright Global Limited. With approximately US$300 million under management, Forebright Fund II focuses on investment opportunities in China in the fields of business services, high-end manufacturing and healthcare.

Giant Hero is a company incorporated in the BVI owned and controlled by VMS Star Investment Fund SP ("**VMS Star**"), a segregated portfolio of VMS Healthcare SPC. VMS Star is managed by VMS Asset Management Limited, a private equity firm based in Hong Kong which is a licensed corporation to conduct Type 9 (asset management) regulated activity under the SFO and is wholly owned by VMS Financial Services Group Limited. Mak Siu Hang Viola is an ultimate beneficial owner of VMS Financial Services Group Limited. VMS Group specializes in investing in healthcare, technology, media and telecommunication, and deep tech sectors.

Golden Talent – Hua Zhi is a segregated portfolio of a segregated portfolio company established and existing under the laws of the Cayman Islands since November 8, 2016. It is a private investment fund solely managed by Wonderland International Asset Management Limited ("**Wonderland**"). Wonderland is a licensed corporation to conduct Type 9 (asset management) regulated activities under the SFO, and primarily focuses on biotechnology and healthcare equity investment. Pursuant to the voting proxy arrangement dated November 5, 2020, Ms. Guo has effective control over the voting rights attached to the shareholding of Golden Talent – Hua Zhi in our Company. Such arrangement will terminate upon **[REDACTED]**.

HCA Investments is a company incorporated in the BVI indirectly owned and controlled by Morningside Holdings (Asia) Limited, a member of Morningside group ultimately owned by a family trust established by Madam Chan Tan Ching Fen, an Independent Third Party. Morningside group is a private investment group founded in 1986 focusing on private equity and venture capital investments in clean technology, educational technology, life sciences, and technology, media and telecommunication. As HCA Investments will hold more than 10% of the total issued share capital of our Company immediately following the **[REDACTED]**, it will be a substantial shareholder and hence a connected person of our Company upon **[REDACTED]**.

KPCB China Fund I consist of venture capital funds including KPCB China Fund, L.P. and KPCB China Founders Fund, L.P., each of which is registered as an exempted limited partnership in the Cayman Islands. KPCB China Fund I are controlled by KPCB China Associates, Ltd. ("**KPCB China**"), their general partner. The voting and investment power of the Shares held by KPCB China Fund I is exercised by the board of KPCB China, which consists of Tina Lin Chi Ju, Theodore E. Schlein, Brook H. Byers, L. John Doerr and Raymond J. Lane. The beneficial owners of KPCB China Fund, L.P. include 74 limited partners, and those of KPCB China Founders Fund, L.P. include 12 limited partners, who are independent investors. KPCB China's investment advisory team was founded in 2007 with the goal of building a dialog between outstanding entrepreneurs and investors in the PRC, with a focus on identifying and promoting innovation and supporting entrepreneurs and portfolio companies for long-term, sustained growth and success.

KPCB China Fund II is a venture capital fund registered as an exempted limited partnership in the Cayman Islands, and is controlled by KPCB China Associates II, L.P., its general partner. The general partner of KPCB China Associates II, L.P. is KPCB China Holdings II, Ltd. KPCB China Holdings II, Ltd. is ultimately wholly owned by Kleiner Perkins Caufield & Byers, LLC ("**Kleiner Perkins**"), a venture capital firm registered in Delaware, United States. Kleiner Perkins is the management company of KPCB China Fund II specializing in investing in incubation, early stage and growth companies with bold ideas that span industries and continents. It also provides administrative support to KPCB China Fund, L.P.

Mayo Foundation is a non-profit organization established by Mayo Clinic, a non-profit medical center founded in 1864 in Minnesota, United States which focuses on integrated patient care, education and research. The governing body of Mayo Clinic is its Board of Trustees, which elects officers and directors to assist the Board of Trustees in overseeing and conducting the activities of Mayo Clinic.

Ningbo Xinyue and Wuhan Ruifu are venture capital funds established in the PRC, while Panacea is a venture capital fund registered as an exempted limited partnership in the Cayman Islands. The general partners of Ningbo Xinyue and Wuhan Ruifu are Ningbo Meishan Bonded Port Zone Ruixi Equity Investment Management Partnership (Limited Partnership) (寧波梅山保税港區瑞羲股權投資管理合夥企業(有

限合夥)) ("**Ningbo Ruixi**") and Ningbo Ruifu, respectively. The general partner of Ningbo Ruixi is Ningbo Ruifu. The general partner of Panacea is Panacea Venture Healthcare Fund GP I, L.P., which is controlled by Panacea Venture Healthcare Fund GP Company, Ltd., its general partner. The limited partners of Ningbo Xinyue include Pingyang Zhenyan Kaipeng Guanggu No. 1 Investment Partnership (Limited Partnership) (平陽箴言凱鵬光穀一號投資合夥企業(有限合夥)) and Pingyang Zhenyan Zhengmao Investment Management Partnership (Limited Partnership) (平陽箴言正茂投資管理合夥企業(有限合夥)), holding approximately 65.86% and 34.13% of the equity interest in Ningbo Xinyue, respectively. The limited partners of Wuhan Ruifu include Shandong Buchang Pharmaceuticals Co., Ltd. (山東步長製藥股份有限公司), Hubei High-tech Industry Investment Group Co., Ltd. (湖北省高新產業投資集團有限公司), Zhejiang Longsheng Group Co., Ltd. (浙江龍盛集團股份有限公司), holding approximately 19.92%, 18.49% and 16.26% of the equity interest in Wuhan Ruifu, respectively, and eight other limited partners whose capital contributions thereto do not exceed 10%. Each of Ningbo Ruifu and Panacea Venture Healthcare Fund GP Company, Ltd. is controlled by Huang Zuie-Chin, a non-executive Director. Each of Ningbo Xinyue, Wuhan Ruifu and Panacea specializes in investing in and incubating early stage life science companies. As Ningbo Xinyue, Wuhan Ruifu and Panacea will collectively hold more than 10% of the total issued share capital of our Company immediately following the **[REDACTED]**, Huang Zuie-Chin will be a substantial shareholder and hence connected person of our Company upon **[REDACTED]**.

Right Goodness is special purpose vehicle incorporated in the BVI for the purpose of investing in our Group. It is wholly owned by ABCI Investment Management Limited, which is ultimately wholly-owned by Agricultural Bank of China, whose H shares are listed on the Stock Exchange (stock code: 1288) and A shares are listed Shanghai Stock Exchange (stock code: 601288).

WI Harper is a venture capital fund registered as an exempted limited partnership in the Cayman Islands. It is controlled by WI Harper Fund VII Management LP, its general partner, which is in turn controlled by WI Harper Fund VII GP LLC, its general partner and an affiliate of WI Harper Group. WI Harper Group, a corporation incorporated in the State of California of the United States, is a cross-border venture capital firm with over US$1 billion under management, and specializes in investing in early to growth stage companies across the U.S., Greater China and Asia Pacific. Since its establishment in 1993, WI Harper Group has invested in more than 400 companies in the fields of technology, healthcare, biotech, artificial intelligence, robotics, fintech, sustainability, and new media.

Other than their respective investments in our Group, each of the **[REDACTED]** Investors (except (a) HCA Investments, our substantial shareholder, (b) Ningbo Xinyue, Wuhan Ruifu and Panacea, which are ultimately controlled by Huang Zuie-Chin, our substantial shareholder and non-executive Director, and (c) DBR Capital and Golden Talent – Hua Zhi, whose voting rights in our Company are effectively controlled by Ms. Guo, the spouse of Dr. Huang and our substantial shareholder) and their respective general partners or substantial shareholders as publicly disclosed by the relevant investor (as the case may be) is an Independent Third Party. Save as (i) Ningbo Xinyue, Wuhan Ruifu and Panacea being controlled by Huang Zuie-Chin, also one of the managing partners of Kleiner Perkins Caufield & Byers China (凱鵬華盈中國基金), which however is not an associate of Mr. Huang, and (ii) DBR Capital and Golden Talent – Hua Zhi, whose voting rights in our Company are effectively controlled by Ms. Guo, each of the **[REDACTED]** Investors is independent of any other **[REDACTED]** Investors and is independent of our Company, Directors or any of their respective associates.

Certain **[REDACTED]** Investors, such as Golden Talent – Hua Zhi, KPCB China Fund I, KPCB China Fund II and WI Harper, are investment funds or pooled investment vehicles (each, a "**Fund Investor**"). Because of the nature of investment funds and the increasing number of funds of funds in the market, the affiliated funds of certain Fund Investors may be passive investors in the funds of the other Fund Investors. To the best knowledge and information of our Directors, as of the Latest Practicable Date, save as (i) Ningbo Xinyue, Wuhan Ruifu and Panacea being controlled by Huang Zuie-Chin, also one of the managing partners of Kleiner Perkins Caufield & Byers China (凱鵬華盈中國基金), which however is not an associate of Mr. Huang, and (ii) DBR Capital and Golden Talent – Hua Zhi, whose voting rights in our Company are effectively controlled by Ms. Guo, the Fund Investors had no shareholding or other relationship with each other.

**Public Float**

Upon completion of the **[REDACTED]** and the Share Subdivision (assuming the **[REDACTED]** is not exercised, no additional Shares are issued pursuant to the **[REDACTED]** Stock Incentive Plans and no Shares are issued pursuant to the **[REDACTED]** Share Schemes), the Shares held by certain of our Shareholders who are, or are indirectly controlled by, our core connected persons, will not be counted towards the public float. Such Shareholders include (i) Ms. Guo, the spouse of Dr. Huang; (ii) Jackson Hole, the trustee of the Gui-Rong Guo Trust, of which Ms. Guo is one of the beneficiaries; (iii) Perfect Tactic, Ever Prospect and Chen Zhong, whose shareholdings in our Company are controlled by Ms. Guo through voting proxy arrangements; (iv) Wuhan Ruifu, Ningbo Xinyue and Panacea, close associates of Huang Zuie-Chin, a non-executive Director and substantial shareholder of our Company; and (v) HCA Investments, a substantial shareholder of our Company.

Save as Ms. Guo, Jackson Hole, Perfect Tactic, Ever Prospect, Chen Zhong, Wuhan Ruifu, Ningbo Xinyue, Panacea and HCA Investments, to the best of our Directors' knowledge, all other **[REDACTED]** Investors and Shareholders are not core connected persons of our Company. As a result, upon completion of the **[REDACTED]**, an aggregate of **[REDACTED]** Shares or approximately **[REDACTED]**% of the issued share capital of our Company (assuming the **[REDACTED]** is not exercised, no additional Shares are issued pursuant to the **[REDACTED]** Stock Incentive Plans and no Shares are issued pursuant to the **[REDACTED]** Share Schemes) held by our **[REDACTED]** Investors and Shareholders will be counted towards the public float. Hence, over 25% of our Company's total issued Shares will be held by the public upon completion of the **[REDACTED]** as required under Rule 8.08(1)(a) of the Listing Rules.

**Compliance with Interim Guidance and Guidance Letters**

The Joint Sponsors confirm that the **[REDACTED]** Investments are in compliance with (i) the Interim Guidance on **[REDACTED]** Investments issued by the Stock Exchange on October 13, 2010 and the Guidance Letter HKEX-GL29-12 reproducing the same issued by the Stock Exchange in January 2012 and updated in March 2017; and (ii) the Guidance Letter HKEX-GL43-12 issued by the Stock Exchange in October 2012 and updated in July 2013 and March 2017.

**[REDACTED] STOCK INCENTIVE PLANS**

We adopted the **[REDACTED]** Stock Incentive Plans on March 14, 2013, December 20, 2015 and December 1, 2016 to attract and retain the best available personnel, to provide additional incentives to

employees, Directors and consultants and to promote the success of our Company's business. The principal terms of the **[REDACTED]** Stock Incentive Plans are set out in "Statutory and General Information – D. **[REDACTED]** Stock Incentive Plans" in Appendix IV to this Document. As of the Latest Practicable Date, an aggregate of 9,656,036 ordinary shares (to be adjusted to [38,624,144] Shares upon the Share Subdivision) had been issued to Mr. Tu, our executive Director, upon exercise of options, and were beneficially owned by him through Ever Prospect. In addition, options to subscribe for an aggregate of 28,747,314 ordinary shares (to be adjusted to [114,989,256] Shares upon the Share Subdivision) granted to Directors, senior management and employees of our Group were outstanding. For further information regarding the grantees under the **[REDACTED]** Stock Incentive Plans, see "Statutory and General Information – D. **[REDACTED]** Stock Incentive Plans" in Appendix IV to this Document.

## VOTING PROXY ARRANGEMENTS OF OUR EXISTING SHAREHOLDERS

Certain of our existing Shareholders have entered into voting proxy arrangements with Ms. Guo, pursuant to which each of such Shareholders will follow Ms. Guo's view and vote in the same way as Ms. Guo. The following table sets out details of the voting proxy arrangements:

| Shareholder | Date of agreement | Shareholding in our Company as of the Latest Practicable Date | Reason for entering into the voting proxy arrangements |
|---|---|---|---|
| Perfect Tactic | April 28, 2021(1) | 7.12% | Perfect Tactic is owned as to 99.8% indirectly by Jackson Hole, the trustee of the Shiang Huang Family Trust of which Dr. Huang is one of the beneficiaries, and 0.2% by Kindstar Rui An. The voting proxy arrangement was entered into to continue the previous voting proxy arrangement between Kindstar Rui An and Ms. Guo, which was entered into pursuant to their family wealth arrangement. |
| Ever Prospect | November 2, 2020 | 5.69% | Ever Prospect is beneficially owned by Mr. Tu, our executive Director. By deferring his voting rights to Ms. Guo, who also controls the voting rights of Dr. Huang, he believes the consolidated voting rights will result in more effective governance of our Company by the management team. |
| Golden Talent – Hua Zhi | November 5, 2020(2) | 1.48% | Both Golden Talent – Hua Zhi and DBR Capital are passive financial investors. By deferring their voting rights to Ms. Guo during the period prior to the **[REDACTED]**, they believe that a unified application of voting rights by Ms. Guo, who has the relevant academic and professional background and understands the business of our Group, will benefit the overall growth and prospects of the Group as a whole, which will in turn lead to better investment return to all the Shareholders, including themselves. |
| DBR Capital | November 9, 2020(2) | 0.92% | |
| Chen Zhong | January 1, 2017 | 0.51% | Chen Zhong is a former employee of our Group. By deferring his voting rights to Ms. Guo, who also controls the voting rights of Dr. Huang, he believes the consolidated voting rights of the management team will benefit the overall growth and prospects of the Group as a whole, which will in turn lead to better investment return to all the Shareholders, including himself. |

*Notes:*

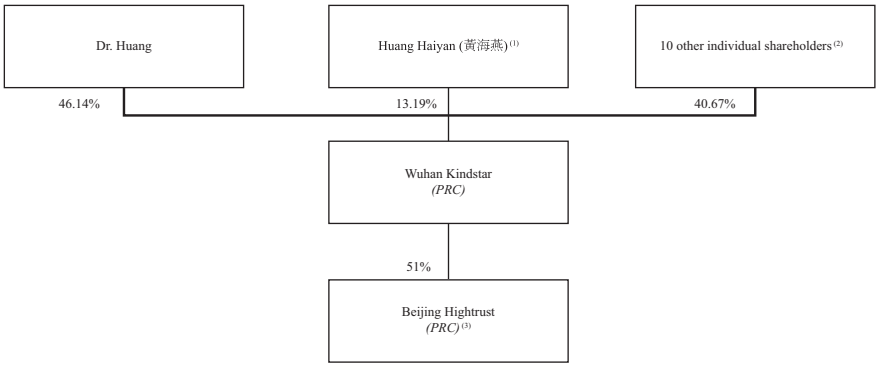
(1) The voting proxy arrangement between Dr. Huang and Ms. Guo has been in place since January 1, 2017, when a similar agreement was entered into between Dr. Huang in his personal capacity and Ms. Guo. Such voting proxy arrangement was replaced on April 28, 2021 with Perfect Tactic as the signing party.

(2) The voting proxy arrangements between Ms. Guo and each of Golden Talent – Hua Zhi and DBR Capital will terminate upon **[REDACTED]**. Since Golden Talent – Hua Zhi and DBR Capital are financial investors and minority shareholders, and the main purpose of their investment in our Group is to obtain investment return, terminating their voting proxy arrangements upon **[REDACTED]** will ensure that they will be able to realize their investment return by disposal of the Shares in the market free of any encumbrances or restrictions.

## CORPORATE REORGANIZATION

In preparation for the **[REDACTED]** Investments and the **[REDACTED]**, our Group underwent a series of corporate reorganization (the "**Reorganization**"), pursuant to which our Company became the holding company and **[REDACTED]** vehicle of our Group.

Set out below is the shareholding structure of our Group immediately prior to the Reorganization:




*Notes:*

(1) Huang Haiyan (黃海燕) is an Independent Third Party.

(2) Each of the other individual shareholders held not more than 10% of the equity interest in Wuhan Kindstar immediately before the Reorganization. Except for Mr. Tu, an executive Director, who held 0.72% of the equity interest in Wuhan Kindstar at the time, all of the other individual shareholders are Independent Third Parties.

(3) Immediately before the Reorganization, Beijing Hightrust was held as to 51% by Wuhan Kindstar and 24.5% by each of Huang Jie (黃節), whose spouse holds the entire issued share capital in Highally, a holder of our Company's ordinary shares, and Zeng Lingyun (曾淩雲), a former director of Beijing Hightrust until July 20, 2020.

### Offshore Reorganization

#### *Incorporation of our Company*

Our Company is the holding company of our Group. Our Company was incorporated as an exempted company with limited liability in the Cayman Islands under its former name Kindstar Diagnostics Technology, Inc. on August 24, 2007. Upon its incorporation, our Company had an authorized share capital of US$50,000 divided into 50,000,000 ordinary shares. Immediately after the incorporation of our Company, one ordinary share was issued and allotted to an initial subscriber, who on the same day transferred the same to Morningside Venture (I) Investments Limited at the subscription price of US$0.001.

#### *Incorporation of Kindstar HK*

Kindstar HK is a limited liability company incorporated in Hong Kong under its former name Kindstar Diagnostic (HK) Limited (康達檢驗(香港)有限公司) on August 30, 2007 with an initial issued share capital of HK$1 divided by one share held by an initial subscriber, who transferred the same to our Company on September 13, 2007. Kindstar HK is the holding company of the WFOEs.

**Onshore Reorganization**

***Establishment of the WFOEs***

*(i) Kindstar Beijing WFOE*

Kindstar Beijing WFOE is a limited liability company established in the PRC on November 20, 2007 under its former name Kangxing Shengda (Beijing) Technology Co., Ltd. (康興聖達(北京)科技有限公司) with an initial registered capital of RMB15,000,000 wholly owned by Kindstar HK. The registered capital of Kindstar Beijing WFOE was increased to RMB41,000,000 on June 27, 2011 and further to RMB121,000,000 on June 20, 2012 by way of capital injection by Kindstar HK.

*(ii) Kindstar Wuhan WFOE*

Kindstar Wuhan WFOE is a limited liability company established in the PRC on September 11, 2020. It has a registered capital of RMB800,000,000 wholly owned by Kindstar HK.

***Contractual Arrangements***

On February 14, 2011, Wuhan Kindstar, Kindstar Beijing WFOE and the then registered shareholders of Wuhan Kindstar entered into the contractual arrangements (the "**Predecessor Contractual Arrangements**") through which Wuhan Kindstar was contractually controlled by Kindstar Beijing WFOE. On October 16, 2020 and November 24, 2020, Dr. Huang and Mr. Tu respectively entered into a series of contractual arrangements with Kindstar Wuhan WFOE and Wuhan Kindstar to amend and restate the Predecessor Contractual Arrangements.

On August 10, 2020, Kindstar Beijing WFOE, Kindstar Global Wuhan and the Kindstar Global Wuhan Registered Shareholders entered into a series of contractual arrangements, under which Kindstar Global Wuhan became contractually controlled by Kindstar Beijing WFOE.

For details, see "Contractual Arrangements."

***Disposal and deregistration of certain entities***

In order to streamline our corporate structure and to narrowly tailor the Contractual Arrangements to minimize the potential conflict with relevant PRC laws and regulations, we had disposed of and deregistered certain entities in the PRC which were inactive or whose business are not subject to foreign ownership restriction during the Track Record Period.

*(i) Disposal of Wuhan Kindstar Cold Chain Logistics Co., Ltd. (武漢康聖冷鏈物流有限公司) ("**Wuhan Kindstar Cold Chain**")*

Wuhan Kindstar Cold Chain is a company established under the laws of the PRC with limited liability on June 26, 2018 principally engaged in cold chain logistics. Immediately prior to the disposal, Wuhan Kindstar Cold Chain was held as to 70% by Kindstar Global Wuhan, 10% by Dr. Huang, 10% by Mr. Tu

and 10% by Wuhan Hujiantong Logistics Co., Ltd. (武漢護檢通物流有限公司), an Independent Third Party. On August 1, 2020, Kindstar Global Wuhan transferred its entire equity interest in Wuhan Kindstar Cold Chain to Wuhan Haijie for nil consideration, which was determined after arm's length negotiations and taking into account the fact that no capital had been contributed to Wuhan Kindstar Cold Chain at the time of transfer.

*(ii) Deregistration of Beijing Kangsheng Hexin Medical Technology Co., Ltd. (北京康聖和信醫學技術有限公司) ("**Beijing Kangsheng**")*

Beijing Kangsheng is a company established under the laws of the PRC with limited liability on September 15, 2010 under its former name Kangsheng Hexin (Beijing) Medical Technology Co. Ltd. (康聖和信(北京)醫學技術有限公司) and principally engaged in specialty clinical tests and services. It was established pursuant to the Series B Preference Share Purchase Agreements dated December 31, 2010, whereby our Company agreed to transfer all the assets and personnel of Rongheng to Beijing Kangsheng. Since February 24, 2011 through December 15, 2017, Beijing Kangsheng had been controlled by Kindstar Beijing WFOE by contractual arrangements. As we gradually consolidated Beijing Kangsheng and its operations to our Group, it became inactive and, in order to streamline our corporate structure, was deregistered by way of voluntary dissolution on October 30, 2018.

*(iii) Deregistration of Rongheng*

Rongheng is a company established under the laws of the PRC with limited liability on October 11, 2007 principally engaged in specialty clinical tests and services. As part of the consideration for the issue of our ordinary shares and Series A Preference Shares pursuant to the May 2010 Subscription Agreement, Beijing Kanghua, Shi Rong, Zhu Jianqiang and Yang Xiaomeng transferred their control in Rongheng to Kindstar Beijing WFOE on May 22, 2010 through contractual arrangements (the "**Rongheng Contractual Arrangements**"). As we entered into the Series B Preference Share Purchase Agreements on December 31, 2010, it was agreed that all the assets and personnel of Rongheng would be transferred to Beijing Kangsheng. As a result, Rongheng became inactive. In order to streamline our corporate structure, the Rongheng Contractual Arrangements were terminated on December 15, 2017 and Rongheng was deregistered by way of voluntary dissolution on January 22, 2019.

*(iv) Deregistration of Hubei Kangyuda Diagnostics Co., Ltd. (湖北康裕達醫學檢驗有限公司) ("**Hubei Kangyuda**")*

Hubei Kangyuda is a company established under the laws of the PRC with limited liability on September 21, 2018 principally engaged in clinical tests and services. Immediately prior to its deregistration, Hubei Kangyuda had a registered capital of RMB10,000,000 held as to 60% by Wuhan Kindstar and 40% by Hubei Yutai Medical Inspection Co., Ltd. (湖北裕泰醫學檢驗有限公司), an Independent Third Party. On March 31, 2020, Hubei Kangyuda was deregistered by way of voluntary dissolution. As of the time of deregistration, no capital had been contributed by Wuhan Kindstar to Hubei Kangyuda.

As confirmed by our Directors and concurred by the PRC Legal Advisor, each of Wuhan Kindstar Cold Chain, Beijing Kangsheng, Rongheng and Hubei Kangyuda has not been involved in any material

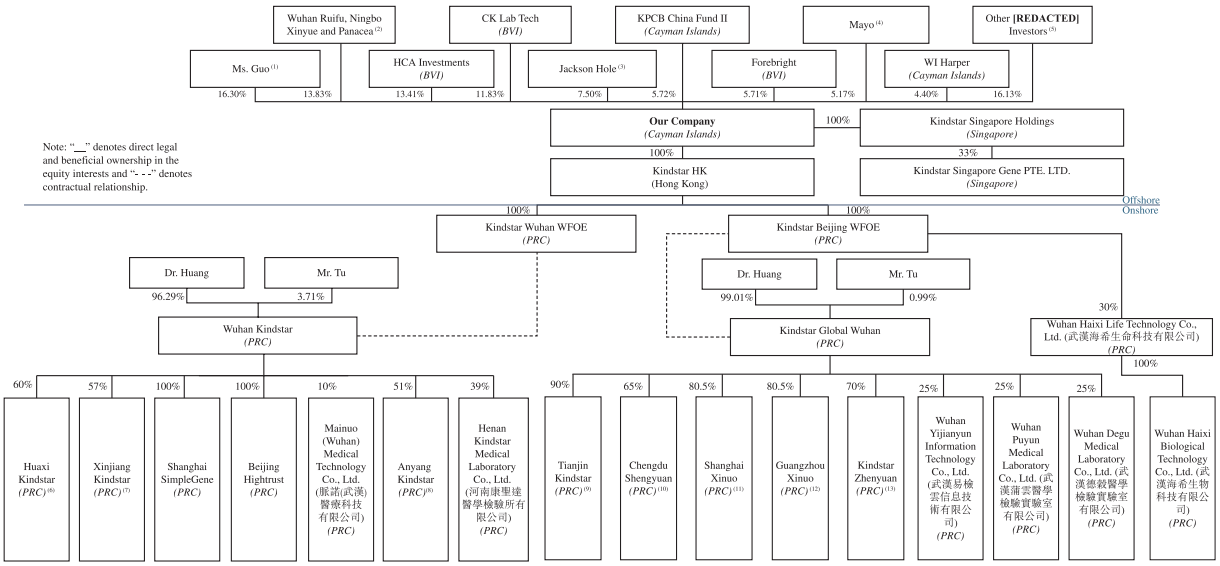
claims, litigations or non-compliant incidents during the Track Record Period before their disposal and deregistration (where applicable). In addition, our Directors also confirm that their disposal and deregistration had no material impact on our Group's financial performance, financial position and cash flows during the Track Record Period.

As confirmed by the PRC Legal Advisor, the disposal of Wuhan Kindstar Cold Chain has been duly registered with relevant government authorities pursuant to applicable PRC laws and regulations.

## CORPORATE STRUCTURE

### Corporate Structure Before the [REDACTED]

The following diagram illustrates the corporate and shareholding structure of our Company immediately after completion of the Reorganization and as of the Latest Practicable Date:




*Notes:*

(1) Ms. Guo is the spouse of Dr. Huang. Pursuant to the voting proxy arrangements dated January 1, 2017, November 2, 2020, November 5, 2020, November 9, 2020 and April 28, 2021, Ms. Guo has effective control over the voting rights in our Company attached to the shares held by Chen Zhong, Ever Prospect, Golden Talent – Hua Zhi, DBR Capital and Perfect Tactic, respectively. For details, see "– Voting Proxy Arrangements of our Existing Shareholders." As of the Latest Practicable Date, Ms. Guo, Perfect Tactic, Ever Prospect, Golden Talent – Hua Zhi, DBR Capital and Chen Zhong held 992,755 ordinary shares, 12,090,377 ordinary shares, 9,656,036 ordinary shares, 2,507,837 Preference Shares, 1,567,398 Preference Shares and 867,200 ordinary shares, respectively, representing 0.58%, 7.12%, 5.69%, 1.48%, 0.92% and 0.51% of our Company's total issued capital.

(2) The general partner of each of Wuhan Ruifu, Ningbo Xinyue and Panacea is controlled by Huang Zuie-Chin, a non-executive Director. As of the Latest Practicable Date, Wuhan Ruifu, Ningbo Xinyue and Panacea held 10,457,285, 7,677,623 and 5,346,935 Preference Shares, respectively.

(3) The Gui-Rong Guo Trust was established by Ms. Guo, Dr. Huang's spouse, as the settlor and Jackson Hole as the trustee. The voting right of our Company held by Jackson Hole is in effect exercised by Huang Bo, the son of Dr. Huang and Ms. Guo, as investment advisor to the Gui-Rong Guo Trust.

(4) Mayo includes Mayo Clinic and Mayo Foundation, which as of the Latest Practicable Date held 6,791,013 and 1,991,720 Preference Shares, respectively.

(5) Other **[REDACTED]** Investors are Independent Third Parties including KPCB China Fund I (which includes KPCB China Fund, L.P. and KPCB China Founders Fund, L.P.), China Healthcare, Changzhou Huasheng, BOCI Financial Products, Giant Hero, Right Goodness and Changjiang Yuantong, which as of the Latest Practicable Date held 6,796,733, 6,502,951, 4,182,914, 3,134,796, 3,134,796, 3,134,796 and 504,066 Preference Shares, respectively.

(6) The remaining 40% equity interest in Huaxi Kindstar was held by Sichuan Huaxi Health Technology Co., Ltd. (四川華西健康科技有限公司), a wholly owned subsidiary of West China Hospital of Sichuan University (四川大學華西醫院), an Independent Third Party.

(7) The remaining 43% equity interest in Xinjiang Kindstar was held by Zheng Jianhua (鄭建華) (27%) and Xinjiang Yijiali (16%). Otherwise than Zheng Jianhua and Xinjiang Yijiali being substantial shareholders of Xinjiang Kindstar, each of Zheng Jianhua and Xinjiang Yijiali is an Independent Third Party.

(8) Since the establishment of Anyang Kindstar and up to the Latest Practicable Date, Wuhan Kindstar was not the actual controller of Anyang Kindstar. Thus, Anyang Kindstar is not consolidated in the audited accounts of our Company as a subsidiary.

(9) The remaining 10% equity interest in Tianjin Kindstar was held by Beijing Ou Nuo An, an Independent Third Party.

(10) The remaining 35% equity interest in Chengdu Shengyuan was held by Chengdu Zhongzecheng, a special purpose vehicle established for the purpose of holding shares of Chengdu Shengyuan for its employee stock ownership plan.

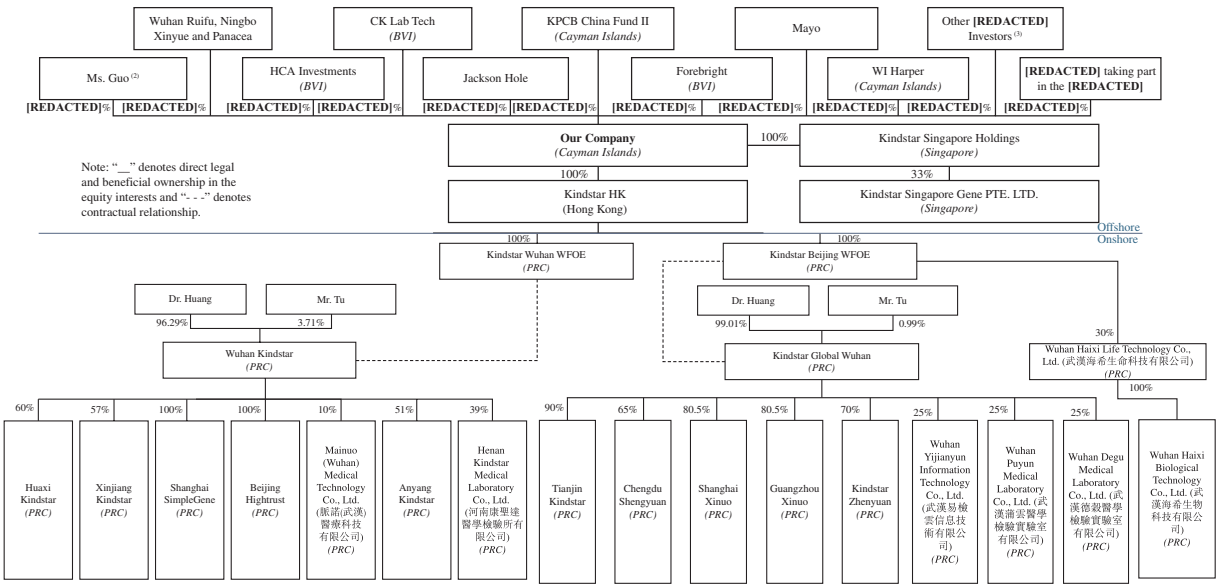
(11) The remaining 19.5% equity interest in Shanghai Xinuo was held by Zhu Xiaoyan (朱曉燕) (10%), an Independent Third Party, and Mr. Tu (9.5%). Mr. Tu is our executive Director, details of whom are set out in "Directors and Senior Management" in this Document.

(12) The remaining 19.5% equity interest in Guangzhou Xinuo was held by Zhu Xiaoyan (10%) and Mr. Tu (9.5%).

(13) The remaining 30% equity interest in Kindstar Zhenyuan was held by Wuhan Xingfeinuo Enterprise Management Partnership (Limited Partnership) (武漢星菲諾企業管理合夥企業(有限合夥)) (20%) ("**Wuhan Xingfeinuo**") and Mr. Tu (10%). Wuhan Xingfeinuo is owned as to 50% by each of Chen Xuesheng (陳學生) and Yang Ruisheng (楊瑞生), both Independent Third Parties.

## Corporate Structure Immediately Following the [REDACTED]

The following diagram illustrates the corporate and shareholding structure of our Company immediately following the completion of the **[REDACTED]** and the Share Subdivision (assuming all of the Preference Shares have been converted to ordinary shares on a one-to-one basis, the **[REDACTED]** is not exercised, no additional Shares are issued pursuant to the **[REDACTED]** Stock Incentive Plans and no Shares are issued pursuant to the **[REDACTED]** Shares Schemes):



*Notes:*

(1) See notes under "– Corporate Structure – Corporate Structure Before the **[REDACTED]**" in this section.

(2) The voting proxy arrangements between Ms. Guo and Golden Talent – Hua Zhi and DBR Capital will terminate upon **[REDACTED]**. The shareholding of the remaining Shareholders subject to voting proxy arrangements immediately following completion of the **[REDACTED]**, namely Chen Zhong, Ever Prospect and Perfect Tactic, will represent **[REDACTED]**%, **[REDACTED]**%, and **[REDACTED]**% of our Company's total issued capital, respectively.

(3) Include, among others, Golden Talent – Hua Zhi and DBR Capital, whose shareholding in our Company will represent **[REDACTED]**% and **[REDACTED]**% of our Company's total issued capital, respectively.

## PRC REGULATORY REQUIREMENTS

### M&A Rules

According to the Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "**M&A Rules**") jointly issued by MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the STA, the CSRC, the SAIC and the SAFE on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009, a foreign investor is required to obtain necessary approvals when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise. The M&A Rules, among other things, further purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by the PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

Our PRC Legal Advisor is of the opinion that, based on its understanding of the current PRC laws and regulations, prior CSRC approval for this **[REDACTED]** is not required because (i) our wholly foreign-owned PRC subsidiaries were not established through a merger or acquisition of equity interest or assets of a PRC domestic company owned by PRC companies or individuals as defined under the M&A Rules that are the beneficial owners of our Company, and (ii) no provision in the M&A Rules clearly classifies contractual arrangements as a type of transaction subject to the M&A Rules.

### SAFE registration in the PRC

Pursuant to the Circular on Relevant Issues Relating to Domestic Resident's Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) ("**SAFE Circular 37**"), promulgated by the SAFE and which became effective on July 14, 2014 and replaced the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Corporate Financing and Roundtrip Investment Through Offshore Special Purpose Vehicles (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) ("**SAFE**

**Circular 75**"), (i) a PRC resident must register with the local SAFE branch in connection with their contribution of offshore assets or domestic enterprises' equity interests in an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting overseas investment or financing, and (ii) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change in respect of the Overseas SPV, including, among other things, a change of Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular 37, failure to comply with these registration procedures may result in penalties. In addition, the PRC subsidiaries of that Overseas SPV may be prohibited from distributing their profits and dividends to their offshore parent company or from carrying out other subsequent cross-border foreign exchange activities, and the Overseas SPV and its offshore subsidiary may be restricted in their ability to contribute additional capital to their PRC subsidiaries.

Pursuant to the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知) ("**SAFE Circular 13**") promulgated by the SAFE and came into effect on June 1, 2015, the local banks would review and carry out foreign exchange registration under overseas direct investment directly, and SAFE and its local branches shall implement individual supervision over foreign exchange registration of overseas direct investment via the banks.

Our PRC Legal Advisor has confirmed that, being PRC resident, Mr. Tu duly completed registration in respect of his investment in our Group in accordance with SAFE Circular 37 and SAFE Circular 13 on October 20, 2020.

## OVERVIEW

We are the first and leading independent esoteric clinical testing service provider in China. We have the largest esoteric testing portfolio among all the independent esoteric testing providers in China, with over 3,500 testing items in our service menu, which includes over 2,300 testing items for hematology. Over 1,100 testing items were developed fully internally, and approximately 2,400 testing items were developed by or in-licensed from third parties. Our mission is to offer patients and physicians worldwide broad and high-quality specialty testing services and promote the application of precision diagnostics and medicine.

Since our inception in 2003, we have strategically focused on esoteric clinical tests to address the significant unmet medical needs in China. We started from hematology as it is a leading specialty area for the development of novel therapies and adoption of new clinical diagnostic tests. The overall independent esoteric clinical testing market in China increased from RMB4,900.6 million in 2016 to RMB20,057.6 million in 2020 at a CAGR of 42.2%, representing 65.3% of the entire independent clinical laboratory ("ICL") testing market in 2020, and is expected to increase to RMB27,860.1 million in 2025 at a CAGR of 6.8%, and the market for independent hematology esoteric clinical testing increased from RMB400.3 million in 2016 to RMB1,109.9 million in 2020 at a CAGR of 29.0%, representing 12.1% of the independent esoteric testing market (excluding covid-19 testing) in 2020, and is expected to increase to RMB4,679.4 million in 2025 at a CAGR of 33.3%. We have successfully established a leading position in China's independent hematology esoteric clinical testing industry, accounting for the largest or 42.3% of the market share by revenue in 2020, as well as a leading position in the overall independent esoteric testing market, accounting for the fifth largest or 4.1% market share in terms of revenue, according to Frost & Sullivan. We offer one of the most extensive hematology testing portfolios worldwide, according to Frost & Sullivan. Leveraging our experience in hematology, we have been expanding our services into other adjacent specialty areas. We primarily target specialty areas with substantial growth potential or significant synergy with our hematology esoteric testing services, including genetic diseases and rare diseases, infectious diseases, oncology and neurology. The esoteric testing market for each specialty area on which we focus has been growing rapidly; for example, genetic diseases and rare diseases, infectious diseases, oncology and neurology testing market grew at a CAGR of 23.3%, 26.6%, 18.0% and 33.6% from 2016 to 2020, respectively, and is expected to further grow at a CAGR of 33.3%, 35.1%, 16.0% and 40.2% to RMB2,637.2 million, RMB4,511.9 million, RMB7,764.3 million and RMB1,023.6 million in 2025, respectively.

Independent esoteric clinical testing is an important part of the healthcare infrastructure. It enables specialty clinical analyses that are not able to be performed in a routine clinical laboratory. These esoteric tests are typically outsourced by hospitals to independent, specialized clinical laboratories because it is not efficient and cost effective for hospitals to develop and perform these tests in-house. As compared with routine testing, independent esoteric clinical testing is a specialized field that features significant technological and operational challenges. A competitive independent esoteric clinical testing provider must offer a wide array of testing items to provide comprehensive and customized services, as well as advanced technologies to enable full-spectrum sample analysis. It must also build strong R&D capabilities to develop new testing items to address unmet market needs, a specialized in-house medical team to conduct high-quality esoteric tests and perform comprehensive interpretation of testing results, and a strong sales network with extensive experience to market esoteric testing services to hospitals and physicians.

As one of the first companies to set foot in the esoteric testing service industry in China, we are uniquely positioned to address the major technological and operational challenges of independent esoteric clinical testing, which we believe form significant barriers to entry for our competitors.

- *Comprehensive Testing Portfolio.* We have the largest esoteric testing portfolio among all the independent esoteric testing providers in China. We offer over 3,500 testing items in our service menu, which far exceed the test services offered by Class III hospitals in China by approximately 250% to 600%. Our service menu includes over 2,300 testing items for hematology, representing the largest among all the independent esoteric testing providers in China. Our comprehensive testing portfolio enables us to offer a one-stop esoteric testing service to our customers.
- *Advanced Technology Platforms.* Our esoteric testing capabilities are supported by our major clinical pathology technology platforms, including molecular testing, flow cytometry, molecular cytogenetics, mass spectrometry, clinical chemistry and immunology as well as anatomic pathology technology platforms such as bone marrow biopsy. These technology platforms enable full-spectrum sample analysis covering morphological, cellular, chromosomal, genetic, protein and other molecular levels and our expansion across different specialty areas. We conducted over 3.3 million esoteric tests in 2020, including over 735.9 thousand tests in hematology.
- *Strong R&D Capability.* Our R&D team consists of medical and scientific experts in hematology, genetics, oncology and other specialty areas, which enables us to provide high-quality esoteric testing services customized for our customers' needs and cater to the evolving market demands. During the Track Record Period, we developed an average of around 100 new testing items in-house each year. Moreover, we have been continuously enhancing our R&D capability through our extensive collaborations with renowned medical institutions and pharmaceutical companies.
- *Established Brand Awareness.* As the first independent esoteric clinical testing provider in China, we are widely recognized by top-tier hospitals, physicians and key opinion leaders. We serve more than 1,600 Class III hospitals, accounting for over 60% of the Class III hospitals in China, including 92 out of the top 100 hospitals and all of the top 20 hospitals ranked by Hospital Management Institute, Fudan University. We have worked more than 10 years with 14 out of the top 20 hospitals and 48 out of the top 100 hospitals in China ranked by Hospital Management Institute, Fudan University.
- *Robust Sales and Logistics Network.* Through years of cultivation, we have achieved nationwide hospital coverage. We serve over 3,000 hospitals in 31 provinces and municipalities in China, covering over 600 cities and counties. In addition, we believe that we are the most experienced cold-chain logistics service provider in the industry with 17 years of experience, which ensures the testing specimen quality and timeliness of testing result delivery.

We believe that we bring unique value to various participants in the esoteric testing industry. We offer customers access to extensive testing items and customized and high-quality esoteric tests performed with advanced technologies in a cost-efficient manner, with our cost of sales as a percentage of our revenue maintaining at a level of lower than 50% during the Track Record Period. We assist physicians in optimizing diagnosis and selecting personalized medical treatment for patients. We provide testing services for both Class III hospitals and lower-ranked hospitals, which helps balance the distribution of medical

resources in China. For example, our testing services could support certain lower-ranked general hospitals to compensate for their relatively weaker capability in certain specialty areas. We also offer more analytical support, prognosis and treatment guidance for certain medium-to-small sized hospitals. We also offer training and after-sales support to hospitals of all classes, irrespective of their sizes and rankings. We also provide a broad range of testing services for CROs and pharmaceutical companies to facilitate their research and development. In particular, our esoteric testing facilitates patient screening and enrollment to support clinical trials for molecularly targeted therapies and immunotherapies, which helps our customers to develop companion diagnostics and accelerate clinical development and registration.

## OUR COMPETITIVE STRENGTHS

### Leading Independent Esoteric Clinical Testing Service Provider in China

We are a market leader in the fast-growing independent esoteric clinical testing industry and a dominant hematology esoteric testing service provider in China. Over the last 17 years, we have built a comprehensive testing portfolio, a broad hospital network and advanced technology platforms. We offer over 3,500 testing items, covering all indications in our specialty areas, offering the most comprehensive esoteric testing services in China, according to Frost & Sullivan. We have enjoyed significant advantages by virtue of an extensive service network and close relationships with key opinion leaders and leading physicians and hospitals. As of the Latest Practicable Date, we served over 3,000 hospitals in China, among which, over 1,500 were Class III hospitals, including all of the top 20 hospitals in 2019 ranked by Hospital Management Institute, Fudan University. We performed over 1.7 million and over 1.5 million esoteric clinical tests in 2019 and 2020. In 2020, the revenues we generated accounted for 4.1% of the total esoteric testing market in China, and 9.5% of the total esoteric testing market in China, if noninvasive prenatal testing (NIPT) and COVID-19 testing are excluded. We provide full-spectrum testing services in various specialty areas, including hematology, genetic diseases and rare diseases, infectious diseases, oncology, neurology and maternity-related diseases.

Since our inception in 2003, we have strategically focused on esoteric clinical tests as we believe there are significant unmet needs for integrated, advanced and effective esoteric testing services in China. Patients in China currently have limited access to esoteric clinical testing services. However, the testing options and quality of clinical testing in individual hospitals in China are generally limited, as compared to independent clinical laboratories that are able to provide a broad range of high-quality and advanced esoteric clinical tests at reasonable prices. It is inefficient and impractical for individual hospitals to develop and provide comprehensive and up-to-date esoteric clinical tests. Furthermore, the fragmentation of testing resources among hospitals has led to even fewer testing options and low service quality in lower-ranked hospitals. As a result, while the population in China is four times larger than the population in the U.S., the total market size of ICL esoteric testing in China is less than one tenth of which in the U.S. in 2019. The unmet need for esoteric clinical tests in China suggests significant market growth potential. The independent esoteric clinical testing market in China increased from RMB 4,900.6 million in 2016 to RMB 20,057.6 million in 2020 at a CAGR of 42.2%, and is expected to increase to RMB 27,860.1 million in 2025 at a CAGR of 6.8%. As a market leader, we believe that we are well positioned to capitalize on this tremendous market opportunity.

**Scalable Business Model with a Proven Track Record**

We are the largest independent hematology esoteric testing service provider in China in terms of revenue in 2019. We have more than 3,500 testing items in our service menu and provide one of the most extensive hematology testing services worldwide with over 2,300 testing items in the field of hematology. We provided hematology esoteric testing services to over 1,600 and over 1,400 hospitals in 2019 and 2020, and we accounted for 42.3% of the total market share of independent hematology esoteric testing in China in terms of revenue, which was close to 50% more of that of the second place market player in 2020.

As scientific advancements in hematology esoteric testing are generally ahead of those in other specialty areas, we believe that our dominance in the field of hematology esoteric testing paves the way for our expansion into other specialty areas. For example, hematology is a leading specialty area in precision medicine, especially for the development of targeted therapies and adoption of new companion diagnostics, which in turn drives the growth of esoteric clinical testing. The market for hematology esoteric testing in China increased from RMB 400.3 million in 2016 to RMB 1,109.9 million in 2020 at a CAGR of 29.0%, significantly outpacing the esoteric testing industry growth for the same period.

We have expedited our market expansion into other specialty areas such as genetic diseases and rare diseases, infectious diseases, oncology and neurology, with improved return on investment as we successfully leveraged the existing R&D and sales and marketing infrastructure for swift market penetration. For example, our esoteric testing services for genetic diseases and rare diseases, infectious diseases, oncology and neurology were launched in 2014, 2013, 2013 and 2016, and were expanded to 735, 1,281, 246 and 1,106 hospitals and institutions in China in 2020, respectively. The CAGR of our revenue from testing services for genetic diseases and rare diseases, infectious diseases, oncology and neurology reached 28%, 20%, -6% and 35% from 2018 to 2019, respectively. Furthermore, while it took us about eight years to expand our hematology esoteric testing services nationwide in China, national coverage of our genetic diseases and rare diseases and neurology esoteric testing was achieved in three years. As a result, we reached the same sales milestones for both of these two specialty areas within a much shorter period than hematology. The expansion into these specialty testing markets validates the scalability of our business. We believe that we will be able to expeditiously replicate our success in hematology esoteric testing to other specialty areas with increasing economies of scale and synergies.

**Comprehensive Portfolio of Esoteric Tests Delivered Through Advanced Technology Platforms by a Highly Experienced Team**

Our strategy is to offer one-stop esoteric clinical testing services covering all esoteric tests for each indication in the specialty areas we focus on. As such, we have developed the largest esoteric testing portfolio among all the independent clinical testing providers in China, with over 3,500 testing items in our service menu. Our testing portfolio is designed to focus on specialty areas where there are clear unmet clinical needs for esoteric tests. We conducted over 3.3 million esoteric tests in total in 2020, including over 735.9 thousand tests in hematology. With a rich esoteric testing portfolio, we are able to offer a broad spectrum of testing options that facilitate physicians' diagnostic and treatment decisions, and we are able to customize our testing menu to fulfill the specific testing demands from physicians, pharmaceutical companies, CROs and other users. Furthermore, our comprehensive testing portfolio allows us to cross sell our services to different departments within hospitals and enhance user loyalty, especially for large hospitals that outsource a large volume and variety of esoteric services to us.

Our comprehensive esoteric testing services are supported by our advanced technology platforms, ranging from molecular genetics, flow cytometry, molecular cytogenetics, mass spectrometry to anatomic pathology, and our state-of-the-art laboratories. Leveraging our advanced testing technologies such as immunophenotyping analysis, Liquid Chromatography – Mass Spectrometry (LC-MS) technique and Fluorescent in situ hybridization (FISH) technology, we provide full-spectrum sample analysis covering morphological, cellular, chromosomal, genetic, protein and other molecular levels. Our solid technology platforms also allow us to efficiently expand into various specialty areas and rapidly develop innovative testing offerings to cater the evolving clinical needs. The majority of the esoteric tests are conducted in our laboratories in Wuhan, Beijing, Shanghai, Chengdu and Xinjiang, which have obtained QA/QC certifications and pass related assessments by industry authorities. Our laboratories located in Wuhan, Beijing, Shanghai and Chengdu have passed CAP PT for our BCR-ABL detection and external quality assessment for protein electrophoresis and flow cytometry. Our laboratories located in Wuhan, Beijing and Shanghai have received ISO 15189 certification.

Our experienced in-house specialist team and scientific advisers are critical for us to provide high-quality esoteric testing services within a short turnaround time. As of the Latest Practicable Date, we have a team of 664 testing personnel, with 64 holding master degrees and 25 holding Ph.D. degrees. On average, our testing personnel possess over five years of experience in the field, and each works on over 1,900 testing cases per year. The team includes laboratory experts who specialize in complex laboratory testing and analysis, and clinical experts who are dedicated to offering clinical consultations and comprehensive testing reports. Our clinical experts have extensive experience in issuing testing reports that integrate the testing results and analysis based on our different technology platforms.

We believe that our comprehensive and customized esoteric clinical testing services, advanced technology platforms and experienced in-house specialists together will strengthen our competitiveness and solidify our market-leading position.

**Continuous Value-accretive Innovation Driven by Strong Proprietary R&D and Business Development Capability**

We focus on research and development of innovative testing technologies and continuous expansion of our testing portfolio. We have adopted a systematic approach to enrich our testing menu by targeting promising specialty areas. We also closely monitor the latest technology developments in the field and engage in regular dialogue with key opinion leaders and physicians to identify the unmet clinical needs for esoteric tests. Our strong R&D capability allows us to promptly expand our testing services to meet evolving market demands. For example, we developed nucleic acid testing capability for COVID-19 in February 2020, which allowed us to undertake the testing services for Huoshenshan and Leishenshan, the two major emergency specialty field hospitals in Wuhan, China built during the outbreak. From February 2020 to July 2020, we conducted over one million tests for COVID-19, which greatly contributed to the nationwide fight against the pandemic and constitute one of our fastest-growing businesses in 2020.

Our R&D team consists of medical and scientific experts in hematology, genetics, oncology and other specialty areas. As of the Latest Practicable Date, we had a R&D team of 253 members, with 34 holding master degrees and four holding Ph.D. degrees. Since our inception, we have developed in-house over 1,100 testing items, including around 100 testing items each year during the Track Record Period. We have also

developed 69 assays for the esoteric testing of hematology, oncology and genetic diseases and own 10 invention patents and 38 utility patents.

We also partner and collaborate with renowned medical institutions and pharmaceutical companies globally to complement our proprietary R&D and consistently introduce innovative and proven high-quality testing services to China. We have engaged in more than 30 international and domestic collaboration programs over the past ten years in areas such as esoteric testing of hematological malignancies and oncology as well as metagenomic NGS tests and circulating tumor cell tests, focusing on the development of advanced technologies with wide clinical applications and substantial market potential. We have established R&D alliances with top-tier medical institutions and global pharmaceutical companies. For example, we set up an alliance laboratory with a top public hospital in Southwest China in 2016 focusing on the development of hematology esoteric testing in the region. We have also collaborated with a well-known biotech company headquartered in the United States for the validation and clinical adoption of its key sequencing and screening technologies. Through collaborations, we have in-licensed over four testing technologies and co-developed 20 testing items.

**Integrated Nationwide Sales and Logistics Network**

Our nationwide sales network covers more than 3,000 hospitals in over 600 cities and counties in 31 provinces and municipalities. We focus on Class III hospitals, as they represent more than 69.9% of the market demand of esoteric testing services in China in 2019, according to Frost & Sullivan. We serve more than 1,600 Class III hospitals, accounting for over 60% of the Class III hospitals in China, including 92 out of the top 100 hospitals and each of the top 20 hospitals in China ranked by Hospital Management Institute, Fudan University. In 2018, 2019 and 2020, approximately 77.6%, 79.2% and 68.9% of our revenue was generated from our esoteric testing services to Class III hospitals. As esoteric testing is a highly specialized field, our extensive service offerings have allowed us to build strong connections and customer loyalty among top tier hospitals and physicians across China. For example, we have over 10 years of collaboration with 14 of the top 20 hospitals and 48 of the top 100 hospitals ranked by ranked by Hospital Management Institute, Fudan University. We believe that our broad hospital network and deep-rooted relationships with Class III hospitals are the foundation of our leading market position and for further expansion into additional specialty areas. As we expand our service offerings and reinforce our market leading position, our hospital network and relationships also continue to grow, forming a virtuous cycle that we believe will fuel our continuing growth.

Our sales and marketing team consists of 600 employees, with an average of over five years of experience in the education and training of physicians on esoteric testing technologies and services. Our sales and marketing team communicates with hospitals on a regular basis, which enables us to align our R&D and marketing priorities with market demand. They also participate in academic and industry conferences to introduce our testing services and technologies to hospitals and physicians. Our sales and marketing team provides assistance throughout the testing service life cycle from sample collection to testing results interpretation. In addition, we have a dedicated team of business development specialists, who are experienced in working with CROs and pharmaceutical companies and assisting them with the testing designs for their research and development projects and clinical trials.

Our nationwide hospital coverage is backed by our in-house logistics function and cold-chain capability, which is key to achieving reliable esoteric testing results. We have set up a logistics team of over

900 employees, a customer service center, a nationwide logistics service network and professional quality monitoring system to ensure high-quality logistics services. We believe that we are the most experienced logistics service provider in the industry with 17 years of experience, which ensures the quality of specimens for testing and the timeliness of our sample collection and testing result delivery.

**Experienced and Visionary Management Team with Strong Shareholder Support**

We have assembled a management team with global vision, extensive local experience, strategic insight and experience with world-renowned institutions. We are led by visionary founders with a proven track record in the diagnostic testing industry. Dr. Huang, our founder, Chief Executive Officer, Chief Medical Officer and Chairman, is responsible for strategies and overall operation of our company. Dr. Huang has more than 30 years of experience in medical practice, research, diagnosis and management, and he is currently serving as the professor and chief physician of the Stem Cell Center, Union Hospital of Tongji Medical College of Huazhong University of Science. Mr. Tu Zanbing, our co-founder, executive director and Chief Operating Officer, has more than 17 years of experience in independent laboratory management, testing service product management and sales and marketing. Ms. Chai Haijie, our executive director and Chief Financial Officer, has more than 15 years of financial and investment experience. Most of our core management has been with our company since inception, leading our growth in the last 17 years. Their collective skills cover the full spectrum of esoteric testing services from research, clinical development to commercialization, which we believe will drive our future success. Our shareholders include prominent investors such as Morningside, KPCB, Mayo Clinic and CPE. Our investors have provided us with financial support as well as strategic insight. For example, Mayo Foundation, an affiliate of Mayo Clinic, became our shareholder during the series B1 financing, and entered into strategic collaboration with us from 2011 to 2017.

## OUR STRATEGIES

**Strengthen Our Leading Position in Hematology Esoteric Clinical Testing in China**

The market size for independent hematology esoteric testing in China is expected to increase from RMB1,109.9 million in 2020 to RMB4,679.4 million in 2025 at a CAGR of 33.3%. To deepen our market penetration in hematology esoteric clinical testing, we plan to solidify our existing relationships with hospitals as well as expand our sales network to cover more hospitals with substantial unmet needs for esoteric clinical testing services. Introduction of esoteric clinical testing technologies and services to different tiers of hospitals in China is a stepwise process. According to industry interviews conducted by Frost & Sullivan, it generally takes two to three years for a new esoteric clinical test to be introduced to the top ten hospitals in China, another two to three years to be introduced to the top 100 hospitals, and five to six more years to be introduced to other Class III hospitals. We generally follow such industry practice and time frame to introduce and promote our testing services. Currently, esoteric clinical testing for such lower-ranked Class III hospitals represents a significantly underserved market in China. We will further expand our marketing and distribution network to reach a wider customer base, in particular by providing services addressing the demands of different tiers of hospitals in China.

We will continue to offer one-stop hematology esoteric testing services to the top 100 hospitals, to meet their demand for evolving high-end hematology esoteric testing. We plan to further expand our

services into other Class III hospitals in China, by enhancing physician's awareness of esoteric clinical testing and its benefit on improving diagnostic accuracy and optimizing therapeutic treatment solutions. Given the huge demand in the esoteric clinical testing market among the lower-ranked Class III hospitals, we will leverage our connections with key opinion leaders and top-ranked hospitals to organize training programs and academic conferences for such lower-ranked Class III hospitals to improve the understanding and application of esoteric clinical testing among physicians. We will also increase our sales and marketing efforts in these hospitals and introduce the advantages of our services.

We intend to enrich our testing menu for hematology to cover more categories, such as infection, coagulation, immunology and toxicology, and offer a broader spectrum of testing items, through introducing advanced testing technologies. We have been and will continue to position ourselves at the forefront of the latest technological developments in the market in order to transform pioneering technologies into companion diagnostic applications to promote precision medicine in hematology. We will keep developing our hematological testing platform by introducing worldwide advanced technologies, such as AI-based pathological examination, AI-based cytogenetic analysis, ground-breaking immune repertoire applications, flow cytometry-based circulating tumor cells monitoring, mass spectrometry-based proteomics, ctDNA/circulating RNA tests or tumor mutational burden (TMB) analysis, single cell sequencing and advanced automation systems for hematological malignancy diagnosis.

**Replicate Our Success in Hematology Esoteric Testing to Expedite Growth in Other Specialty Areas**

We plan to expedite the growth of our esoteric testing services for genetic diseases and rare diseases, infectious diseases, oncology, and neurology diseases. We will leverage our proven success and infrastructure in the hematology esoteric testing services, such as our wide customer base, effective marketing channels, and advanced technology platforms to scale up our business across different specialty areas.

We will develop our esoteric testing services in these growing specialty areas by leveraging our research and development capabilities and technology advantages accumulated in our hematology testing services. We have developed a profound understanding of the disease mechanism, which allows us to enhance our oncology testing services with high efficiency. In addition, we aim to incubate the neurological testing service nationwide with the support of our technology platforms relating to morphology, cytometry, immunohistochemistry, and genetics. We will further develop our infectious diseases esoteric testing capabilities using technologies in molecular biology, cell biology and proteomics as our foundation. In particular, we plan to offer comprehensive, systematic and advanced infectious diseases esoteric testing services to specialist departments of Class III hospitals in China, including testing of respiratory tract infections, neurological infections, urinary tract infections, gastrointestinal infections, pediatric infectious disease and gynecological infections and more. In the future, we also plan to develop five to ten new specialty areas of esoteric testing services, such as gastroenterology, pulmonology, endocrinology, anesthesiology and rheumatology to further expand our specialty area coverage and enhance operational synergies. In each of these specialty areas, we intend to provide a series of esoteric testing services with testing items related to oncology, infection, genetics and immunology. We plan to introduce our esoteric testing services in these specialty areas to top 100 hospitals, covering the top 20 to 25 cities in China, within two to three years. Afterwards, we plan to expand our esoteric testing service offerings to top 500 hospitals, covering top 100 cities in China, within the next two to three years. Eventually, we plan to introduce our

esoteric service offerings to the rest of the approximately 2,000 Class III hospitals, covering top 500 cities in China, in the next four to six years, by working with doctors and experts from the top hospitals to promote the application of esoteric testing in the rest of Class III hospitals in China.

**Deepen Our Strategic Collaboration with Leading Industry Participants**

As the market pioneer, we are committed to establishing strong connections with various participants in the esoteric clinical testing industry, including physicians, hospitals, pharmaceutical companies, CROs, academic institutions and regulators. We aim to deepen our existing strategic partnerships and continue to widen our collaboration network, to facilitate the growth of our business and enhance the overall development of China's esoteric testing industry. We will further strengthen our clinical trial programs to meet the research and clinical needs of our partners.

We plan to collaborate with pharmaceutical companies and CROs in expanding applications of our esoteric clinical testing services. For example, we will collaborate with a diagnostics and analysis company and a US-based molecular diagnostics company to provide risk evaluation tests for preterm birth and eclampsia. We will continue to work with pharmaceutical companies to promote the application of esoteric testing services in precision medicine, and we will strategically focus on prospective and retrospective studies on emerging clinically relevant biomarkers. We will continue to work with a US-based biotech company on next-generation sequencing (NGS) tests for TMB, which will stratify patients and predict the therapeutic benefit of immunotherapies. In addition, we plan to collaborate with one of the top Chinese research institutes to introduce a more sensitive DNA mutation detection technologies to hospitals in China, in order to facilitate the classification of diagnosis, the prognostic prediction, the selection of precision medicine for patients and monitor the clonal evolution in patients during follow-up treatment.

**Migrate Across the Industry Value Chain to Enhance Business Competitiveness**

Our comprehensive services enable us to create a value proposition across China's esoteric testing industry value chain. We will continuously broaden our offering of services to further solidify our competitive advantages as the industry pioneer and capture the growth of the esoteric clinical testing market.

We plan to build a broad-spectrum of esoteric clinical testing services to serve different testing demands of various customers. As the volume of esoteric clinical testing continues to grow in China, there has been and will continue to be an increasing market demand for esoteric-testing-related services. While we continue to penetrate into the esoteric testing market with our integrated services and deepen our collaboration with major customers, we will develop innovative testing kits by leveraging our research and development experience accumulated in our testing services. We will strategically focus on the specialty areas where we have accumulated proprietary technology know-hows and extensive sales and marketing experience, such as hematology, immunology and oncology.

In addition, we aim to further enrich our service offerings and optimize user experience through diversifying and digitalizing our service offerings. For instance, we will work with medical institutions, physicians and insurance companies to facilitate health management for patients with chronic diseases and online medical services through remote testing diagnosis. We are able to generate a comprehensive personal

health profile for each patient based on our data analytics capability and clinical records, which will assist physicians in issuing follow-up esoteric tests and monitoring the health conditions of patients during and post treatment. Such technology-empowered services can significantly improve our market penetration in a cost-efficient manner, especially in the remote areas in China. It will also enhance patients' compliance and motivation, as they are able to receive highly personalized services across the entire treatment life-cycle.

**Expand Our Testing Footprints to Global Scale**

Due to the deficiency of testing resources in developing countries with increasing chronic disorder prevalence, the emerging business opportunities in these overseas markets will become one of the key drivers of our future growth. We aim to expand our footprints into selected developing markets, such as Southeast Asia, led by our visionary management team and advanced technologies.

To facilitate our global expansion, we plan to continue the development of our fully integrated and cloud-based data collection, cleaning, and interpretation platform. Through our cloud infrastructure, we will be able to re-distribute our diagnostic capacities and resources among the laboratories based in and outside of China. We intend to leverage the operational flexibility afforded by online business model to create a 24-hour real-time seamless responsive network for hospitals and medical institutions across the globe.

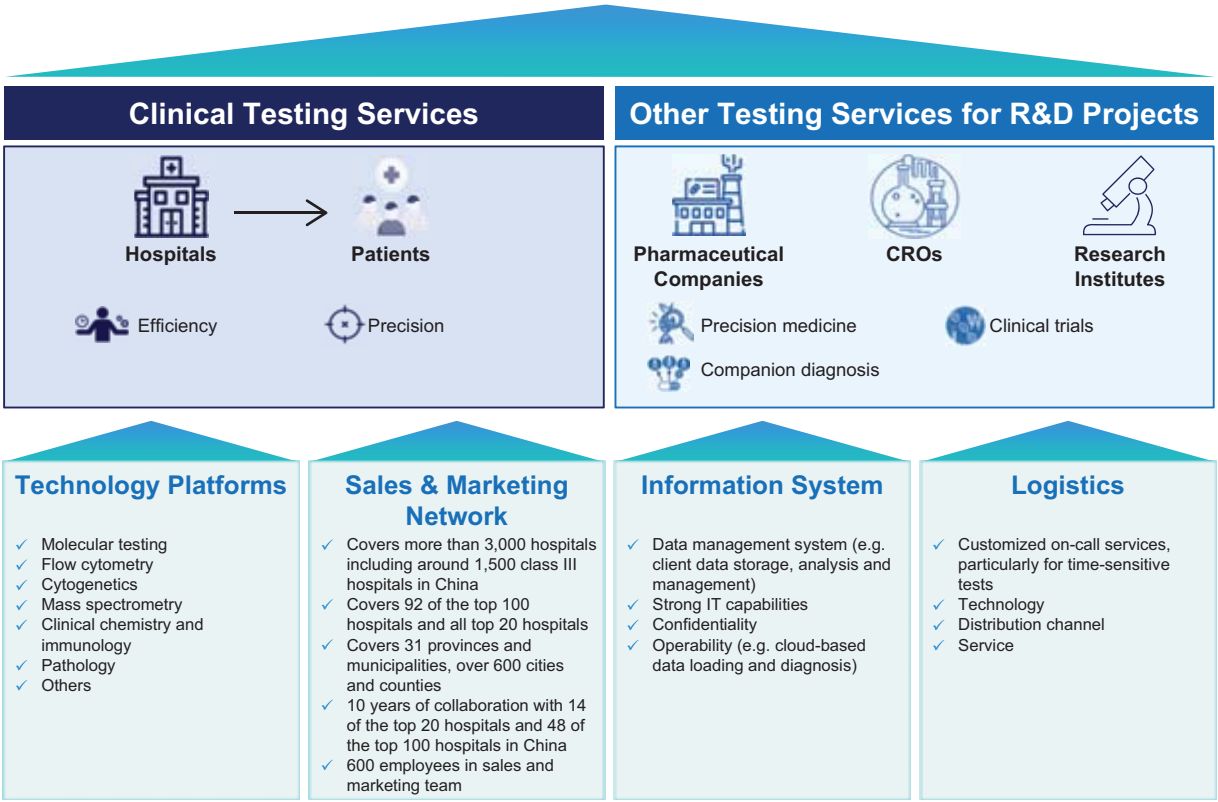
In addition, we aim to enhance our leadership on a global scale by deepening our cooperation with trustworthy local partners. Going forward, we intend to build a worldwide cooperation network consisting of carefully selected operational advisors and network partners to support our global expansion in key aspects of our business, such as business development of hospital customers, coverage of medical insurance reimbursement, and global expansion of our esoteric-testing-related services.

**OUR SOLUTION**

Through our integrated technology platforms on molecular testing, flow cytometry, molecular cytogenetics, mass spectrometry, clinical chemistry and clinical immunology as well as anatomic pathology, we provide a broad spectrum of testing services with a focus on esoteric testing service. Compared to our industry peers in China who generate a significant portion of ICL testing revenues from routine testing services, we focus primarily on esoteric testing services. Our esoteric testing service mainly covers hematology, genetic diseases and rare diseases, infectious diseases, oncology, neurology and maternity-related diseases. We are committed to continuously developing innovative testing services to serve the demands of the industry.

We provide a broad spectrum of essential esoteric testing services to hospitals, or through them, individual patients at reasonable prices, which assist physicians in optimizing the accuracy of their diagnosis and treatment in a cost- and time-efficient manner. Through our comprehensive services, marketing network and our nationwide sales and logistics network, we are able to bring our extensive testing and diagnosis offerings to the hospitals across China. By economically undertaking esoteric tests, together with specimen transportation and storage, integrated analysis in our independent clinical labs, and prompt report generation, we help to alleviate the pressure of individual hospitals to establish well-equipped in-house labs to meet the demand of patients for comprehensive esoteric testing services. Moreover, leveraging our extensive testing menus and advanced testing technologies, we are able to provide services

for CROs, pharmaceutical companies and research institutes to facilitate their research and development of precision medicine and companion diagnostics. The diagram below illustrates our value proposition to various participants in the industry.




Our testing services include:

Clinical testing services – We provide comprehensive testing services to hospitals and their patients, ranging from sample collection and transportation, testing, to analysis of testing results and issue of clinical reports.

Testing services for R&D projects and others – We provide testing services for CROs, sponsors of clinical trials, pharmaceutical companies and research institutes, for scientific research and development of precision medicine as well as forensic testing services.

In connection with implementation of relevant testing services, we may adopt laboratory developed test, or LDT, to conduct certain testing services. LDT is not a standalone testing service or business, but a self-developed procedure to implement and carry out relevant testing services. For details, please refer to "Business – Laboratory Developed Test".

With respect to those testing services implemented and carried out by non-LDT procedure, they fall under routine testing services and other regular esoteric testing services without application of unregistered testing kits, and in consideration of the fact that each of our labs complied with applicable regulations on medical test lab and has procured medical practice license, we believe that we are in compliance with applicable laws and regulations in material aspects in terms of those testing services implemented and carried out by non-LDT procedure.

## CLINICAL TESTING SERVICES

We provide clinical testing services to hospitals and their patients primarily in six major specialty areas in esoteric testing, including hematology, genetic diseases and rare diseases, infectious diseases, oncology, neurology and maternity-related diseases. In addition to esoteric tests in these six major specialty areas, we also provide related testing services developed primarily for COVID-19 and routine tests that are traditionally and routinely offered in many medical institutions. We provide full-cycle testing packages that cover from diagnostics, treatment management and post-treatment monitoring, customized for different disease types, patient conditions and physicians' requirements. We conduct tests on the patients' samples pursuant to physicians' prescriptions. Subject to our testing capacity, capability, frequency of the testing items to be performed or upon the customer hospitals' instruction or approval, we may also engage an eligible third-party laboratory to conduct the tests. We are responsible for collecting samples and delivering them to the third-party laboratories, while third-party laboratories are responsible for testing and issuing test reports and represent and warrant to us the timeliness, accuracy and privacy of the test results. We require third-party laboratories to provide us with relevant qualifications before we consider cooperating with them, including valid business license covering the type of outsourced testing services, practice license of medical institution and applicable license and permit for the outsourced testing services, which we also review on a yearly basis to make sure they are not suspended or expired. We also only work with third-party laboratories with strong track record and reputation, and review their performances on a yearly basis. If performance review results in a subpar evaluation score, we will terminate our cooperation with such third-party laboratories. Upon completion of the tests, our specialist team will generate a comprehensive testing report and we then explain the clinical implications of our test results and analysis to the physicians.

### Hematology Testing

#### *Overview*

Our hematoloty testing items cover a wide array of hematology diseases, including benign and malignant hematological disorders and key sub-sectors, such as leukemia, proliferative bone marrow tumors, multiple myeloma, lymphoma, and coagulopathy. We have developed systematic testing projects in hematological disease detection, ranging from qualitative and quantitative detection of single fusion genes to RNA-sequence screening of all fusion genes, from generation sequencing of single gene mutations to NGS panel screening of multiple gene mutations. Our hematology testing services are supported by the combination of our platform technologies, including morphology, immunohistochemistry, flow cytometry, FISH, karyotyping, genechip, PCR, Sanger sequencing and NGS technologies.

We were the largest hematology esoteric testing service provider in China in 2020 in terms of revenue, accounting for 42.3% of the market share, and generated revenues of RMB406.7 million, RMB482.8 million and RMB469.3 million in 2018, 2019 and 2020, respectively. The tables below set forth the number of Class III hospitals and non-Class III hospitals and other institutions we provided hematology testing service to and the revenue generated from them during the Track Record Period. Other institutions include pharmaceutical companies, research institutes and other third party testing laboratories.

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| **Number of serviced institutions** | | | |
| Class III Hospitals | 1,099 | 1,170 | 1,136 |
| Non-Class III Hospitals and Other Institutions | 446 | 479 | 441 |
| **Total** | **1,545** | **1,649** | **1,577** |

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *(RMB in thousands)* | | |
| **Revenue generated by institution type** | | | |
| Class III Hospitals | 386,511 | 461,476 | 444,145 |
| Non-Class III Hospitals and Other Institutions | 20,181 | 21,357 | 25,184 |
| **Total** | **406,692** | **482,833** | **469,329** |

The table below sets forth the number of esoteric testing volume we provided for hematology by major disease types during the Track Record Period:

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *(in thousands)* | | |
| **Testing volume by sub-category** | | | |
| MM | 61.2 | 57.8 | 64.9 |
| ALL | 39.8 | 27.7 | 49.3 |
| AML | 48.0 | 50.2 | 49.6 |
| Lymphoma | 8.6 | 10.2 | 10.7 |
| MDS + MPN | 79.4 | 84.2 | 67.1 |
| Coagulopathy | 21.4 | 21.1 | 16.9 |
| Others* | 429.6 | 618.9 | 477.5 |
| **Total** | **688.1** | **870.1** | **736.0** |

* Others include testing that are widely adopted across a range of diseases, such as karyotype analysis, immunophenotyping, bone marrow biopsy and immunohistochemistry.

***Current Services***

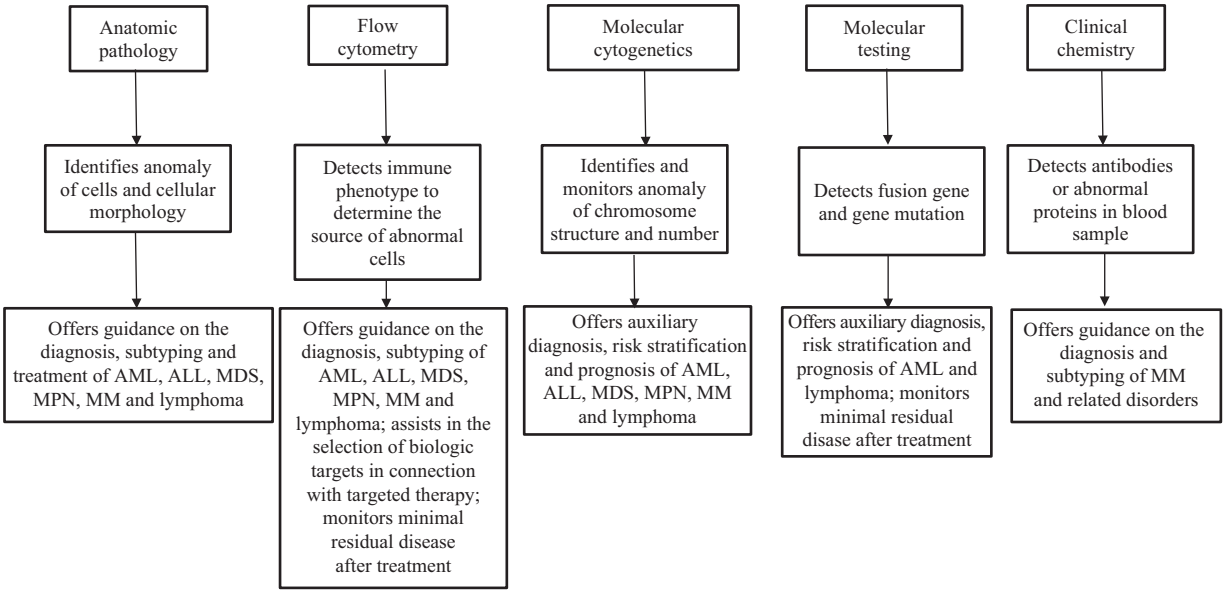
The table below sets forth the number of testing items for hematology by major disease types as of the Latest Practicable Date.

| Disease type | Number of testing items | Number of self-developed testing items | Percentage of self-developed testing items |
|---|---|---|---|
| MM | 86 | 71 | 83% |
| ALL | 154 | 146 | 95% |
| AML | 227 | 214 | 94% |
| Lymphoma | 145 | 118 | 81% |
| MDS+MPN | 218 | 191 | 88% |
| Coagulopathy | 82 | 38 | 46% |
| Others* | 1,473 | 556 | 38% |
| **Total** | **2,339** | **1,289** | **55%** |

* Others include testing that are widely adopted across a range of diseases, such as karyotype analysis, immunophenotyping, bone marrow biopsy and immunohistochemistry.

** Certain of the testing items in hematology could be used for the diagnosis of multiple diseases

Below are esoteric testing services we provide for three major hematology diseases, including acute myelogenous leukemia (AML) and multiple myeloma (MM) and lymphoma, to illustrate our current testing services in the field.




*AML*

AML is an acute myeloid malignancy that affects a group of white blood. There are several subtypes of AML, which are determined based on how mature the cancer cells are at the time of diagnosis and how different they are from normal cells.

Fusion genes and gene mutations are key to the development of AML, based on its pathogenesis. Through the detection of molecular indicators, our esoteric tests are able to assist with the diagnosis of AML, the identification of subtypes and the judgment of prognosis, and thereby enabling physicians' to select individualized treatment plans and targeted therapies for patients. We also offer molecular indicator detection and regular monitoring of residual status along the treatment process, which allows physicians to assess patient's conditions and adjust treatment plans accordingly.

We have developed comprehensive testing items by using various testing methods to provide guidance on the diagnosis and treatment management of AML. The primary testing methods that our testing items rely on are illustrated in the table below:

| Testing methods | Technology platform | Clinical significance |
|---|---|---|
| Bone marrow biopsy | Anatomic pathology | By analyzing bone marrow tissue, observe the cell composition, bone marrow tissue structure, proliferation, cell distribution, cell infiltration, fibrosis and interstitial changes, provide auxiliary clinical diagnosis and classification of AML. |
| Bone marrow cytology | Anatomic pathology | By analyzing bone marrow fluid, observing the morphology of the cells in the bone marrow smear and analyzing the proportional relationship between the cells, which indicates the quantity and quality of bone marrow cells, provide auxiliary clinical diagnosis and classification of AML. |
| Leukemia immunophenotyping | Flow cytometry | By analyzing the differentiation antigen of leukocytes in bone marrow, which indicates different types of cells and cells at different stages of development with various antigen expression, expression time, and expression strength, provide auxiliary clinical diagnosis of AML. |

| Testing methods | Technology platform | Clinical significance |
|---|---|---|
| Bone marrow karyotype analysis | Molecular cytogenetics | By analyzing the structure and number of chromosomes during the bone marrow cell division, which may indicate abnormality of chromosomes, provide auxiliary clinical diagnosis of AML. |
| Detection of 43 leukemia fusion genes/RT-PCR | Molecular testing | We are able to detect 43 different genes for up to four types of leukemia. The detection of gene fusion can indicate the existence of AML, which provides auxiliary clinical diagnosis of AML. |
| Detection of 34 high frequency gene mutations of myeloid blood disease/NGS<br><br>Detection of 67 gene mutations of myeloid blood disease/NGS | Molecular testing | Through the sequencing of 34 types of high frequency gene mutations and 67 types of common gene mutations, we are able to have a comprehensive understanding of the gene mutations of patients with myeloid blood disease detect up to three subtypes of AML. The tests provide guidance on a more delicate classification of AML, assessment of prognosis, design of more personalized treatment plans, evaluation of treatment efficacy and monitoring of drug resistance and relapse, and can match targeted drug therapy of up to three AML-related drugs. |

*MM*

MM is a cancer of plasma cells. Normal plasma cells are found in the bone marrow and are crucial to the immune system by making antibodies that help the human body to fight infections. MM causes cancer cells to accumulate in the bone marrow, where they crowd out healthy blood cells. Rather than producing helpful antibodies, cancer cells produce abnormal proteins that can cause complications.

Distinctive from leukemia, presence of M protein is found in MM, and the key testing items in the diagnosis of MM are M proteinemia analysis and free light chain detection. For patients diagnosed with

MM, FISH testing enables genetic risk stratification and facilitates physicians to establish personalized treatment plans. During the treatment process, we also offer minimal residual disease (MRD) service through our flow cytometry platform for continuous monitoring of patients' response to the treatment.

We have developed comprehensive testing items by using various testing methods to provide guidance on the diagnosis and treatment management of MM. The primary testing methods that our testing items rely on are illustrated in the table below:

| Testing methods | Technology platform | Clinical significance |
|---|---|---|
| Abnormal immunoglobulin blood tests | Clinical chemistry | The test measures the amount of antibodies in blood, by analyzing presence or absence and content of immunoglobulin and abnormal immunoglobulin in serum, the test provides auxiliary clinical diagnosis and guidance on classification of MM. |
| Serum free light chain testing | Clinical chemistry | Light chains are proteins produced by plasma cells, and serum free light chains refer to those that are not part of whole (intact) immunoglobulins and are present in the blood. This test measures the amount of free kappa and lambda light chains in the blood and calculates a kappa/lambda ratio to help detect, diagnose, and monitor conditions associated with an increased production of free light chains, including providing guidance on the diagnosis of MM and prognosis assessment. |
| MM FISH testing | Molecular cytogenetics | Our MM FISH testing package includes ten testing items for MM patients at high and standard risks, which provides guidance on the prognosis assessment of patients with MM. |
| Cluster of differentiation antigen testing /MRD | Flow cytometry | There remain normal and abnormal plasma cells after MM treatment. |

| Testing methods | Technology platform | Clinical significance |
|---|---|---|
| | | Through multi-parameter and multi-directional analysis using FACS CantoII (eight-color flow cytometer), we are able to accurately detect abnormal plasma cells, which improves the accuracy of treatment and monitoring patients' response to treatment. |

*Lymphoma*

Lymphoma is a type of malignant tumor that begins in the lymphoid and haematopoietic system. Heterogeneity of lymphoma is very high, with over 100 subtypes according to the WHO Classification of Lymphoid Malignancies. Each sub-type has different standards of diagnosis, prognosis and treatment responses. Thus, the diagnosis and treatment of lymphoma require comprehensive evaluation of the disease, followed by individualized treatment plan.

In offering comprehensive support for the diagnosis, identification, treatment and prognosis of the subtypes of lymphoma, we strictly follow guidelines from the WHO, NCCN and CSCO as well as consensus of experts and utilize our various technologies in morphology, immunology, genetics and molecular biology. We have established pathology consultation sites for lymphoma in Beijing, Shanghai and Chengdu, offering consultation services for physicians across the country.

We have developed comprehensive testing items by using various testing methods to provide guidance on the diagnosis and treatment management of lymphoma. The primary testing methods that our testing items rely on are illustrated in the table below:

| Testing methods | Technology platform | Clinical significance |
|---|---|---|
| Tissue biopsy | Anatomic pathology | The test assists in the diagnosis of lymphoma by analyzing and identifying the lesions and cell morphology, combined with visual observation and clinical data. |
| Immunohistochemistry | Anatomic pathology | The test assists in the identification of the immune phenotype of lymphoma cells and the differential diagnosis of different pathological subtypes. |
| Immunophenotyping | Flow cytometry | The test provides auxiliary clinical diagnosis of lymphoma |

| Testing methods | Technology platform | Clinical significance |
|---|---|---|
| | | by analyzing the bone marrow or leukocyte differentiation antigen, which can distinguish the different types of cells at different development stages. |
| FISH | Molecular cytogenetics | The test discovers specific chromosomal breaks, translocations, or amplifications to aid in the diagnosis of lymphoma. |
| IG/TCR gene rearrangements/PCR | Molecular testing | The test assists in the diagnosis and identification of lymphoma by determining whether the proliferative B/T cells are proliferated clonally. |
| Detection of 62 high frequency gene mutations of B-NHL/NGS | Molecular testing | The test assists in the diagnosis, treatment, prognosis and medication guide of B-cell lymphoma by detecting 62 major genes related to B-cell lymphoma through NGS. |

***New testing items in development***

As of the Latest Practicable Date, we were in the process of developing over 30 testing items for hematology diseases. We are developing more testing items based on NGS technology, such as whole exon sequencing, whole genome sequencing and immune repertoire sequencing. We expect our new testing items in development to be primarily applied in the diagnosis and monitoring of various hematological, and such new testing items can also be used in oncology, genetic diseases of women and children, and infectious diseases and scientific research.

The key steps of developing testing items for hematology diseases include experiment design, sample collection, result analysis and document archiving. Among all the new hematology disease testing items in development, 17 of them are under result analysis and document archiving, 11 of them are under sample collection, and ten of them are under experiment design. Our new testing items involve PCR, QPCR, second generation DNA sequencing, Luminex, FISH and flow cytometry technologies.

**Genetic Disease and Rare Disease Testing**

***Overview***

Our testing services have enabled the diagnosis and treatment of hepatolenticular degeneration, cholestasis and hereditary hemochromatosis. We generated revenues of RMB32.5 million, RMB41.6

million and RMB36.2 million in 2018, 2019 and 2020, respectively. The tables below set forth the number of Class III hospitals and other institutions we provided genetic disease and rare disease testing service to and the revenue generated from them during the Track Record Period. Other institutions include pharmaceutical companies, research institutes and third party testing laboratories.

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| **Number of serviced institutions** | | | |
| Class III Hospitals | 537 | 489 | 501 |
| Non-Class III Hospitals and Other Institutions | 310 | 340 | 234 |
| **Total** | **847** | **829** | **735** |

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| | *(RMB in thousands)* | | |
| **Revenue generated by institution type** | | | |
| Class III Hospitals | 29,442 | 36,952 | 33,728 |
| Non-Class III Hospitals and Other Institutions | 3,050 | 4,658 | 2,449 |
| **Total** | **32,492** | **41,610** | **36,177** |

The table below sets forth the number of esoteric tests we provided for genetic disease and rare disease by major disease types during the Track Record Period:

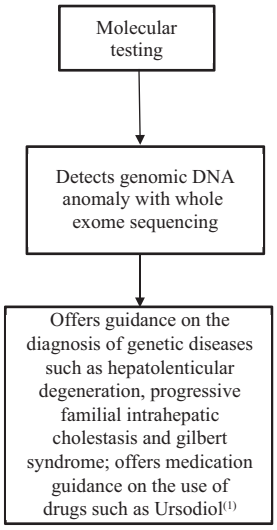
| | For the Year Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| | *(in thousands)* | | |
| **Testing volume by sub-category** | | | |
| Epilepsy | 11.5 | 16.0 | 13.4 |
| Endocrine and Metabolic Disorders | 84.4 | 98.8 | 102.6 |
| Neuromuscular Disorders | 1.1 | 2.0 | 0.8 |
| Others | 12.1 | 31.3 | 9.2 |
| **Total** | **109.1** | **148.1** | **126.0** |

***Current Services***

The table below sets forth the number of testing items we provide for genetic diseases by major disease types as of the Latest Practicable Date:

| Disease type | Number of testing items | Number of self-developed testing items | Percentage of self-developed testing items |
|---|---|---|---|
| Epilepsy | 89 | 12 | 13% |
| Endocrine and Metabolic Disorders | 164 | 45 | 27% |
| Neuromuscular Disorders | 46 | 20 | 43% |
| Others | 93 | 38 | 41% |
| **Total** | **392** | **115** | **29%** |

We have listed below certain selective testing items for the screening and treatment of hepatolenticular degeneration, cholestasis and gilbert syndrome to illustrate our current testing services in the field.




*Notes:*

(1) Ursodiol, or Ursodeoxycholic acid (UDCA), is commonly used in the treatment of various jaundice and hepatic insufficiency. Molecular testing offers guidance on the diagnosis of various genetic hepatic disorders, for example hepatolenticular degeneration, familial progressive intrahepatic cholestasis, glycogen accumulation, congenital hemolytic disease, congenital biliary atresia or alagille syndrome. Doctors can determine whether Ursodiol is indicated based on the different pathogenesis of these genetic hepatic disorders.

Hepatolenticular Degeneration

Hepatolenticular degeneration is a genetic disease in which metabolic disorder of copper leads to its accumulation in the liver, brain, cornea and kidneys with consequent pathologic changes. It is one of the few curable hereditary diseases, which can be detected, diagnosed and treated early through genetic testing.

| Testing methods | Technology platform | Clinical significance |
|---|---|---|
| PCR and Sanger sequencing | Molecular testing | The test assists in the clinical diagnosis of hepatolenticular degeneration and offers medication guidance on the use of Ursodiol. |

Progressive Familial Intrahepatic Cholestasis

Progressive familial intrahepatic cholestasis is a condition that restricts the flow of bile from the liver to the duodenum. It is an autosomal recessive genetic disorder, mainly caused by genetic mutations, and is more commonly seen in infants and children. It is treatable if it is detected early, but most patients eventually develop progressive fibrosis, cirrhosis, and advanced liver disease, all of which require liver transplantation.

| Testing methods | Technology platform | Clinical significance |
|---|---|---|
| PCR and Sanger sequencing | Molecular testing | The test assists in the clinical diagnosis of cholestasis and offers medication guidance on the use of Ursodiol. |

Gilbert Syndrome

Gilbert syndrome is a condition in which the skin and eyes turn yellow because of a high level of bilirubin. It can be caused by genetic disorder which gives rise to difficulties in process bilirubin pigment by the liver. Gene sequencing for TATAA sequence or mutations in the UGT1A promoter can help in the diagnosis.

| Testing methods | Technology platform | Clinical significance |
|---|---|---|
| PCR and Sanger sequencing | Molecular testing | The test assists in the clinical diagnosis of Gilbert syndrome and offers medication guidance on the use of Ursodiol. |

**Infectious Disease Testing**

***Overview***

Our testing services have enabled the diagnosis and treatment of over 40 infectious diseases, including key sub-sectors, such as tuberculosis, fungal infection and infectious diseases. We have developed and established a detection system for infectious diseases, including the detection of various pathogens such as bacteria, viruses, fungi, mycoplasma and chlamydia. We offer detection of various single pathogens such as M. tb, HBV, HCV, HPV, SARS-CoV-2 based on PCR technology, drug resistance detection based on Sanger sequencing technology and screening of various pathogens based on metagenomics NGS.

We were the fourth largest infectious disease esoteric testing service provider in China in 2019 in terms of revenue, accounting for 6.2% of the market share. We generated RMB53.7 million, RMB64.4 million and RMB50.4 million revenue from infectious disease testing in 2018, 2019 and 2020, respectively. The tables below set forth the number of Class III hospitals and non-Class III hospitals and other institutions we provided infectious disease testing service to and the revenue generated from them during the Track Record Period. Other institutions include pharmaceutical companies, research institutes and third party testing laboratories.

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| **Number of serviced institutions** | | | |
| Class III Hospitals | 955 | 973 | 904 |
| Non-Class III Hospitals and Other Institutions | 477 | 481 | 377 |
| **Total** | **1,432** | **1,454** | **1,281** |

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *(RMB in thousands)* | | |
| **Revenue generated by institution type** | | | |
| Class III Hospitals | 46,801 | 55,650 | 41,949 |
| Non-Class III Hospitals and Other Institutions | 6,907 | 8,772 | 8,492 |
| **Total** | **53,708** | **64,422** | **50,441** |

The table below sets forth the number of esoteric tests we provide for infectious diseases by major disease types during the Track Record Period:

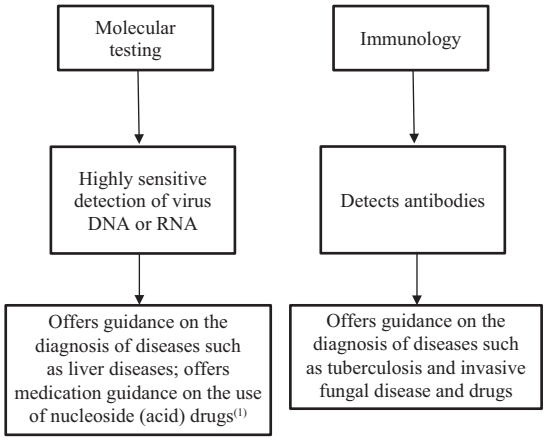
| | For the Year Ended December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *(in thousands)* | | |
| **Testing volume by sub-categories** | | | |
| Tuberculosis | 27.0 | 31.8 | 23.7 |
| Fungal infection | 33.8 | 34.7 | 20.4 |
| Liver disease | 79.7 | 49.0 | 45.4 |
| Others | 176.2 | 177.6 | 144.1 |
| **Total** | **316.6** | **293.1** | **233.6** |

***Current Services***

The table below sets forth the number of testing items we provide for infectious diseases by major disease types as of the Latest Practicable Date:

| Disease type | Number of testing items | Number of self-developed testing items | Percentage of self-developed testing items |
|---|---|---|---|
| Tuberculosis | 11 | 2 | 18% |
| Fungal infection | 15 | 0 | 0% |
| Liver disease | 59 | 25 | 42% |
| Others | 141 | 28 | 20% |
| **Total** | **226** | **55** | **24%** |

Below are esoteric testing services we provide for tuberculosis, invasive fungal disease ("IFD") and liver diseases, to illustrate our current testing services in the field.




*Notes:*

(1) Nucleosides (acid) drugs are widely used in the treatment of patients with chronic hepatitis B. Molecular testing offers highly sensitive detection of virus DNA, which is of great significance for the diagnosis of hepatitis B and medication guidance of nucleosides (acid) drugs.

Tuberculosis

Tuberculosis is a common and potentially fatal infectious disease caused by Mycobacterium tuberculosis. Tuberculosis usually infects and destroys the lungs and lymphatic system, but other organs such as the brain, central nervous system, circulatory system, urinary system, bones, joints, and even the skin can also be infected. We use the semi-nested real-time fluorescence PRC to detect tuberculosis infection as well as rifampicin resistance simultaneously. The testing method that some of our testing items rely on are illustrated in the table below:

| Testing methods | Technology platform | Clinical significance |
|---|---|---|
| Semi-nested real-time fluorescence PCR | Immunology | The test assists in the diagnosis of pulmonary tuberculosis, |

| Testing methods | Technology platform | Clinical significance |
|---|---|---|
| | | including primary and secondary pulmonary tuberculosis and bronchial tuberculosis, as well as extrapulmonary tuberculosis including tuberculous pleuritic, tuberculous meningitis and tuberculous pericarditis, etc. |

Invasive Fungal Disease

Invasive fungal disease is a type of fungal infections caused by pathogenic fungi that invade subcutaneous tissues, mucous membranes, muscles, and internal organs. They are characterized by high infection rates, high mortality rates, high rates of missed diagnoses, and difficulties in early diagnosis.

We use enzyme-linked immunosorbent assay (ELISA) to detect the level of IgM antibodies for aspergillus fumigatus, which offers assistance in the clinical diagnosis of pulmonary aspergillosis.

| Testing methods | Technology platform | Clinical significance |
|---|---|---|
| ELISA | Immunology | The test assists in the diagnosis of chronic pulmonary aspergillosis, allergic bronchopulmonary aspergillosis and subacute invasive aspergillosis. |

Liver Disease

There are many types of liver diseases with a variety of causes and symptoms, and we offer a comprehensive suite of esoteric testing services for their diagnosis, monitoring and treatment guidance. We have developed comprehensive testing items by using our various testing methods to provide guidance on the diagnosis and treatment management of liver diseases. The primary testing methods that our testing items rely on are listed below.

| Testing methods | Technology platform | Clinical significance |
|---|---|---|
| Highly sensitive quantitative detection of hepatitis B DNA/ PCR | Molecular testing | Provide guidance on the assessment of infectivity, medication selection, efficacy monitoring and evaluation of treatment endpoint, relating to hepatitis B. |
| Highly sensitive quantitative detection of hepatitis C RNA/ PCR | Molecular testing | Provide guidance on the assessment of infectivity, medication selection, efficacy |

| Testing methods | Technology platform | Clinical significance |
|---|---|---|
| | | monitoring and evaluation of treatment endpoint, relating to hepatitis C. |
| Quantitative detection of hepatitis B virus pgRNA/PCR | Molecular testing | The test reflects the activity of cccDNA in the liver, which provides guidance on drug usage, in particular nucleoside (acid) drugs. |
| Whole genome sequencing of hepatitis B resistance/Gene sequencing | Molecular testing | The test detects whether there is a mixed mutant of hepatitis B resistance, which helps to adjust the treatment plan. |
| Detection of 138 jaundice-related genes/NGS | Molecular testing | The test assists the diagnosis of cholestasis jaundice. |
| Detection of hepatolenticular degeneration Related genes/PCR/NGS | Molecular testing | Hepatolenticular degeneration is an autosomal recessive inherited disease of copper metabolism disorder. Genetic testing can not only assist in the diagnosis of such disease, but can also screen the patient's immediate family members. |

***New testing items in development***

As of the Latest Practicable Date, we were in the process of developing 11 testing items for infectious diseases. At present, our research and development focuses on mNGS detection and the combined screening of known pathogen infections in various systems, such as respiratory system and digestive system.

The key steps of developing testing items for infectious diseases include experiment design and experiment performing. Among all the new hematology disease testing items in development, seven of them are under experiment performing and four of them are under experiment design. Our new testing items involve NGS, glycome G-test and ELISA technologies.

**Oncology Testing**

***Overview***

Our testing services have enabled the diagnosis and treatment of over 30 oncology indications, primarily including lung cancer, breast cancer, colorectal cancer, prostate cancer, ovarian cancer, glioma

and thyroid cancer. We have established an oncology detection system, including pathomorphological detection, immunohistochemical detection, molecular pathological detection and other detection systems, such as point mutation detection based on PCR technology, single gene exons mutation detection based on Sanger sequencing technology, targeted treatment site screening based on NGS technology, circulating tumor cells detecting and peripheral blood ctDNA detection. We generated revenue of RMB7.2 million, RMB6.8 million and RMB7.6 million from oncology testing in 2018, 2019 and 2020, respectively.

The tables below set forth the number of Class III hospitals and non-Class III hospitals and other institutions we provided oncology testing service to and the revenue generated from them during the Track Record Period. Other institutions include pharmaceutical companies, research institutes and third party testing laboratories.

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| **Number of serviced institutions** | | | |
| Class III Hospitals | 256 | 202 | 212 |
| Non-Class III Hospitals and Other Institutions | 37 | 30 | 34 |
| **Total** | **293** | **232** | **246** |

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *(RMB in thousands)* | | |
| **Revenue generated by institution type** | | | |
| Class III Hospitals | 6,458 | 6,309 | 6,950 |
| Non-Class III Hospitals and Other Institutions | 746 | 477 | 647 |
| **Total** | **7,204** | **6,786** | **7,597** |

The table below sets forth the number of oncology esoteric tests we provided by major disease types during the Track Record Period:

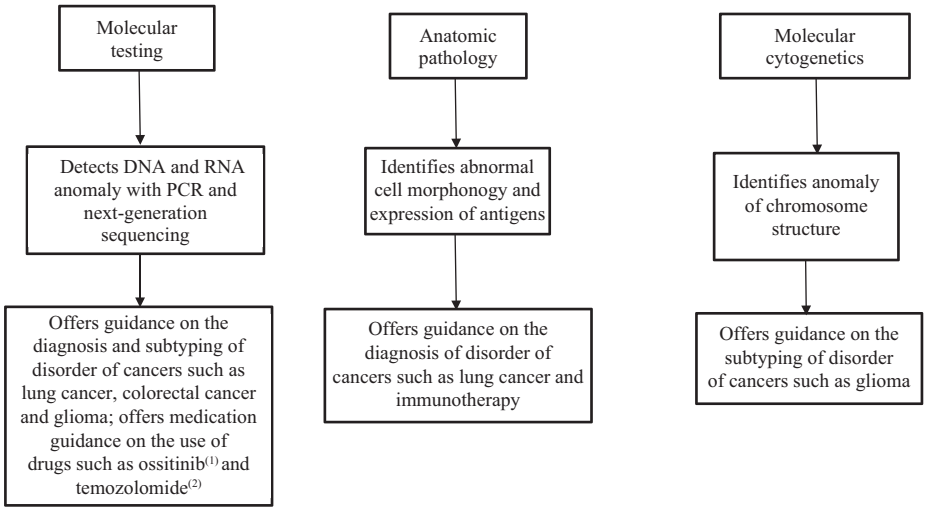
| | For the Year Ended December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *(in thousands)* | | |
| **Testing volume by sub-categories** | | | |
| Lung cancer | 1.7 | 0.9 | 0.9 |
| Colorectal cancer | 0.2 | 0.4 | 0.5 |
| Glioma | 1.7 | 2.0 | 1.2 |
| Breast cancer | 0.5 | 1.0 | 0.5 |
| Others | 4.3 | 5.2 | 8.5 |
| **Total** | **8.4** | **9.5** | **11.6** |

***Current Services***

The table below sets forth the number of testing items we provided for oncology by major disease types as of the Latest Practicable Date:

| Disease type | Number of testing items | Number of self-developed testing items | Percentage of self-developed testing items |
|---|---|---|---|
| Lung cancer | 44 | 10 | 23% |
| Colorectal cancer | 24 | 2 | 8% |
| Giloma | 10 | 4 | 40% |
| Breast cancer | 26 | 11 | 42% |
| Others | 358 | 88 | 25% |
| **Total** | **462** | **115** | **25%** |

Below are esoteric testing services we provide for selected major types of oncology, including lung cancer, colorectal cancer and glioma.




*Notes:*

(1) Ossitinib is recommended for the treatment of epidermal growth factor receptor (EGFR) mutation-positive non-small cell lung cancer (NSCLC) (level I recommendation) by the 2020 Guidelines for NSCLC by Chinese Society of Clinical Oncology (CSCO), the NCCN guidelines in the United States, the ESMO guidelines in Europe, and the JLCS guidelines in Japan. Molecular testing of EGFR-T790M mutation offers guidance for the use of ossitinib in connection with the diagnosis of NSCLC.

(2) Temozolomide is a medication used to treat glioma with MGMT promoter methylation. Molecular cytogenetics identifies such anomaly in DNA structure and offers guidance for the use of temozolomide in connection with the diagnosis of glioma with MGMT promoter methylation.

Lung Cancer

We have developed comprehensive testing items by using various testing methods to provide guidance on the diagnosis and treatment management of lung cancer, the primary testing methods that our testing items rely on are illustrated in the table below:

| Testing methods | Technology platform | Clinical significance |
|---|---|---|
| Detection of 63 lung cancer genes/ NGS | Molecular testing | Through the sequencing of 63 genes, the test provides guidance on individualized and precise medication for lung cancer. |
| NGS panoramic detection of oncology | Molecular testing | Through the sequencing of 680 genes, the test provides guidance on a full range of oncology tests, including targeted, immune, chemotherapy, and genetic test, and can match targeted drug therapy of up to 72 tumor-related drugs. |
| EGFR (T790M) gene mutation detection/Digital PCR | Molecular testing | Through the detection of EGFR-T790M mutation, the test provides guidance on EGFR secondary drug resistance detection and ossitinib medication guidance. |
| PD-L1 quadruple antibody detection/Immunohistochemistry | Anatomic Pathology | PD-L1 protein expression detection, used to guide immunotherapy. |
| Detection of early-stage lung cancer DNA methylation/ Fluorescence quantitative PCR | Molecular testing | Early screening and complementary diagnosis of lung cancer. |

Colorectal Cancer

We have developed comprehensive testing items by using various testing methods to provide guidance on the diagnosis and treatment management of colorectal cancer. The testing methods that our testing items rely on are illustrated in the table below:

| Testing methods | Technology platform | Clinical significance |
|---|---|---|
| Microsatellite instability test/PCR | Molecular testing | The test provides guidance on colorectal cancer 5-Fu |

| Testing methods | Technology platform | Clinical significance |
|---|---|---|
| | | chemotherapy, immunity and auxiliary interpretation of Lynch syndrome by detecting microsatellite-related sites. |
| KRAS+NRAS+BRAF detection/ PCR | Molecular testing | Through the detection of mutation of KRAS/NRAS/ BRAF, the test provides guidance on targeted therapy of colorectal cancer. |
| Detection of 52 gastrointestinal stromal tumor genes/NGS | Molecular testing | Through the detection of 52 genes related to the gastrointestinal tract, the test provides guidance on targeted and chemotherapy drugs. |
| Detection of 150 oncology genes/ NGS | Molecular testing | Through the detection of 150 genes related to oncology, the test provides guidance on the reference of gastrointestinal tumor targeted, immunity, and chemotherapy, including genetic genes. |
| NGS panoramic detection of oncology | Molecular testing | Through the sequencing of 680 genes, the test provides guidance on a full range of oncology tests, including targeted, immune, chemotherapy, genetic, and can match targeted drug therapy of up to 60 tumor-related drugs. |

Glioma

A glioma is a tumor that originates in the glial cells of the brain and is the most common primary brain tumors. The annual incidence rate of glioma in China is 5-8/100,000, and the 5-year mortality rate is only second to pancreatic cancer and lung cancer. It is more commonly seen in middle-aged and elderly population, with an increased incidence rate in population over 65 years old.

We have developed comprehensive testing items by using various testing methods to provide guidance on the diagnosis and treatment management of glioma. The testing methods that our testing items rely on are illustrated in the table below:

| Testing methods | Technology platform | Clinical significance |
|---|---|---|
| PCR and sequencing | Molecular testing | The test assists in the determination of molecular subtyping of glioma, especially anaplastic oligodendroglioma. It also offers medication guide as to temozolomide and prognosis assistance. |
| FISH | Molecular cytogenetics | The test assists in the determination of molecular subtyping of glioma, especially anaplastic oligodendroglioma. |

**Neurology Testing**

***Overview***

Our testing services have enabled the diagnosis and treatment of major neurology diseases, such as autoimmune encephalitis, paraneoplastic syndromes, peripheral nerve diseases, central nerve demyelination diseases, neuromuscular junction diseases and idiopathic inflammatory muscles. Our neurology testing services are supported by our platform technologies such as immunology and molecular testing.

We were the second largest neurology specialty testing service provider in China in 2019 in terms of revenue, accounting for 40.9% of the market share, and generated revenue of RMB60.2 million, RMB81.2 million and RMB76.0 million from neurology testing in 2018, 2019 and 2020, respectively. The tables below set forth the number of Class III hospitals and non-Class III hospitals and other institutions we provided neurology testing service to and the revenue generated from them during the Track Record Period. Other institutions include pharmaceutical companies, research institutes and third party testing laboratories.

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| **Number of serviced institutions** | | | |
| Class III Hospitals | 909 | 912 | 876 |
| Non-Class III Hospitals and Other Institutions | 172 | 216 | 230 |
| **Total** | **1,081** | **1,128** | **1,106** |

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| | (RMB in thousands) | | |
| **Revenue generated by institution type** | | | |
| Class III Hospitals | 57,515 | 77,932 | 72,759 |
| Non-Class III Hospitals and Other Institutions | 2,702 | 3,264 | 3,283 |
| **Total** | **60,217** | **81,196** | **76,042** |

The table below sets forth the number of neurology specialty tests we provide for by major disease types during the Track Record Period:

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| | (in thousands) | | |
| **Testing volume by sub-category** | | | |
| Nervous system infections | 6.3 | 7.1 | 7.3 |
| Neuroimmune disorders | 35.0 | 43.3 | 61.7 |
| Neurogenetics disorders | 1.2 | 1.5 | 2.3 |
| Drug-related tests | 1.0 | 0.4 | 1.1 |
| Others | 44.1 | 15.9 | 17.4 |
| **Total** | **87.5** | **68.3** | **89.9** |

***Current Services***

The table below sets forth the number of testing items we provided for neurology by major disease types as of the Latest Practicable Date:

| Disease type | Number of testing items | Number of self-developed testing items | Percentage of self-developed testing items |
|---|---|---|---|
| Nervous system infections | 6 | 1 | 17% |
| Neuroimmune disorders | 92 | 34 | 37% |
| Neurogenetics disorders | 4 | 0 | 0% |
| Drug-related tests | 1 | 0 | 0% |
| Others | 3 | 3 | 100% |
| **Total** | **106** | **38** | **36%** |

Below are esoteric testing services we provide for selected neuroimmune disorders, including autoimmune encephalitis and neuromyelitis optica spectrum disorders, to illustrate our current testing services in the field.

Autoimmune Encephalitis

Autoimmune encephalitis refers to a group of conditions that occur when the body's immune system mistakenly attacks healthy brain cells, leading to inflammation of the brain. Autoimmune encephalitis may be associated with antibodies to proteins on the surface of nerve cells, or within nerve cells. Some of these proteins are involved in passing signals between nerve cells.

We have developed comprehensive testing items by using various testing methods to provide guidance on the diagnosis and treatment management of autoimmune encephalitis. The testing methods that our testing items rely on are illustrated in the table below:

| Testing methods | Technology platform | Clinical significance |
|---|---|---|
| Anti-nerve cell antibody test | Immunology | We are able to test up to item-related autoantibodies, which provides guidance on the diagnosis of autoimmune encephalitis. |
| SY pathogenic microorganism gene detection | Molecular testing | The test is able to detect pathogen, bacteria, fungus, virus, tuberculosis and non-tuberculous mycobacteria, parasites, mycoplasma, chlamydia, rickettsia, and spirochetes, which assists the testing of fever of unknown origin. |
| Combined diagnosis of viral encephalitis | Molecular testing | The test can detect five major types of DNA mutations, which provides guidance on the identification of virus infection. |

Neuromyelitis Optica Spectrum Disorders

Neuromyelitis optica spectrum disorder (NMOSD), is a chronic disorder of the brain and spinal cord dominated by inflammation of the optic nerve and inflammation of the spinal cord. Our testing service related to NMOSD's diagnosis and monitoring is based on cell-based assays as described below:

| Testing methods | Technology platform | Clinical significance |
|---|---|---|
| Cell-based assays | Immunology | AQP4 antibody positivity supports the diagnosis of optic nerve myelitis, and level of antibody titers assists in monitoring disease progression and medication guide. |

*New testing items in development*

As of the Latest Practicable Date, we were in the process of developing 29 testing items for neurology diseases including autoimmune encephalitis, paraneoplastic syndromes, autoimmune cerebellitis, peripheral nerve diseases, central nerve demyelination diseases, neuromuscular junction diseases and idiopathic inflammatory myopathies.

The key steps of developing testing items for neurology diseases include experiment design and improvement and experiment performing. Among all the new hematology disease testing items in development, 16 of them are under experiment performing and 13 of them are under experiment design. Our new testing items involve cell based assay and dot immunoassay technologies.

**Maternity-related Testing**

*Overview*

Our maternity-related testing is supported by the combination of our platform technologies, such as genechip, Sanger sequencing, mass spectrometry, NGS and flow cytometry. We conducted 333.4 thousand, 353.8 thousand and 268.0 thousand maternity-related esoteric tests in 2018, 2019 and 2020, respectively. We generated RMB62.2 million, RMB64.1 million and RMB52.1 million revenues from maternity-related testing in 2018, 2019 and 2020, respectively. The tables below set forth the number of Class III hospitals and non-Class III hospitals and other institutions we provided maternity-related testing service to and the revenue generated from them during the Track Record Period. Other institutions include pharmaceutical companies, research institutes and third party testing laboratories.

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| **Number of serviced institutions** | | | |
| Class III Hospitals | 414 | 422 | 389 |
| Non-Class III Hospitals and Other Institutions | 704 | 683 | 65 |
| **Total** | **1,118** | **1,105** | **1,040** |

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *(RMB in thousands)* | | |
| **Revenue generated by institution type** | | | |
| Class III Hospitals | 21,027 | 21,106 | 14,243 |
| Non-Class III Hospitals and Other Institutions | 41,177 | 43,016 | 37,876 |
| **Total** | **62,204** | **64,122** | **52,119** |

***Current Services***

As of the Latest Practicable Date, we offered 218 testing items for maternity-related diseases. Listed below are examples of esoteric testing services we provide for selected maternity-related diseases, including noninvasive prenatal screening testing and HPV testing.

| Disease type | Number of testing items | Number of self-developed testing items | Percentage of self-developed testing items |
|---|---|---|---|
| Gynecological infections | 34 | 10 | 29% |
| Gynecologic oncology | 38 | 3 | 8% |
| Paternity/maternity testing | 12 | 0 | 0% |
| Reproductive-related testing | 96 | 31 | 32% |
| Newborn screening | 4 | 3 | 75% |
| Prenatal testing | 34 | 5 | 15% |
| **Total** | **218** | **52** | **24%** |

Noninvasive Prenatal Testing

Noninvasive prenatal testing, or NIPT, is a method of determining the risk that the fetus will be born with certain genetic abnormalities. Our testing service related to NIPT is based on NGS as described below.

| Testing methods | Technology platform | Clinical significance |
|---|---|---|
| NGS | Molecular testing | The test assesses the risk of fetal aneuploidy of chromosomes 13, 18 and 21 by detecting the cell-free DNA in maternal peripheral blood and prevents the birth of children with chromosomal defects. |

HPV Testing

HPV testing refer to the process of collecting cells from the cervix to check for abnormalities or the presence of cancer. Our HPV testing service is based on real-time quantitative PCR and is described as below.

| Testing methods | Technology platform | Clinical significance |
|---|---|---|
| Real-time quantitative PCR | Molecular testing | The test distinguishes and quantifies accurately among 21 types of HPV using quantitative PCR. It can more accurately identify the most common HPV types 16, 52, 58 and 33, which are reported by the WHO as the |

| Testing methods | Technology platform | Clinical significance |
|---|---|---|
| | | most carcinogenic HPV types in the Chinese population, and provide a stratification of high, medium and low risk for the detection of HPV types to guide clinical management; and predict the progression and fate of cervical lesions based on viral load. |

**COVID-19-Related Testing**

In response to COVID-19, we first developed nucleic acid testing capability based on our PCR technology under our molecular testing technology platform for COVID-19 and began to offer COVID-19-related testing services in February 2020. Subsequently, we also developed immuno-based COVID-19 detection testing service. With COVID-19 remaining a threat to the world, we have turned our COVID-19-related testing services into a regular line of service and continue to offer testing services to those who are in need. The turnaround time for our COVID-19 testing is around half a day, starting from the time when the samples are delivered to our labs. As of the Latest Practicable Date, we had finished nearly 2.2 million COVID-19-related tests. For the year ended December 31, 2020, we generated revenue of RMB117.9 million from COVID-19 related testing.

During the development and commercialization process of COVID-19 related testing, we have accumulated valuable experience in emergency response and enhanced efficiencies in device procurement, sample collection, logistics, laboratory testing, test results reporting, communication with health authorities and cooperation across our internal departments. We are well-equipped to rapidly meet the testing demand that results from regional outbreak of a pandemic.

**Routine Testing**

We provide routine testing service in biochemistry, immunology, blood and microbiology, such as examining liver and kidney function, blood lipids and blood sugar, various hormones, tumor markers, bacterial/fungal culture identification and drug sensitivity test. In addition, we also serve Class III hospitals in providing testing services that are highly specialized relying on testing methods such as fully automatic blood coagulation test, automated fixed immunoelectrophoresis/isoelectric focusing electrophoresis, antibody test and manual test and other. Many of such testing items are offered by only limited number of independent clinical laboratories in China. We offered more than 1,700 testing items in routine testing as of the Latest Practicable Date. We provided our routine testing services to 1,953, 1,539 and 1,535 hospitals in 2018, 2019 and 2020, respectively. Among these hospitals, there were 790, 385 and 420 Class III hospitals. We conducted in total 1,116.6 thousand, 1,337.2 thousand and 983.4 thousand routine tests in 2018, 2019 and 2020, respectively, and generated revenue of RMB78.9 million, RMB82.4 million and RMB67.5 million in the respective periods.

## OUR TESTING SERVICES FOR R&D PROJECTS AND OTHERS

We work with CROs and pharmaceutical companies to provide clinical testing support for their scientific research and clinical trials as well as with other clients in serving their testing needs such as forensics. The samples taken from human bodies, such as bone marrow, blood, urine, cerebrospinal fluid and tissues are sent to our laboratories and then we use (i) commercial in-vitro diagnostics, and/or (ii) tests designed, manufactured and developed in-house to conduct analysis and generate research data for our clients. We deliver an analysis report upon completion of services, which may be customized depending on the need of our clients. In addition to offering testing service, we provide consultation and evaluation services to help our clients to analyze and evaluate the testing results generated in their in-house laboratories. We also provide storage service supported by our advanced storage equipment, such as ultra-low temperature lab freezers to store tissue specimens which are monitored via computerized probes on a continuous basis to ensure that temperatures are maintained at appropriate levels.

During the Track Record Period, we worked with CROs, pharmaceutical companies and biotechnology companies on 26 clinical trials, providing medical research, clinical trial services and translational medicine study services. The research results supported by our services have been published in 25 articles on scientific journals, such as Frontiers in Immunology, Frontiers in Oncology, Journal of Translational Medicine, Annals of Hematology, Leukemia Research and International Journal of Laboratory Hematology.

## OUR TECHNOLOGY

### Testing Technologies Platforms

Through the combinatory use of different technologies, we provide comprehensive testing services and solutions to our customers. Our technology platforms include molecular testing, flow cytometry, molecular cytogenetics, mass spectrometry and clinical chemistry and immunology under clinical pathology and technologies under anatomic pathology such as bone marrow biopsy.

#### *Molecular Testing*

*Overview*

Most molecular techniques rely on the analysis of DNA and/or RNA, as well as the structure and function of genes at the molecular level. Molecular testing is typically used in diagnosis, risk stratification, efficacy monitoring and prognosis evaluation of various diseases, such as hematological diseases, infectious diseases, genetic diseases and rare diseases, oncology, cardiovascular and cerebrovascular diseases, neurological diseases and maternity-related diseases. Our testing services under the molecular platform are supported by our professional testing equipment, including gene analyzer (first generation sequencer), CobasAmpliPrep&Taqman 48 system, Miseq sequencer, GCS3000Dx GeneChip system, Proton semiconductor sequencer, NextSeq550 sequencer, digital gene expression profiling system, real-time fluorescent quantitative PCR instrument. Turnaround time from input to issuance of clinical report varies depending on the specific tests, but generally takes 2-20 days under our molecular testing platform, with an acceptable error rate of lower than 0.1%. Our experienced testing personnel are responsible for operating

the testing equipment and analyzing test reports. Generally, for equipment operation and report analysis, our testing personnel are required to be certified as clinical medical laboratory technicians, obtain physician's practicing certificate, or obtain certificate of training in clinical gene amplification test, as the case may be.

As of the Latest Practicable Date, we offered 754 testing items based on our molecular testing platform, through testing techniques primarily including PCR, Sanger sequencing, NGS, genechip and Luminex. We conducted in total 465.1 thousand, 528.6 thousand and 557.8 thousand tests through our molecular testing platform in 2018, 2019 and 2020, respectively. The following table sets forth the testing volume as measured by the molecular testing methods for the years ended December 31, 2018 and 2019 and 2020.

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | | *(in thousands)* | |
| **Testing volume by testing method** | | | |
| PCR | 365.2 | 421.5 | 442.2 |
| NGS | 13.4 | 17.6 | 44.5 |
| Sanger sequencing | 60.9 | 52.4 | 29.9 |
| Luminex | 20.0 | 29.6 | 28.1 |
| Genechip | 2.7 | 3.2 | 2.9 |
| Others | 2.9 | 4.3 | 10.3 |
| **Total** | **465.1** | **528.6** | **557.8** |

*Technologies and advantages*

PCR

Polymerase chain reaction, or PCR, is one of the fundamental testing method used in a variety of our services. By rapidly duplicating millions of copies of a specific DNA sample leveraging our PCR technology, our laboratories are able to take a very small sample of DNA and amplify it to a large enough amount to study the sample in detail.

We use and tailor the PCR-based methods and procedures to support our testing service such as the auxiliary clinical diagnoses of leukemia, multiple myeloma, infectious diseases, oncology, hereditary diseases and cardiovascular diseases, and provides guidance on the medication for CML patients.

Leveraging our capability of developing tailored and novel testing items in a timely and scalable fashion, we responded quickly and commenced testing for COVID-19 starting from February 2020 relying on our PCR-based technologies, which enables us to detect the coronavirus. We began to offer COVID-19 testing services to hospitals located in Wuhan in February 2020, and expanded our services to Xinjiang and Beijing in June and July 2020. As of the Latest Practicable Date, we had performed nearly 2.2 million COVID-19 nucleic acid tests.

NGS

Next-generation sequencing, or NGS, also known as high-throughput sequencing, refers to the set of innovative sequencing technologies that improves efficiency in sequencing DNA and RNA. NGS enables us to perform a wide variety of tests covering key markets, including hematology and oncology, in which efficiency and scalability are highly valued.

By leveraging our proprietary NGS technologies, we have generated a set of highly efficient testing methods that allow us to produce accurate clinical results. Our molecular biology laboratory has developed various NGS gene panels in the field of hematologic malignancies following well-recognized expert consensus, industry standards, and guidelines. We have developed more than 200 testing items based on our NGS technologies used in the diagnosis, prognosis and medication guide of diseases such as myeloid malignancies and lymphoma. Physicians are able to select tests from our extensive testing portfolios for clinical diagnosis, prognosis stratification and medication guidance that are most suitable to different types of diseases.

Our NGS testing services are supported by extensive databases with proprietary analysis knowhow. We have established our own bioinformatics analysis process and report analysis system, based on our self-developed hematologic malignancies database that contains over 30,000 mutation sites with detailed interpretation and third-party databases, including 31 public databases and two subscription-based databases. This has greatly increased the operation efficiency for our testing services. Leveraging the proprietary analysis process and large database, we are able to automatically generate testing reports based on the NGS raw data collected from patients' samples.

Sanger Sequencing

Sanger sequencing refers to the testing method that determines nucleotide sequences of DNA by identifying different DNA fragments through signal. Sanger sequencing is a robust testing method that we employ to determine whether a point mutation or small deletion or duplication is present. The advantage of Sanger sequencing lies in the precise detection of gene mutation, including multi-site mutations or unknown mutations in a certain DNA sequence.

We have widely applied Sanger sequencing in several of our key testing areas. With Sanger sequencing, we are able to carry out tests relating to personalized targeted therapy for various hematological malignancies such as lymphoma, ALL, AML, CML and MPN and provide guidance on the diagnosis, prognosis and medication for these diseases. Sanger sequencing also assists us with the detection of gene mutations in genetic diseases including hemophilia and hepatolenticular degeneration, verification of gene mutations detected through NGS tests, HLA typing and matching, multiplex ligation-dependent probe amplification and other related tests, and provide guidance on the diagnosis and consultation of such genetic diseases.

Luminex

Luminex is a high-throughput and multifunctional liquid phase analysis platform. It can detect up to 100 target molecules in one microwell plate sample, ranging from nucleic acids to proteins. Through Luminex, we are able to carry out a broad range of nucleic acid tests such as a full set of thalassemia gene tests and human papillomavirus genotyping, and protein tests such as PRA qualitative screening, DSA

quantification, detection of 12 tumor markers and 15 immune and inflammation-related cytokines. With our Luminex technology, we are able to help physicians with the diagnosis of diseases such as thalassemias and cervical cancer, closely monitor the prognosis of certain tumors, and provide medication guide before and after certain transplant procedures. Our Luminex technology also provides helpful guidance on the diagnosis, observation and efficacy analysis of certain immunodeficiency diseases.

Genechip

Our genechip technology utilizes microscopic arrays (microarrays) of molecules immobilized on solid surfaces for biochemical analysis, such as polymorphism detection, DNA resequencing, and genotyping on a genomic scale. Our genechip technology empowers our diagnosis service in a wide variety of diseases such as hematological diseases and genetic disorders. Our genechip technology also provides vital guidance on the prognosis of myelodysplastic syndromes (MDS). Notably, our Chromosomal Microarray Analysis (CMA) platform has accumulated data of genomic copy number variations, or CNVs, for over 10,000 blood samples, covering the whole genome variation from 22 pairs of autosomal and sex chromosome, such as microdeletions, microduplication, large fragment structural abnormalities, numerical abnormalities, chimerism, runs of homozygosity and uniparental disomy, which allow us to quickly and accurately detect a wide array of diseases.

***Flow Cytometry***

*Overview*

Flow cytometry is a technique utilized to measure the characteristics of cell populations, including the relative size, granularity or internal complexity and fluorescence intensity, which provide insight as to the abnormal and/or malignant cell populations. Flow cytometry is typically utilized in diagnosing a wide variety of hematopoietic and lymphoid neoplasms, oncology and immune disorders. Flow cytometry is also used to monitor patients during the course of therapy to identify extremely low levels of residual malignant cells, known as MRD monitoring. Recent developments in flow cytometry aim to provide broader and more accurate analyses, and flow cytometry has seen advancements in its applications, including enhancing our understanding of the physiology and pathogenesis of infectious diseases. Our testing services under the flow cytometry platform are supported by our professional testing equipment, including BD FACS canto II flow cytometer, BD FACS calibur flow cytometer and MILLipore guava easy cyteTM8 micro cytometer and BD FACSCantoTM 10-Color Configuration flow cytometer. Turnaround time from input to issuance of clinical report varies depending on the specific tests, but generally takes 1-5 days under our flow cytometry platform, with an acceptable error rate of lower than 0.1%. Our experienced testing personnel are responsible for operating the testing equipment and analyzing test reports. Generally, for equipment operation and report analysis, our testing personnel are required to be certified as clinical medical laboratory technicians or obtain physician's practicing certificate, as the case may be.

As of the Latest Practicable Date, we offered 40 testing items based on our flow cytometry platform through implementing various testing methods, primarily including immunophenotyping, flow cytometry detection of MRD, lymphocyte subset test and HLA-B27 analysis. Our flow cytometry primarily focuses on testing in hematologic and autoimmune diseases. We conducted in total 131.3 thousand, 149.0 thousand and 132.8 thousand tests through our flow cytometry platform in 2018, 2019 and 2020, respectively. The

following table sets forth the testing volume of different flow cytometry testing methods for the years ended December 31, 2018, 2019 and 2020, respectively.

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | | *(in thousands)* | |
| **Testing volume by testing method** | | | |
| Immunophenotyping | 38.8 | 43.6 | 41.7 |
| MRD detection | 48.9 | 57.3 | 57.7 |
| lymphocyte subset test | 6.3 | 7.7 | 6.2 |
| HLA-B27 analysis | 9.5 | 8.9 | 7.0 |
| Others | 27.8 | 31.5 | 20.4 |
| **Total** | **131.3** | **149.0** | **132.8** |

*Technologies and Advantages*

Immunophenotyping

Immunophenotyping is a common flow cytometry test in which fluorophore-conjugated antibodies are used as probes for staining target cells with high avidity and affinity. By applying this technology, our clinical experts are able to identify cells on the basis of the types of markers or antigens that exist on the surface of the cells, nucleus or cytoplasm. With the help of antibodies that detect markers or antigens on the cells, immunophenotyping allows us to detect the lineage of the cells using antibodies.

We mainly use immunophenotyping to conduct diagnosis or support physician's diagnosis for hematological diseases such as leukemia and lymphoma, as well as other tumors that invade the hematologic system. We also use immunophenotyping to detect abnormal cells in body fluid, including pleural fluid.

We keep pace with the latest development in immunophenotyping technologies and use comprehensive diagnostic indicators and have the ability to accurately phenotype by flow cytometry, which improves the accuracy of the diagnosis results. We also work with domestic experts in the formulation of relevant diagnosis and treatment guidelines.

MRD Detection

MRD, or minimal residual disease, refers to a very small number of cancer cells that remain in the patients' system during or after the treatment that can be found only by highly sensitive laboratory methods. MRD is the major cause of leukemia relapse.

We apply flow cytometry techniques in MRD detection to trace malignant cells among a large number of normal cells in the blood or bone marrow sample. MRD detection is primarily conducted for hematologic cancers, such as lymphoma and leukemia, as well as other diseases that invade the hematologic system, which can assist physicians in assessing treatment efficacy, monitoring patient remission status, detecting relapse of cancer and adjusting treatment plans accordingly, and thereby improving patients' survival rate.

Compared with others, our MRD detection technology has higher sensitivity and accuracy and shorter reporting period. This is achieved by the combinatory use of both leukaemia-associated immunophenotypes and abnormal cell identification in MRD detection as the combination reduces errors caused by excessive antigen drift. In addition, we are continuously updating our MRD panel to improve our accuracy and sensitivity by studying the phenotypic characteristics of various diseases and related phenotype characteristics after treatment.

Lymphocyte Subset Test

Lymphocyte subset test helps analyze the functioning of immune system by determining the level of T cells, including helper T cells and cytotoxic T cells, B cells and natural killer cells. By monitoring the change in levels of different lymphocytes, our lymphocyte subset test provides critical insight into the patients' health condition and prognosis of relevant diseases.

HLA-B27

HLA-B27 is a type of surface antigen that is commonly associated with ankylosing spondylitis, a type of arthritis that can cause pain and stiffness in patients' spine for a lifetime. Our HLA-B27 test detects the level of such antigen on T-cells and assists in the diagnosis of ankylosing spondylitis. We have been offering HLA-B27 tests for several decades, maintaining a relatively high level of sensitivity and specificity.

***Molecular cytogenetics***

*Overview*

Molecular cytogenetics involves analyzing the chromosome structure to identify changes from patterns seen in normal chromosomes. Cytogenetic studies are often performed to provide diagnostic, prognostic and predictive information for patients with hematological malignancies. Our testing services under the molecular cytogenetics platform are supported by our professional testing equipment, including Leica Biosystems CytoVision GSL120-Stacker, Zeiss chromosome scanning analysis system Axio Imager Z2, Zeiss ISIS-FISH analysis system Axio Imager M2 and Metaphase HarvesterHANABI-PIII plus. Turnaround time from input to issuance of clinical report varies depending on the specific tests, but generally takes 3-10 days under our molecular cytogenetics platform, with an acceptable error rate of lower than 0.1%. Our experienced testing personnel are responsible for operating the testing equipment and analyzing test reports. Generally, for equipment operation and report analysis, our testing personnel are required to be certified as clinical medical laboratory technicians, obtain physician's practicing certificate, or obtain certificate of training in clinical gene amplification test, as the case may be.

As of the Latest Practicable Date, we offered 65 testing items based on our molecular cytogenetics platform, through testing methods such as karyotype analysis, FISH, magnetic beads sorting technology, and chromosomal aberration and micronucleus detection technology. We conducted in total 141.1 thousand, 161.2 thousand and 152.0 thousand tests through our molecular cytogenetics platform in 2018, 2019 and 2020, respectively. The following table sets forth the testing volume of different molecular cytogenetics testing methods for the years ended December 31, 2018, 2019 and 2020, respectively.

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | | *(in thousands)* | |
| **Testing volume by testing method** | | | |
| Karyotype analysis | 80.6 | 87.7 | 72.3 |
| FISH | 55.5 | 68.5 | 72.5 |
| Magnetic beads sorting technology | 2.6 | 3.3 | 3.9 |
| Chromosomal aberration detection technology | 1.0 | 0.2 | 0.4 |
| Micronucleus detection technology | 0.3 | 0.4 | 1.4 |
| other | 1.1 | 1.2 | 1.7 |
| **Total** | **141.1** | **161.2** | **152.0** |

*Technologies and Advantages*

Karyotype Analysis

Karyotyping examines, analyzes and evaluates the number and structure of patients' chromosomes to detect abnormalities, thus helping physicians to diagnose the disorders or diseases in their blood, gene or lymphatic system. Our karyotype analysis assists physicians in the diagnosis, formulation of treatment strategy and prognosis of certain hematologic malignancies caused by chromosomal translocation, including CML and AML.

We have accumulated over ten years of extensive experience in the application of karyotype analysis, which enables us to build a number of core competencies in this technology. For instance, our laboratories are equipped with automatic cell harvesting system and automatic cell imaging system, which greatly improves the automation of our testing process, enabling us to significantly enhance the stability and efficiency of our testing process and the accuracy of our testing reports.

FISH

Fluorescence in situ hybridization, or FISH, is the cytogenetic technique we use to analyze the genetic materials in the patients' cells. By combining the fluorescent probes to the nucleic acid sequence with a high degree of complementarity, we are able to either detect the existence of specific chromosomes or locate the missing part in the patient's DNA sequencing.

Our FISH techniques can be used for a variety of tests in the diagnosis, formulation of treatment strategy and prognosis of hematological diseases, including CML, AML and lymphoma. We have a comprehensive selection of probes covering almost all of the hematological disorders on the market and the ability to develop specialty probes if needed.

Magnetic Beads Sorting Technology

Magnetic beads sorting technology is a cell separation technology. By attaching magnetic beads to antibodies, which are placed in an external magnetic field, and passing cells through the magnetic field, targeted cells with specific surface antigens are captured while other cells are washed out. Our magnetic beads sorting technology is primarily used in the separation and enrichment of CD138+multiple myeloma cells, which increases the detection rate of abnormalities. Our magnetic beads sorting technology is also applied in the research of B cells, T cells and natural killer cells as well as Epstein-Barr virus.

Chromosomal Aberration Detection Technology

Chromosomal aberration detection technology examines metaphase chromosomes to detect abnormalities caused by radiation. Chromosomes in human somatic cell are extremely vulnerable to ionizing radiation, which can cause significant injuries to tissues and organs and even cancer. By detecting the chromosomal aberration in samples prepared using peripheral blood lymphocyte, our chromosomal aberration detection technology is effective at identifying potential radiation injury.

Micronucleus Test

Micronucleus is an abnormal structure in eukaryotic cells and a manifestation of chromosomal aberrations in interphase cells, which is formed in the cytoplasm after cells are affected by external damaging factors resulting in lost or broken chromosomes. We use micronucleus test to screen for the potential genotoxic carcinogens that result in genetic damages. This test is typically used in physical examination of radiation workers and examination of cancer patients after chemotherapy.

We enhance our technology advantages in the area of micronucleus testing predominately through technology integration. In particular, we have managed to apply AI technologies in the detection and analysis of human micronucleus, and we have patented our AI-assisted micronucleus testing system. As a result, the accuracy and efficiency of our micronucleus test have been greatly improved. In the future, we plan to continue to increase the level of automation and AI in this area, which we believe will accelerate our technology development in a cost-effective manner.

***Mass Spectrometry***

*Overview*

Mass spectrometry is an analytical technique that measures the mass-to-charge ratio of ions. The results are typically presented as a mass spectrum, a plot of intensity as a function of the mass-to-charge ratio, which are typically used in the testing areas such as newborn screening for inborn errors of metabolism, determination of various vitamins in human serum, monitoring of blood drug concentration for antiepileptic drugs and immunosuppressive drugs, ADAMTS13 activity determination and analysis of tumor markers. Our testing services under the mass spectrometry platform are supported by our professional testing equipment, including AB-Sciex API 4000+, LCMS 8050, Warters TQ-s. Turnaround time from input to issuance of clinical report varies depending on the specific tests, but generally takes 3-5 days under our mass spectrometry platform, with an acceptable error rate of lower than 0.1%. Our experienced testing

personnel are responsible for operating the testing equipment and analyzing test reports. Generally, for equipment operation and report analysis, our testing personnel are required to be certified as clinical medical laboratory technicians or obtain physician's practicing certificate, as the case may be.

As of the Latest Practicable Date, we offered 14 testing items based on our mass spectrometry platform, through testing methods, including LC-MS, GC-MS and SELDI-TOF-MS and had conducted in total 55.0 thousand, 58.3 thousand and 51.0 thousand tests through our mass spectrometry platform in 2018, 2019 and 2020, respectively. The following table sets forth the testing volume as measured by the mass spectrometry testing methods for the years ended December 31, 2018, 2019 and 2020, respectively.

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | | *(in thousands)* | |
| **Testing volume by testing method** | | | |
| LC-MS | 41.5 | 43.2 | 37.5 |
| GC-MS | 11.4 | 12.4 | 11.3 |
| SELDI-TOF-MS | 2.1 | 2.7 | 2.2 |
| **Total** | **55.0** | **58.3** | **51.0** |

*Technologies and Advantages*

LC-MS

LC-MS is an analytical technique that combines mass spectrometry with liquid chromatography. With its physical separation capabilities, liquid chromatography can separate mixtures with multiple components, while mass spectrometry can provide structural identity of the individual components with high specificity and sensitivity.

We primarily use LC-MS to screen and help the clinical experts diagnose and monitor hereditary metabolism disorders by detecting up to 45 diseases in a single drop of blood. For example, one of such diseases is primary ciliary dyskinesia (PCD), a fatal genetic disorder that can cause acute heart failure of infants or children. After the diagnosis, LC-MS also helps physicians to adjust the dosage of medication based on the level of free carnitine and acylcarnitine detected during the ongoing observation period. We also use LC-MS to determine the concentration of vitamin D, fat-soluble vitamins in serum and various drugs in blood samples.

Our LC-MS laboratory passed the ISO 15189 standard in 2017. Our LC-MS technology can detect up to 18 types of steroid hormones, which can be freely structured and combined in different ways based on clinical need.

GC-MS

GC-MS is a highly efficient ion optical system that combines gas chromatography and mass spectrometry to identify different components in a test sample. Various components are separated with a gas chromatograph, which can then be identified with a mass spectrometer.

Our GC-MS method can detect up to 132 kinds of urinary organic acids, and it can also verify the positive results tested by LC-MS to assist in the diagnosis and ongoing observation of genetic metabolic diseases. For example, GC-MS test is usually required for the diagnosis of methylmalonic academia, a serious metabolic disease that can cause serious conditions or even sudden death as a result of metabolic acidosis. We use bioinformatics analysis methods to find different metabolite components in healthy people and cancer patients, in order to discover substances relating to potential tumors to achieve early detection and diagnosis of tumors. Given the difficulties in application, many of our peers do not offer GC-MS related services.

SELDI-TOF-MS

SELDI-TOF-MS, also known as proteomic fingerprinting, is a method that can detect specific proteome that is the unique metabolite of a certain type of disease, much like a "fingerprint," and thus provide diagnostic guidance on the diseases associated with such proteome. SELD-TOF-MS is widely considered to be a new and effective testing method for tumor markers.

Our SELDI-TOF-MS method is primarily applied in the screening and prevention of tumor, with a specificity more than 75% as well as an increased sensitivity. It can also document the development of proteomic fingerprint at different stages of the disease for each individual patient, providing individualized guidance for treatment of each patient. Our SELDI-TOF-MS method can also provide fast and accurate testing of the activity level of ADAMTS 13, a type of protease, the low activity level (below 10%) of which indicates thrombotic thrombocytopenic purpura. Our SELDI-TOF-MS method can analyze multiple proteome simultaneously, with a wide range of molecular weight from 0.02 kDa to 500 kDa.

***Clinical Chemistry and Immunology***

Clinical chemistry uses biochemical reactions to perform testing, while clinical immunology uses antibody reaction to perform testing. Over the years, we have developed equipment to automatically complete many of such tests. As of the Latest Practicable Date, our clinical chemistry testing service offered 129 testing items. As of the same date, our clinical immunology testing service offers 376 testing items. Clinical chemistry and immunology are primarily used to assess the functioning of relevant tissues and organs by testing and assist disease diagnosis by analyzing the products of immune response and metabolism. Our testing services under the clinical chemistry and immunology platform are supported by our professional testing equipment, including Roche cobas E601 electrochemiluminescence analyzer, Roche c501 biochemical analyzer, Siemens IMMULITE2000 chemiluminescence analyzer, HYDRASYS②Automatic electrophoresis instrument, ACL-TOP700 automatic blood coagulation instrument, ELX-800 automatic microplate reader. Turnaround time from input to issuance of clinical report varies depending on the specific tests, but generally takes within one day under our clinical chemistry and immunology platform, with an acceptable error rate of lower than 0.1%. Our experienced testing personnel are responsible for operating the testing equipment and analyzing test reports. Generally, for equipment operation and report analysis, our testing personnel are required to be certified as clinical medical laboratory technicians or obtain physician's practicing certificate, as the case may be.

The following table sets forth the testing volume as measured by clinical chemistry and immunology testing methods for the years ended December 31, 2018, 2019 and 2020, respectively.

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | | *(in thousands)* | |
| **Testing volume by testing methods** | | | |
| Automated chemiluminescense detection | 1,106.0 | 1,141.2 | 530.6 |
| Automated electrophoresis | 119.3 | 126.8 | 70.0 |
| Automated indirect immunofluorescence technique | 114.1 | 166.0 | 105.1 |
| Automated western blot | 318.4 | 473.9 | 366.9 |
| Automated immunoturbidimetric detection | 189.4 | 269.2 | 143.2 |
| Automated instrumental analysis | 490.9 | 481.8 | 271.2 |
| ELISA | 438.6 | 514.2 | 378.9 |
| Manual methods | 114.3 | 204.6 | 206.8 |
| Atomic absorption technique | 328.0 | 324.6 | 161.9 |
| **Total** | **3,219.0** | **3,702.3** | **2,234.6** |

*Technologies and Advantages*

Below are selected highlights of our clinical chemistry and immunology under automated electrophoresis and manual methods, including isoelectric focusing, blood coagulation test and hemolytic anemia test.

Isoelectric Focusing

Our isoelectric focusing technology can separate and concentrate different proteins in a buffering pH gradient. In a high voltage environment, proteins placed within the gradient will migrate electrophoretically until they reach their isolectric point.

With isoelectric focusing, we are able to detect immune globulin in cerebrospinal fluid, which is a critical signal for central nervous system diseases, providing guidance to the diagnosis of multiple sclerosis, Alzheimer's disease, myelitis, paraneoplastic encephalitis and others.

We are one of the few ICLs in China who have developed the "Protis coordinates analytical software," combining the various test results and the diagrams, including these resulted from tests relying on isoelectric focusing in a coherent way that allows for accurate and precise analysis of the functioning of blood–brain barrier and assists the diagnosis of central nervous system diseases.

Blood Coagulation Test under Automated Instrumental Analysis

With our automated blood coagulation analyzer, we are able to carry out tests relating to the blood coagulation function using immunoturbidimetric detection technology. We offer comprehensive testing for all blood coagulation factors, systemic lupus erythematosus, anticoagulant system and the inhibitor for the blood coagulation factors, providing guidance on the diagnosis of hemophilia, vitamin K deficiency, thrombophilia and disseminated intravascular coagulation, and the efficacy of blood transfusion treatment.

Given the strict requirement of quality control and relatively high cost of the test, we are one of the few ICLs in China who are able to offer the comprehensive testing services for the above testing items.

Hemolytic Anemia Test under Manual Methods

Hemolytic anemia is a type of anemia that results from the abnormally rapid destruction of red blood cells. With a combination of manual methods and automated capillary electrophoresis, we are able to offer testing services for nine testing items, including the functioning of erythrocyte membrane, enzymes of erythrocytes and hemoglobin. Our hemolytic anemia test offers diagnosis guidance on G6PD deficiency, thalassemias, hereditaryspherocytosis and hemoglobinopathy. Given the complexity of traditional manual testing, we are one of the few ICLs in China that offer comprehensive hemolytic anemia testing service.

***Anatomic Pathology***

*Overview*

Anatomic pathology involves the study and diagnosis of disease through the examination of surgically removed organs, tissues (biopsy samples) and bodily fluids. Aspects of a bodily specimen that may be considered include its gross anatomical make up, appearance of the cells using immunological markers and chemical signatures in the cells. Techniques used in pathological analysis primarily include bone marrow biopsy and examination, cell pathology, circulating tumor cell, immunohistochemistry, oncology FISH and renal biopsy. Our testing services under the anatomic pathology platform are supported by our professional testing equipment, including automatic immunohistochemistry instrument AutostainerLink48. Turnaround time from input to issuance of clinical report varies depending on the specific tests, but generally takes 3-5 days under our anatomic pathology platform, with an acceptable error rate of lower than 0.1%. Our experienced testing personnel are responsible for operating the testing equipment and analyzing test reports. Generally, for equipment operation and report analysis, our testing personnel are required to be certified as clinical medical laboratory technicians or obtain pathologist practicing certificate, as the case may be. As of the Latest Practicable Date, our anatomic pathology testing service offered 13 testing items. We conducted a total of 391.9 thousand, 378.5 thousand and 327.2 thousand tests through our anatomic pathology platform in 2018, 2019 and 2020, respectively. The following table sets forth the testing volume as measured by anatomic pathology testing methods for the years ended December 31, 2018, 2019 and 2020, respectively.

| | For the Year Ended December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | | *(in thousands)* | |
| **Testing volume by testing methods** | | | |
| Bone marrow biopsy | 27.1 | 31.6 | 30.7 |
| Immunohistochemistry | 22.0 | 37.7 | 50.2 |
| Bone marrow examination | 10.5 | 10.8 | 11.8 |
| Oncology FISH | 1.3 | 1.0 | 5.2 |
| Cell pathology | 258.6 | 224.5 | 176.5 |
| Renal biopsy | 1.1 | 1.0 | 0.7 |
| Others | 71.3 | 71.9 | 56.7 |
| **Total** | **391.9** | **378.5** | **327.3** |

*Technologies and Advantages*

Bone Marrow Biopsy

We use bone marrow tissue for pathological examination, which can not only help us understand the composition of bone marrow cells and the distribution of original cells, but also observe cell morphology for pathological diagnosis. As such, bone marrow biopsy is of great significance for the diagnosis of aplastic anemia, myelodysplasia, bone marrow necrosis and bone marrow steatosis.

As bone marrow tissue is incased inside the bone, the tissue structure can be easily damaged during the slicing, staining and testing process. We have created a method to preserve the original cell structure by fixing the bone marrow tissue and completing decalcification before performing downstream operations such as dehydration, transparency, wax immersion, embedding and slicing, which can preserve high-quality bone marrow sections to improve the detection rate.

Immunohistochemistry

Based on the microscopy technique, immunohistochemistry is used to reveal the protein in various cell types, biological states and subcellular localization in the patients' tissue samples. Through the application of immunohistochemistry, we have successfully enhanced the testing capabilities in a wide array of areas, such as bone marrow biopsy and cell samples, renal, liver and skin biopsy specimens. For example, with immunohistochemistry, we are able to cause the reaction between antigen material in the bone marrow paraffin section and its corresponding antibody and display the results. This method is particularly useful when testing for tumors that can't be identified by a flow cytometer, including Hodgkin's lymphoma, metastasis and malignant small round cell tumors.

The well-preserved tissue samples of the patients play a key role in the application of immunohistochemistry. Therefore, we have strategically selected advanced methods to process the patients' tissue samples. For instance, to produce a high-quality bone marrow sample obtained from the patients, we apply the Bouin's solution to the sample and decalcify it with hydrochloric acid. By doing so, we significantly expedite the sample processing, allowing our clinical experts to render an accurate testing reports within an average of one to three days depending on the methods used. This method also enables us to generate clear, well-preserved and accurate tissue structure with no excessive decalcification.

Renal Biopsy

Rental biopsy, or kidney biopsy, is the procedure in which we monitor and examine the patients' kidney disease with a small piece of kidney tissue removed from the patients. Renal biopsy is critical in the diagnosis of almost every kind of renal diseases because many patients with different types of renal diseases show similar clinical symptoms, which can be confirmed by renal biopsy. It also offers crucial guidance for the treatment and prognosis of various types of kidney diseases.

To improve the quality of our testing service, we apply a number of methods to examine the patients' samples, including HE, histological chemical, immune-fluorescence and electronic microscopy. As a result, we are able to combine the morphological deviations with the patients' clinical symptoms, thus achieving a high diagnostic level.

### Technology Platform based AI Technology and Big Data Analytics

Taking advantage of our AI technology, we have achieved a high level of automation with respect to our existing technologies, such as the molecular cytogenetics. We have developed our proprietary AI application in the micronucleus tests and integrated the automation system and AI technologies to the karyotypes and flow cytometry, which allows us to reduce the time required to complete the testing to less than one week.

As part of our AI technology capabilities and building on years of experience working with our patients and physicians, we have developed a proprietary database which contains data of over 110 thousand chromosome images from approximately five thousand micronucleus tests. Our proprietary database comprises quality samples that have been compared and cross-referenced with the patient's personal medical history to ensure the clinical significance and accuracy of our samples. Our database will continue to grow along with the patients we serve, enabling us to continuously enrich our database and enhance its predictive capability.

## RESEARCH AND DEVELOPMENT

Strong R&D capabilities play a key role in our business operation. We have internally developed over 1,100 testing items since our inception and over 289 testing items during the Track Record Period. Based on the methods by which we develop our testing items internally, we categorize our R&D projects into (1) proprietary projects, (2) improved projects, (3) procedure development projects and (4) verification projects. As we are solely responsible for the internal R&D activities and expenses incurred, we retain the ownership of the intellectual properties developed in the process. In addition, we also collaborate with third-parties, including such as medical and academic institutions to develop and introduce new testing services to offer to patients.

### Internal Research and Development

Based on the methods by which we develop our testing items internally, we categorize our R&D projects into (1) proprietary projects, (2) improved projects, (3) procedure development projects and (4) verification projects. As we are solely responsible for the internal R&D activities and expenses incurred, we retain the ownership of the intellectual properties developed in the process.

***Proprietary Projects.*** We primarily rely on our in-house R&D capabilities to develop our services. By leveraging our R&D capabilities, we develop new testing items or on our own. During the Track Record Period, we developed 109 proprietary testing items.

***Improved Projects.*** We develop improved testing items by optimizing existing testing procedures, methods or products acquired from the market. We have built various testing items based on our improved projects, such as optimization of Circulating Tumor Cell Detection Technology, Multicolor flow AML MRD detection, 8-color flow multiple myeloma MRD detection. During the Track Record Period, we developed 25 testing items by improving the testing items we previously had.

***Procedure Development Projects.*** We purchase an extensive selection of advanced testing kits from our suppliers and develop our standard operating procedures by studying these products. By doing so, we

have improved our testing capacities and applied the developed procedures to our testing portfolios. For instance, we have developed 39 new testing items based on procedure development in the field of blood disease, hereditary disease, oncology and other diseases during the Track Record Period.

***Verification Projects.*** We acquire established testing methods or products with existing standard operating procedures from other testing service providers or clinical laboratories, verify their effectiveness and adjust the procedures to our requirements accordingly. Once such products and methods passed our verification, we integrate them into our test portfolio, thereby enriching our service offerings. During the Track Record Period, we have acquired 87 testing items through the verification model.

**Collaboration with Third Parties**

We have engaged in more than 30 international and domestic collaboration programs over the past ten years in areas such as esoteric testing of hematological malignancies and oncology as well as metagenomic NGS tests and circulating tumor cell tests, focusing on the development of advanced technologies with wide clinical applications and substantial market potential. Our collaborations with third parties are generally in the form of commissioning technology companies to develop specific testing items, sponsoring medical or research institutions on their research and development programs, or technology in-licensing. In the commissioning model, we would make scheduled payments to the commissioned party based on the project progress and the parties would co-own the intellectual properties created. In the sponsoring model, we generally pay a sponsor fee to the sponsored institution for a research and development program that usually last for several years with goals for research and developments specified in the relevant agreement, and the parties would co-own the intellectual properties created. In technology in-licensing model, we are generally granted a non-exclusive royalty bearing license to use certain testing technologies and know-how in connection with the tests transferred to us. In turn, we would agree to pay a royalty fee equal to a percentage of the net revenue we received in respect of such transferred tests. Notably, we collaborated with Mayo Foundation from 2011 to 2017 and have been granted the right to use certain of their testing technologies and know-how. We transferred over 100 testing items from the US to China as part of our collaboration with Mayo Foundation from 2011 to 2017. The term of our agreement with Mayo Foundation ran for a period of six years and expired in 2017, which was not renewed for commercial reasons. As a result of such expiration, no additional testing items had been transferred from Mayo Foundation, which did not have any material impact on our business as our current testing items are able to satisfy the testing needs. Although our collaboration ended with Mayo Foundation, we continue to use the over 100 testing items transferred to us and pay royalty fees to Mayo Foundation on a yearly basis as of the Latest Practicable Date. In addition, we have also established a post-doctoral workstation in Beijing through which we collaborate with the Peking University Health Science Center to cultivate medical talents and develop new testing services. In 2018, 2019 and 2020, the expenses we incurred because of such collaboration in research and development amounted to RMB0.6 million, nil and RMB1.2 million, respectively. In 2018, 2019 and 2020, we conducted 142.0 thousand, 139.4 thousand and 116.4 thousand tests through the adoption of the technology in-licensing model, respectively, from which we generated revenue of RMB83.6 million, RMB77.4 million and RMB65.4 million, respectively. In the same periods, collaboration through the commissioning model and the sponsoring model were under on-going research and development, and we did not generate any revenue through such two models during the Track Record Period.

## In-House R&D Team

### *Overview*

We conduct our research and development activities primarily through our in-house R&D team. In addition to developing and commercializing the clinical services under development through strengthening our technology platforms such molecular testing, flow cytometry, molecular cytogenetics and mass spectrometry, we also focus on the automation technology, especially in our genetic testing. For example, we integrated equipment in dealing with chromosomes into a single system so that many steps that needed to be manually completed can now be automatically processed by machines. We will also strengthen our databases, such as for hematological disease diagnosis, gene analysis, molecule sequencing and pathological diagnosis, which will support our proprietary AI technology.

We have established a R&D committee to oversee key stages of the design and development process. Our R&D committee consists of Dr. Huang, our Chairman, Chief Executive Officer and Chief Medical Officer, Dr. Dong Shuo, our Vice President for Research and Innovation, Dr. Shen Shiliang, our Director of Pathology, Dr. Li Xiaoqing, our Director of Research and Development and Dr. Zheng Jin'e, our Director of Esoteric Testing, with years of experience in the respective field. Our R&D team is led by Dr. Li Xiaoqing, who has over 15 years of experience in molecular biology and hematology and a Ph.D. in internal medicine. Dr. Li served as our R&D leader from 2003 to now. Our R&D team consists of medical and scientific experts in hematology, genetics, oncology and other specialty areas. As of the Latest Practicable Date, we had a R&D team of 253 members, with 34 of them holding master degrees and four holding Ph.D. degrees. Our R&D personnel have on average over five years of experience in hematology disease, hereditary disease, oncology and other diseases. Our proprietary technology is only made known to designated individuals within the R&D team. Separately, we enter into confidentiality agreements with our research employees which provide that all relevant intellectual properties developed by our R&D staff during their employment with us shall be deemed our intellectual property. In addition, our standard employment contracts include confidentiality clauses prohibiting our employees from disclosing trade secrets to any third party. See "Business – Intellectual Property" for more details.

### *Internal R&D Protocol*

We employ a clinical-demand-oriented and market-driven approach to our R&D efforts. Our experienced R&D team identifies innovative service with significant market potential, conducts pre-clinical research and development, and assists with the commercialization of these services. We carefully select testing service development programs by balancing the commercial potential of each testing service candidate and its likelihood of successful development, potential competition and market size.

We have established and strictly followed an internal protocol pursuant to our R&D management system that governs the design and development of our technologies. For each project, the R&D team designates a project leader responsible for managing the whole development process and allocating resources. The project team, besides its project leader, consists of technical personnel appointed by the head of departments including R&D, sales and marketing, quality management, production technology, procurement, regulatory affairs, clinical affairs, administration & HR, and finance. Each member undertakes

work in the area of his or her expertise, which allows the project team to receive valuable input and guidance in each major aspect of product development.

***Work Allocation***

We have implemented a well-established working mechanism with clear work allocation among internal teams. Sales and marketing representatives contribute to product development by analyzing target customers, market feedback and competitors. R&D representatives are in charge of organizing studies and operations. Procurement representatives assist the R&D team in purchasing raw materials. Quality management representatives help ensure the product design's compliance with applicable laws and regulations and assist with product testing. Production technology representatives are responsible for producing and modifying products for trial use. Finance representatives provide cost analysis. Administration & HR representatives arrange for human resources, and regulatory affairs representatives take charge of outputting registration related information. Our clinical affairs team is responsible for clinical validation.

## TESTING

### Testing Facilities

As of the Latest Practicable Date, we had seven laboratories located in Wuhan, Beijing, Shanghai, Tianjin, Chengdu and Urumqi in China. We equip our laboratories with the advanced testing capacities, as evidenced by various qualifications and credentials that we have earned over the years. For instance, six out of the seven laboratories we operate have obtained the Level-2 Bio-Safety Lab Certificate. Our Beijing laboratory has a post-doctoral workstation and obtained the Level-2 Bio-Safety Lab Certificate. Our laboratories located in Wuhan, Beijing and Chengdu have obtained the BCR/ABL certification. Our laboratories located in Wuhan, Beijing, Shanghai, Urumqi and Chengdu (Huaxi Kindstar only) have obtained the PCR Laboratory Certification. We have adopted various quality control measures to ensure that we comply with all applicable regulations, standards and internal policies during our testing process. During the Track Record Period and up to the Latest Practicable Date, all our laboratories complied with applicable regulations on medical test laboratory. Please see "Regulations – Regulations on the Medical Test Laboratory". Our laboratories located in Wuhan, Beijing and Shanghai have obtained ISO15189 certification, which demonstrates comprehensive quality management system. For more information about testing operation sites, please see "– Properties". We also collaborate with China's leading medical institutions to establish specialty laboratories on site that focus on certain key testing fields.

The table below shows the testing capacity, scope of service and length of operation of each of our major laboratories:

| | Testing Volume in 2020 | Major Scope of Service | Percentage of Total Revenue |
|---|---|---|---|
| Wuhan Kindstar | Over 2,900,000 | Hematology, oncology, infectious diseases, maternity, neurology, genetic disease and rare disease, CRO | 65% |
| Beijing Hightrust | Over 210,000 | Hematology, oncology, infectious diseases, maternity, neurology, genetic disease and rare disease, CRO | 16% |
| Shanghai SimpleGene | Over 110,000 | Hematology, oncology, infectious diseases, maternity, neurology | 5% |
| Xinjiang Kindstar | Over 1,000,000 | Hematology, neurology, infectious disease | 7% |
| Huaxi Kindstar | Over 50,000 | Hematology, oncology, infectious diseases, maternity | 4% |
| Chengdu Shengyuan | Over 30,000 | Neurology | 3% |

**Qualification Requirements**

Pursuant to the Administrative Measures on Clinical Laboratories of Medical Institutions (《醫療機構臨床實驗室管理辦法》), professional technical personnel of a clinical laboratory shall possess corresponding professional academic degree, and acquire appropriate qualification corresponding to relevant professional technical post. Responsible person of a second-level or above clinical laboratory shall participate in relevant training organized by provincial health administrative commission. In addition, there shall be a full time or part time person in charge of clinical testing quality and lab safety administration.

The Interim Administrative Measures on Clinical Laboratories (《醫學檢驗實驗室管理暫行辦法》) further provided that a clinical lab safety administrative person shall have middle-level or above professional technical post qualification, relevant professional knowledge, and at least 5-year experience.

The Basic Standards and Practice of Medical Test Laboratory (for Trial Implementation) (《醫學檢驗實驗室基本標準和管理規範(試行)》) further provided that a clinical lab shall have the following specialists:

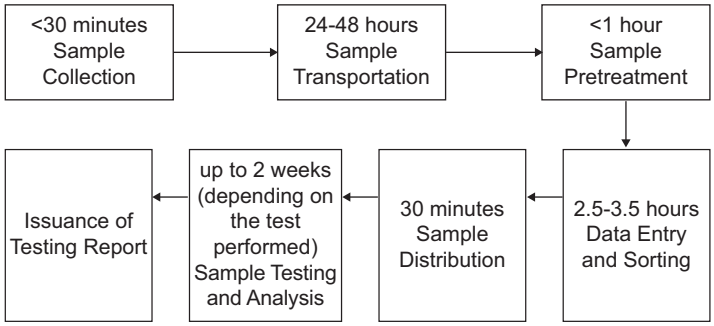
- At least a clinical medical practicing doctor with associate senior (副高) or above professional technical qualification;
- Each clinical testing specialty shall be equipped with at least 5 medical technical staffs majoring in medical testing specialty or more, of which, at least 1 person shall have associate senior or above professional technical qualification, and 2 persons shall have middle-level or above professional technical qualification;

- Sample collection personnel shall possess relevant qualification;
- Specialists to carry out prenatal screening and diagnosis related testing shall possess relevant qualification;
- With respect to NGS-based testing, the clinical lab shall have at least 1 biological information analysis professional technical staff;
- With respect to genetic related testing, the clinical lab shall have at least 1 medical genetic professional technical staff;
- A clinical lab shall be equipped with quality and safety administrative person, and corresponding professional medical technical staffs shall be equipped if reagent department, assisted examination or sterilization and supply center are established in the clinical lab.

We strictly comply with the above mentioned regulations and as of the Latest Practicable Date, we have not been found in violations.

**Testing Process**

We have a streamlined and efficient clinical services procedure that allows us to generate our reports in a short timeframe. The following flowchart is a summary of the process and the approximate performance time for each step in the process at our clinical laboratories:




Our testing service starts from sample collection from customers, and then attach a bar code to the sample collected, package and deliver them to our testing facilities. Before we enter subject data and sort the samples, we will examine the samples to make sure that they are in the right condition and divide them into smaller portions, in activate or perform other procedures as necessary to pre-treat them. After data entry and sorting, the samples are distributed to the relevant labs depending on the tests to be performed. Upon the completion of testing and analysis, we can issue the testing report.

Additionally, we also outsource certain infrequently performed testing items to third-party institutions or laboratories, and such tests contributed to RMB148 million, RMB194 million and RMB191 million of our total revenue in 2018, 2019 and 2020, respectively, representing 21.1%, 23.3% and 21.4% of our total revenue during the Track Record Period, respectively. In order to ensure the quality of our testing service and results, we operate according to ISO15189, which is an international standard that specifies the quality management system requirements particular to medical laboratories, and have in place effective quality management system to control the test procedure performance and to monitor, audit and review the quality management system for continuous improvement. Passing ISO15189 standard is a recognition of both the quality and competence of a medical laboratory. In addition to the quality management system we have in

place, we also adopt a four-level documentation system under ISO15189: policies, processes, procedures, and records, to ensure the quality management system and the steps we have taken in furtherance of our quality control over our testing services are properly documented, implemented and fully traceable, as well as to give clear standard operating procedures for our employees to follow. By strictly following ISO15189, we are able to have standard operating procedures in place, eliminate preventable errors, continuously examine our processes and procedures, document them, relay them to our employees, and evaluate their effectiveness. For third-party institutions and laboratories that we work with, we have set procedures to review their qualifications which are required for the type of testing services outsourced to them before we enter into cooperation and agreement with them. We also review their qualifications on a yearly basis to make sure they are not suspended or expired. We only work with third-party institutions and laboratories with strong track record and reputation and take patients' complaint seriously. We require third-party institutions and laboratories to maintain and preserve necessary testing records and testing samples for re-examination upon our request. If a third-party institution or laboratory fails to meet our standard in terms of quality control in our yearly evaluation, we will terminate our relationship with it.

In the case of testing errors caused by us, certain of our agreements with customers stipulate that we are liable for monetary and other types of damages resulting from customers' reliance on such testing errors. In addition, as advised by our PRC Legal Advisor, failure to accurately, or even incompletely or incorrectly identify the relevant diseases, or to prevent such defective services from being delivered to our customers, or containing other errors or mistakes in our services could expose us to medical malpractice liabilities for the damages caused to the patients and we may be subject to compensation liabilities for our negligence pursuant to the Civil Code of PRC (《中華人民共和國民法典》). We may also be found negligence, thus subject to compensation liabilities for the damages caused to the patients in the event that we failed to explain the medical risks of the potential testing errors or inaccuracy of our testing services in a timely manner to the patients and obtain their written consent. As for the outsourced testing services performed by the third-party laboratories, the Company shall also be accountable to the errors or inaccuracy concerning the testing services. In addition, if the testing errors or inaccuracy were identified as medical malpractice, the competent health administration department may warn, order us to suspend business for rectification within a specific time limit or even revoke the license for practice according to the level and situation of the medical malpractice pursuant to the Regulations on Handling Medical Malpractice (《醫療事故處理條例》). Malpractice liability can be covered by medical malpractice liability and professional liability insurance policies. As of the Latest Practicable Date, we have not encountered any material incidents in relation to testing errors or inaccuracy.

**Personal Data Privacy**

We are entitled to collect but do not own the individual's personal data generated from performing our testing services. We strictly prohibit disclosing patients' personal data without prior consent from each individual patient. To protect data privacy, we have in place a four-level data security measure that we strictly enforce at all levels. First, in terms of external personnel, each floor in our laboratories is equipped with elevator access management system that keeps out unauthorized personnel. External personnel must register at our reception desk and can only enter the floor for which they received authorization. Second, with respect to internal personnel, all computers in our testing labs are password-protected which only allow access from testing personnel themselves. Third, with respect to test report access, we have developed a proprietary laboratory information system that manages the access to data depending on the role of the

accessing user, and individual test report is only accessible externally by authorized persons at the relevant hospitals. Fourth, with respect to external attacks, we have also set in place various measures to ensure data security such as intra-net isolation. We protect data center network by blocking vulnerability-exploiting attacks against server systems and applications with our application firewall function. We also work with reputable IT security solutions vendor to protect against external cybersecurity attacks. In addition, we enforce application security protection control and bandwidth management through firewall and VPN equipment in order to ensure the safe use of private network link with each hospital. Moreover, we have memorialized the confidentiality requirement into our employment agreements and require all corporate computers to be password protected. Our PRC Legal Adviser is of the view that we have complied with the relevant data privacy law in China.

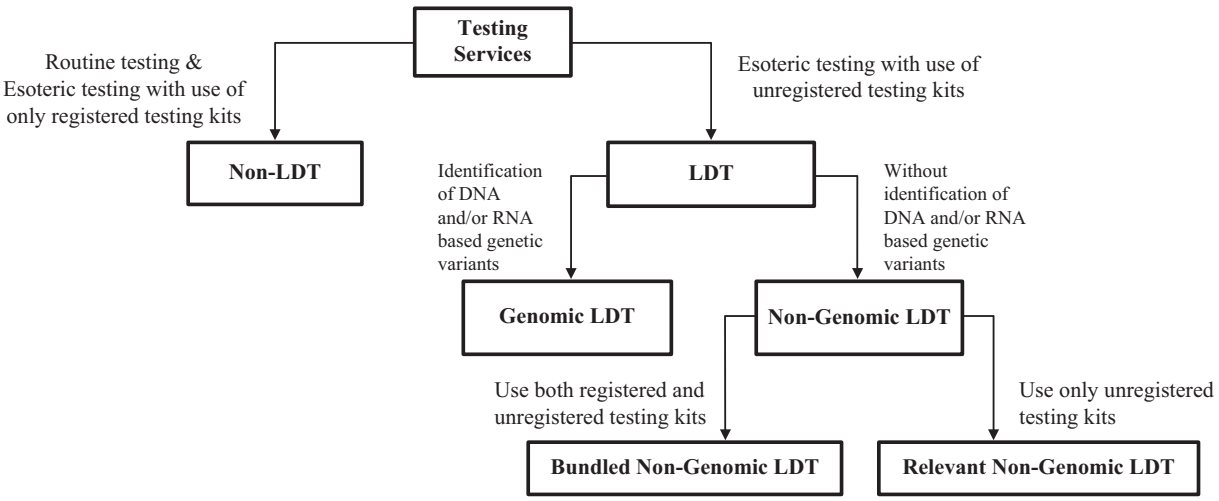
**Laboratory Developed Tests**

We examine samples taken from human bodies, such as bone marrow, blood, urine, cerebrospinal fluid and tissues through our proprietary labs. Our testing services can be implemented or carried out by laboratory developed tests (LDT) and these that do not involve LDT (non-LDT).

A LDT is typically not a standalone testing service or business, but a self-developed procedure where testing reagents ("**testing kits**") developed in-house or purchased from suppliers that are not registered with the NMPA ("**unregistered testing kits**") are used or consumed. LDTs are developed and performed by independent laboratories to address unmet medical needs, and are often used to diagnose rare and complex medical conditions, to guide better treatment or prevention options for patients.

Our testing services implemented and carried out by non-LDT include clinical testing services that are performed using traditional medical diagnostic testing techniques such as cytogenetics and pathomorphology, testing services provided for medical research and to CRO, as well as other tests, where no unregistered testing kits are used. For the years ended December 31, 2018, 2019 and 2020, LDTs contributed RMB262 million, RMB342 million and RMB348 million of our revenue, respectively representing 37.0%, 41.1% and 38.3% of our total revenue during the Track Record Period. For the same years, our non-LDTs contributed RMB446 million, RMB490 million and RMB560 million of our revenue, respectively.

The diagram below summarizes the sub-classification of our testing services carried out by LDT.



According to the Governmental Consultations (as defined below) and as advised by the PRC Legal Advisor, governmental authorities which will be involved in the regulation of LDTs and use of unregistered testing kits mainly include NHC and NMPA, among which, (i) the provision of Genomic LDTs should be regulated by NHC and its provincial or municipal counterparts, and (ii) the provision of Non-Genomic LDTs should be regulated by NHC and its provincial or municipal counterparts. In addition, the use of unregistered testing kits during the provision of Non-Genomic LDTs shall be regulated by NMPA and its provincial or municipal counterparts. Pursuant to Article 53 of the Medical Devices Regulations, the NMPA and the NHC may enact detailed administrative rules to regulate internal use of unregistered in vitro diagnostics testing kits by a medical institution in the future.

Set out below a summary of the regulatory status over the provision of LDTs and use of unregistered testing kits during provision of LDTs by the Group:

| Classification of LDT | Subclassification | Role of NHC | Role of NMPA | Use of unregistered testing kits | Operation status after the [REDACTED] | Bases |
|---|---|---|---|---|---|---|
| Genomic LDT | N/A | To regulate provision of LDT medical service | N/A, but may, together with NHC, enact detailed administrative rules to regulate internal use of unregistered in vitro diagnostics testing kits by a medical institution in the future. | Use of unregistered testing kits is not prohibited | The Group will continue to provide Genomic LDTs after the **[REDACTED]** and will take measures to comply with new requirements if there are any new laws and/or regulations applicable to Genomic LDTs promulgated in the future. | • Joint Notice No. 25<br>• Governmental Consultations |

| Classification of LDT | Subclassification | Role of NHC | Role of NMPA | Use of unregistered testing kits | Operation status after the [REDACTED] | Bases |
|---|---|---|---|---|---|---|
| Non-Genomic LDT | Bundled Non-Genomic LDTs | To regulate provision of LDT medical service | To regulate use of unregistered testing kits and may further, together with NHC, enact detailed administrative rules to regulate internal use of unregistered in vitro diagnostics testing kits by a medical institution in the future. | Use of unregistered testing kits is not prohibited as long as such unregistered testing kits are not monetized during the provision of Non-Genomic LDTs, i.e., (i) the Group shall not charge for unregistered testing kits; and (ii) no distribution of unregistered testing kits shall be involved in the provision of Non-Genomic LDTs | The Group will continue to provide Bundled Non-Genomic LDTs after the **[REDACTED]** and will take measures to comply with new requirements if there are any new laws and/or regulations applicable to Bundled Non-Genomic LDTs promulgated in the future. | • Medical Devices Regulations<br>• Governmental Consultations |
| | Relevant Non-Genomic LDTs | To regulate provision of LDT medical Service | To regulate use of unregistered testing kits and may further, together with NHC, enact detailed administrative rules to regulate internal use of unregistered in vitro diagnostics testing kits by a medical institution in the future. | | The Group will cease the provision of Relevant Non-Genomic LDTs before the **[REDACTED]** because the use of unregistered testing kits during the provision of Relevant Non-Genomic LDTs may not be in strict compliance with applicable PRC laws and regulations, if relevant authorities apply a broad definition of "medical devices", and may therefore be subject to penalty and confiscation of unregistered testing kits. | • Medical Devices Regulations<br>• Governmental Consultations |

***Our LDTs***

The LDTs we provide can be divided into the following two types:

(a) Genomic LDTs: LDTs that identify a range of DNA and/or RNA based genetic variants, including through NGS. As of the date of the Latest Practicable Date, our Genomic LDTs portfolio consisted of about 500 testing items and such tests accounted for approximately RMB155 million, RMB180 million and RMB186 million for 2018, 2019 and 2020, representing approximately 21.9%, 21.6% and 20.5% of our total revenue, respectively.

(b) Non-Genomic LDTs: LDTs that do not involve the identification of DNA and /or RNA based genetic variants. As of the Latest Practicable Date, our Non-Genomic LDTs portfolio consisted approximately 400 testing items and such tests accounted for approximately RMB107 million, RMB162 million and RMB162 million for 2018, 2019 and 2020, representing approximately 15.1%, 19.5% and 17.9% of our total revenue, respectively.

***Evolving and lack of a unified regulatory framework governing the LDT industry in China***

Due to the relatively short history of the LDT industry in China, a comprehensive regulatory framework governing the LDT industry has not been established. As advised by the PRC Legal Advisor, there is no specific or industry-accepted definition for LDTs under the PRC laws and regulations, nor is there any standard for the use of LDTs within the PRC healthcare industry.

***Regulatory Authorities and Responsibilities***

*Authorities and responsibilities of NHC*

As advised by the PRC Legal Advisor, pursuant to Article 9 of the Administrative Regulations on Medical Institutions (《醫療機構管理條例》), Article 2 and Chapter 6 of the Interim Administrative Measures on Clinical Laboratories (《醫學檢驗實驗室管理暫行辦法》) promulgated by the State Council in August 2020, Articles 4 and 51 of the Administrative Measures on Clinical Laboratories of Medical Institutions (《醫療機構臨床實驗室管理辦法》) promulgated by NHC in February 2006, and amended on July 10, 2020 as well as Section 5 of the Clinical Laboratories Administrative Standards (For Trial Implementation) (《醫學檢驗實驗室管理規範》(試行)) promulgated by NHC in July 2016, each provincial or municipal counterpart of NHC is in charge of approval of establishment, supervision, administration and quality control over activities of clinical laboratories located within its province or municipality.

Considering the provision of LDTs by us is conducted in our Proprietary Labs, the relevant provincial or municipal counterparts of NHC where such labs are located shall have the authority to regulate such LDTs pursuant to the above regulations, as advised by the PRC Legal Advisor.

In February 2014, the General Office of the National Health and Family Planning Commission (國家衛生和計劃生育委員會, "**NHFPC**", predecessor of the NHC) and the General Office of China Food and Drug Administration (the predecessor of the NMPA), jointly issued the Notice of Strengthening the Administration of Products and Technologies Relating to Clinical Genomic Testing (關於加強臨床使用基因測序相關產品和技術管理的通知, "**Joint Notice No. 25**"). According to the Joint Notice No. 25, the NHFPC is in charge of the management of clinical use of genomic testing technology. Therefore, the NHFPC and later the NHC is in charge of the management of clinical use of genomic testing technology, including Genomic LDTs.

*Authorities and responsibilities of NMPA*

Pursuant to the Medical Devices Regulations and as advised by the PRC Legal Advisor, the NMPA and its provincial or municipal counterparts shall regulate the registration, manufacturing, sales and use of medical devices, including testing kits. Where the NMPA finds any unauthorized use of unregistered medical device, it may levy a fine against the user and confiscate the unregistered medical device involved.

***Governmental Consultations***

In light of the regulatory uncertainty with respect to the provision of LDTs, numerous governmental consultations were conducted orally with relevant competent governmental authorities listed out above by us, our PRC Legal Advisor and the PRC legal advisor to the Joint Sponsors (the "**Governmental Consultations**"), including:

(1) consultation with the National Center for Clinical Laboratory of NHC (國家衛生健康委員會臨床檢驗中心, "**NCCL of NHC**") in July, 2020;

(2) consultation with Health Commission of Hubei Province (湖北省衛生健康委員會, "**Hubei NHC**") in September, 2020 and June, 2021, respectively;

(3) consultations with NMPA of Hubei Province (湖北省藥品監督管理局, "**Hubei NMPA**") in August, 2020, November, 2020 and January, 2021, respectively;

(4) consultations with the Beijing NMPA (北京市藥品監督管理局, "**Beijing NMPA**") in November, 2020 and December, 2020, respectively;

(5) consultations with the Sichuan NMPA (四川省藥品監督管理局, "**Sichuan NMPA**") in November, 2020 and January, 2021;

(6) consultations with the Health Commission of Beijing (北京市衛生健康委員會, "**Beijing NHC**" in March, 2021; and

(7) consultations with the Health Commission of Sichuan Province (四川省衛生健康委員會, "**Sichuan NHC**") in April, 2021, respectively.

As advised by the PRC Legal Advisor, (i) NCCL of NHC is authorized by the NHC and is the competent authority to promulgate rules relating to testing activities of clinical laboratories and to supervise testing activities and quality control of clinical laboratories; (ii) each of Hubei NHC, Beijing NHC, and Sichuan NHC is the competent authority to oversee medical practice of and enforces applicable rules applicable to clinical laboratory in Hubei Province, Beijing, and Sichuan Province, respectively, including LDTs; and (iii) each of Hubei NMPA, Beijing NMPA and Sichuan NPMA is the competent authority to supervise and regulate registration and recordation of medical devices including the testing kits used in LDTs, in Hubei Province, Beijing and Sichuan Province, respectively. In consideration of the regulatory authority of each government authority with which relevant Governmental Consultations were conducted and position of each officer who were consulted, we believe and as advised by our PRC Legal Advisor that each officer is duly authorized to provide relevant confirmations.

The reason that the Company selected Hubei NMPA, Beijing NMPA and Sichuan NMPA to conduct the Governmental Consultations by taking into consideration of the fact that the Group's Proprietary Labs located in Hubei Province, Beijing and Sichuan Province rank top three among all the labs of the Group in terms of revenue contribution. For the years ended December 31, 2018, 2019 and 2020, the revenue generated from the Group's Proprietary Labs located in Hubei Province, Beijing and Sichuan Province

accounted for approximately 90.3%, 87.5% and 88.2% of the Group's total revenue, respectively. In addition, for the three years ended December 31, 2018, 2019 and 2020, LDT services provided through the Proprietary Labs located in Hubei Province, Beijing and Sichuan Province accounted for approximately 70%, 66% and 80% of the total revenue generated by our LDT services.

***Genomic LDTs***

As advised by the PRC Legal Advisor, legal issues involved in our provision of Genomic LDTs mainly include (i) the utilization of NGS technology to provide Genomic LDTs; and (ii) the use of unregistered testing kits.

*Utilization of NGS technology*

We apply an advanced laboratory NGS platform to provide Genomic LDTs ("**NGS-based Genomic LDTs**"). According to (i) Notice on Application for Pilot Program on Clinical Use of NGS-based Testing (關於開展高通量基因測序技術臨床應用試點單位申報工作的通知, the "**Notice 44**"), and (ii) Notice on Commencement of Pilot Program on NGS Technology Clinical Use (關於開展高通量基因測序技術臨床應用試點工作的通知, Notice 407) issued by the NHFPC in 2014 (the "**2014 Notices**"), the NHFPC started a pilot scheme on clinical use of NGS for four identified projects, namely prenatal screening and diagnosis, genetic disease diagnosis, tumor screening and diagnosis and preimplantation embryo genetic diagnosis, and identified the first group of pilot enterprises, all of which are medical institutions, to participate in such pilot program. As advised by the PRC Legal Advisor, based on Governmental Consultations and in light of various rules published by the NHC and its internal departments, no other enterprises have been approved to become new pilot enterprises after the launch of the first group of pilot enterprises and the NHC has not granted licenses or permits to any enterprises or institutions to carry out NGS testing.

Despite that we were not a member of the first group of pilot enterprises, according to the Notice on the Standard and Orderly Development of Prenatal Testing and Diagnosis Work of CellFree DNA in Maternal Peripheral Blood (《關於規範有序開展孕婦外周血胎兒游離DNA產前篩查與診斷工作的通知》) promulgated in October 2016 by the NHFPC (the "**2016 Notice**"), the scope of the pilot program was further alleviated, with the pilot program with respect to NGS testing on prenatal screening and diagnosis terminated. It is explicitly provided in the 2016 Notice that (i) prenatal diagnosis medical institution can independently or cooperate with a clinical laboratory and other medical institutions to carry out NGS testing on prenatal screening and diagnosis; (ii) only clinical laboratory and other medical institutions are allowed to carry out NGS testing on prenatal screening and diagnosis; and (iii) the pilot program with respect to NGS testing on prenatal screening and diagnosis has been terminated. Accordingly, any prenatal diagnosis medical institution can cooperate with a clinical laboratory or other medical institutions to carry out NGS testing on prenatal screening and diagnosis legitimately, despite whether such laboratory is run by a pilot enterprise of the then pilot scheme.

Pursuant to the Governmental Consultations, the pilot enterprises identified by the NHFPC pursuant to the 2014 Notices can carry out NGS testing for pilot clinical use, and if the results of such pilot clinical use were promising, NGS technology may be adopted for wider clinical use. However, except for the NGS testing on prenatal screening and diagnosis, the progress on the pilot clinical use of NGS under the 2014 Notices has been very slow, and therefore such pilot scheme with respect to remaining three identified

projects (i.e., genetic disease diagnosis, tumor screening and diagnosis and preimplantation embryo genetic diagnosis) has not led to wide clinical use of NGS technology and the pilot scheme was brought to an end with no conclusive regulatory guidance. Pursuant to the Governmental Consultations, as there are market demand and clinical needs for independent clinical laboratories conducting NGS testing, the clinical laboratories conducting Genomic LDTs, including us, may in practice continue to provide NGS-based testing services before final regulations are promulgated. As such, we are not prohibited from continuing to use unregistered testing kits on trial for the purposes of Genomic LDTs.

*Use of unregistered testing kits*

Pursuant to the Joint Notice No. 25, diagnostic devices (such as the testing kits) are treated as medical devices and shall be registered as medical devices with the NMPA or its provincial counterpart(s), and the NHC is in charge of the management of clinical use of genomic testing technology. Clinical genomic sequencing pilot enterprises identified by the NHC (the "**Pilot Enterprises**") can use genomic testing products on a trial basis in accordance with relevant regulations on administration of clinical use of medical technology without further action from the NMPA.

According to the Governmental Consultations, the Pilot Enterprises refer to enterprises carrying out genomic tests, including both NGS-based and non-NGS based tests. As the pilot scheme for NGS testing provided under the 2014 Notices has not made material progress and was brought to an end with no conclusive regulatory guidance, the clinical laboratories conducting Genomic LDTs, including the Group, may in practice continue to provide NGS-based testing services before final regulations are promulgated. As such and pursuant to the Governmental Consultations, the Group is not prohibited from continuing to use unregistered testing kits on trial for the purposes of Genomic LDTs.

As advised by the PRC Legal Advisor, the use of "on trial" in the Joint Notice No. 25 was not intended to describe any restriction on activity of clinical application of genomic technology, which usually includes research, clinical development, and commercial use pursuant to Article 2 of the Administrative Measures for the Clinical Application of Medical Technologies (《醫療技術臨床應用管理辦法》), but actually referred to a pilot scheme on clinical application of genomic technology according to Article 4 of the Joint Notice No. 25. As advised by the PRC Legal Advisor, relevant arrangement relating to "on trial" or "試點" is common in China to assess a pilot program prior to launch of formal rules or implementation of rules across the country, and it is not a special arrangement developed by NHC or NMPA.

According to Frost & Sullivan, market practice shows that other medical companies conducting Genomic LDTs in the PRC adopt similar approaches in respect of the testing kits for the provision of Genomic LDTs.

For the reasons set forth below, our directors and our PRC Legal Advisor are of the opinion that, in view of the applicable laws, the Governmental Consultations, the prevailing industry norm and market practice, our provision of Genomic LDTs is in compliance with the laws and regulations of the PRC in all material aspects and we are not prohibited from continuing to use unregistered testing kits for research, clinical development and commercial use for Genomic LDTs:

First, based on Joint Notice No. 25 and the Governmental Consultations, it is understood that:

(i) Genomic LDTs, including use of unregistered testing kits during provision of Genomic LDTs, shall be regulated by NHC. It is expected that the NHC shall regulate the use of unregistered testing kits during clinical activities, given that the NMPA is not familiar with matters related to clinical use.

(ii) Pilot Enterprises can use genomic testing products on a trial basis in accordance with relevant regulations on administration of clinical use of medical technology without further action from the NMPA. The Pilot Enterprises refer to enterprises carrying out genomic tests, including both NGS-based and non-NGS based tests.

(iii) As the pilot scheme for NGS testing provided under the 2014 Notices has not made material progress and was brought to an end with no conclusive regulatory guidance, the clinical laboratories conducting Genomic LDTs, including the Group, may in practice continue to provide NGS-based testing services before final regulations are promulgated.

(iv) Genomic LDT is medical technology, and pursuant to Article 2 of the Administrative Measures for the Clinical Application of Medical Technologies (《醫療技術臨床應用管理辦法》), activity of clinical application of medical technology usually includes research, clinical development, and commercial use of such medical technology.

(v) We may continue to use unregistered testing kits to provide Genomic LDTs for research, clinical development and commercial purposes.

Second, based on Governmental Consultation with Hubei NMPA, Beijing NMPA and Sichuan NMPA, there is no regulatory risk in connection with the use of unregistered testing kits during the provision of Genomic LDTs, including for research, clinical development and commercial use, provided that there is no distribution of unregistered testing kits during provision of the Genomic LDTs.

Third, based on Governmental Consultation with Hubei NMPA, Beijing NMPA and Sichuan NMPA, provision of Genomic LDTs, including for research, clinical development and commercial use, shall not be deemed as distribution of unregistered testing kits. Based on Governmental Consultation with NCCL, NCCL agrees that use of unregistered kits during provision of Genomic LDTs are mainly for internal use by an ICL, not with an aim to distribute or sell such unregistered kits.

***Non-Genomic LDTs***

As advised by the PRC Legal Advisor, there is no specific laws or regulations in the PRC governing the provision of Non-Genomic LDTs and the principal legal issue of our provision of Non-Genomic LDTs

is the use of unregistered testing kits. Our Non-Genomic LDTs can be divided into two categories: (i) Non-Genomic LDTs which use both unregistered testing kits and registered testing kits ("**Bundled Non-Genomic LDTs**"); and (ii) Non-Genomic LDTs which only use unregistered testing kits ("**Relevant Non-Genomic LDTs**"). Among approximately 400 of our Group's Non-Genomic LDT portfolios, around 300 are Relevant Non-Genomic LDTs. The revenue generated from such Relevant Non-Genomic LDTs for each of the three years ended December 31, 2018, 2019 and 2020, was approximately RMB26 million, RMB44 million and RMB45 million, representing approximately 3.7%, 5.2% and 5.0% of the our total revenue, respectively. As advised by Frost & Sullivan, it is common in the specialty esoteric diagnostic testing industry that the clinical laboratories provide specialty esoteric diagnostic testing services with testing diagnostic products not registered as "medical devices" with the NMPA or its provincial counterpart(s).

If the relevant PRC governmental authorities apply a broad definition of "medical devices" and apply the related laws and regulations on medical devices to Non-Genomic LDTs, our Proprietary Labs conducting testing items using unregistered testing kits during Non-Genomic LDTs may not be in strict compliance with applicable PRC laws and regulations, and may be subject to administrative penalties, including confiscation of the unregistered testing kits and monetary penalties. The above, however, is subject to implementation and enforcement by local competent authorities as demonstrated by the Governmental Consultations.

*Bundled Non-Genomic LDTs*

Based on the Governmental Consultations, our PRC Legal Advisor is of the view that our Bundled Non-Genomic LDTs and the use of unregistered testing kits during the Bundled Non-Genomic LDTs are in compliance with applicable laws and regulations of the PRC in all material aspects, due to following reasons:

- During the Governmental Consultations, relevant provincial / municipal counterparts of NMPA confirmed that we may use unregistered testing kits to provide LDTs, provided that we do not charge for unregistered testing kits and no distribution of unregistered testing kits is involved in the provision of LDTs.

- Relevant provincial / municipal counterparts of NMPA further clarified that compliance risks associated with using unregistered testing kits can be further reduced if LDT providers offer Bundled Non-Genomic LDTs while not charging for unregistered testing kits through offering a discounted price.

- Price of our Bundled Non-Genomic LDT is determined either on cost-plus basis or on standard market price basis. Cost-plus pricing mainly reflects the cost of services provided and procurement cost of testing kits, plus a service premium (the "**Standard Price**"). Service premium takes into account the required skills, knowledge, experience and medical background associated with the provision of testing and medical consultation service, and does not include the cost of unregistered testing kits, as confirmed by our Directors. For Bundled Non-Genomic LDT determined on cost-plus basis, the cost of unregistered testing kits to be used in providing such LDT is excluded when formulating the Standard Price. As for Bundled Non-Genomic LDT

determined on standard market price basis, the standard market price is calculated based on quantity of only registered testing kits to be used in providing such LDT multiplied by the unit price of such registered testing kits formulated by certain official price manual on medical service (the "**Standard Market Price**"). We additionally offer a discount to the Standard Market Price. Therefore, the unregistered Testing Kits are provided free of charge.

During the Governmental Consultations, each of Hubei NMPA, Beijing NMPA, Sichuan NMPA, and Hubei NHC indicated to the Company as follows:

(i) **Consultation with Hubei NMPA** – Based on the consultation with the Hubei NMPA, it is understood that within Hubei Province:

(a) Pricing of LDT shall not be regulated by Hubei NMPA but shall consult with NHC; and

(b) Whether the Company charged unregistered testing kits during provision of LDT or not is irrelevant to Hubei NMPA, and even if the Company charged, it still should not be regulated by Hubei NMPA.

As Hubei NMPA confirmed that charge to unregistered testing kits during provision of LDTs should not be regulated by Hubei NMPA in Hubei Province, the Company therefore believes Hubei NMPA has no objection to our pricing mechanism in Hubei Province.

(ii) **Consultation with Beijing NMPA** – Based on the consultation with the Beijing NMPA, it is understood that within Beijing:

(a) Pricing of LDT shall not be regulated by Beijing NMPA but shall consult with commodity price department, development and reform department and NHC;

(b) In consideration of market needs, no charge to unregistered testing kits but charge service fee to provision of LDT instead should be acceptable and should be able to reduce risk to the maximum extent;

(c) Under current regulatory context, no charge to unregistered testing kits but charge service fee to provision of LDT instead should be acceptable.

As Beijing NMPA confirmed that no charge to unregistered testing kits but charge service fee to provision of LDT instead should be acceptable, the Company therefore believes Beijing NMPA has no objection to our pricing mechanism in Beijing.

(iii) **Consultation with Sichuan NMPA** – Based on the consultation with the Sichuan NMPA, it is understood that within Sichuan Province:

(a) Any charge of service fee to LDT shall not be deemed as charge to unregistered testing kits;

(b) Price of unregistered testing kits is not absorbed to service fee to LDT under our pricing mechanism.

We therefore believe Sichuan NMPA has no objection to our pricing mechanism in Sichuan.

(iv) **Consultation with Hubei NHC** – based on the consultation with the Hubei NHC, it is understood that each of our Proprietary Labs may price its medical service at its discretion pursuant to applicable laws and regulations.

In addition, as advised by our PRC Legal Advisor, under applicable regulation of pricing of medical services, we have full discretion to price the medical services provided by our proprietary labs on our own, including testing services carried out in the form of LDTs. Pursuant to the Opinions on Promoting Further Reform of the Healthcare System (《中共中央、國務院關於深化醫藥衛生體制改革的意見》), which was promulgated by the Central Committee of the Communist Party of China and the State Council on March 17, 2009, other than the basic medical services provided by non-profit healthcare institutions, medical services can be priced by healthcare institutions themselves at their full discretion. None of our Proprietary Labs is a non-profit healthcare institution. Therefore, we have full discretion to price the medical services provided by our Proprietary Labs.

As such, the Company believes that (i) our pricing mechanism of Bundled Non-Genomic LDT is acceptable; and (ii) they will not consider us as charging money for the unregistered testing kits under such pricing mechanism.

In relation to the pricing mechanism of the Company, the Joint Sponsors have, among others: (i) reviewed the notes of aforementioned Governmental Consultations attended by Company's PRC Legal Adviser and the Joint Sponsors' legal adviser, and understood that the pricing mechanism of Bundled Non-Genomic LDT is considered acceptable by competent authorities; (ii) obtained and reviewed Company's internal pricing policy, which provides that for the purpose of pricing, the Company only considers cost for registered testing kits and other miscellaneous; (iii) discussed with the Company on its pricing policy and understood that the Company properly records the procurement, usage and/or costs related to unregistered testing kits, and excludes costs of unregistered testing kits based on records before formulating the final prices; (iv) conducted sample check on cost calculation materials and prices for Bundled Non-Genomic LDTs determined on cost-plus basis and standard market price basis; (v) discussed with the Industry Consultant and were advised that the pricing mechanism of the Company is in line with the industry norm; and (vi) discussed with the internal control consultant of the Company and understood that it reviewed the Company's pricing policies and sample-checked its cost calculation datasheets and list prices based on such policies, and did not identify any material deficiencies based on sample review.

Having conducted the above due diligence and based on advice from the Company's PRC Legal Advisers and Joint Sponsors' PRC legal advisers, the Joint Sponsors concur with the Company's view that (i) its pricing mechanism of its Bundled Non-Genomic LDTs is acceptable; and (ii) the competent authorities will not consider it as charging money for unregistered testing kits under such pricing mechanisms.

The aggregated revenue generated from the Bundled Non-Genomic LDTs that were carried out in Hubei Province, Beijing and Sichuan Province for each of the three years ended December 31, 2018, 2019 and 2020 represented approximately 93%, 84% and 86% of our total revenue, respectively.

*Relevant Non-Genomic LDTs*

The main reasons for us to carry out Relevant Non-Genomic LDTs were not commercial consideration but the unmet medical needs in rare and complex medical conditions, supporting further R&D of self-developed testing kits and benefits of patients. A majority of our Relevant Non-Genomic LDTs are emerging testing related to neurology and mass spectrometry (質譜). According to Frost & Sullivan, the medical needs for LDTs related to these two areas have been increasing significantly during recent years. Meanwhile, since such tests are newly emerging, most of testing kits involved have not been registered. Although our suppliers are already in the process of registering certain testing kits involved for such testing, such applications are still pending NMPA's review.

As advised by our PRC Legal Advisor, pursuant to the Medical Devices Regulations, use of unregistered medical device may be subject to a fine of not less than five times but not more than ten times the value of unregistered medical device, and unregistered medical device may be confiscated by NMPA or its local counterpart. If the relevant PRC governmental authorities apply a broad definition of "medical devices" and apply the relate laws and regulations on medical devices to the Relevant Non-Genomic LDTs, the Proprietary Labs conducting testing items using unregistered testing kits only during Relevant Non-Genomic LDTs may not be in strict compliance with applicable PRC laws and regulations, and may be subject to administrative penalties, including confiscation of the unregistered testing kits and monetary penalties. In 2018, 2019 and 2020, procurement cost of unregistered testing kits consumed in Relevant Non-Genomic LDT is approximately RMB3.6 million, RMB5.7 million and RMB6.4 million, respectively, representing only 0.5%, 0.7% and 0.7% of our total revenue in 2018, 2019 and 2020, and therefore the maximum penalty would be a monetary penalty of a cumulative of RMB156.4 million plus confiscation of unregistered testing kits if the Relevant Non-Genomic LDT business would be deemed illegal.

We believe, based on the Governmental Consultations and as advised by our PRC Legal Adviser, the risks and likelihood of being penalized for using unregistered testing kits in Relevant Non-Genomic LDT by the NMPA and its provisional counterparts is relatively low due to the following reasons:

- Based on the Governmental Consultations, none of Hubei NMPA, Beijing NMPA and Sichuan NMPA was aware of any penalties imposed on ICLs in connection with use of unregistered testing kits during provisions of LDTs; Beijing NMPA further indicated that there is no regulatory risk over use of unregistered testing kits during LDTs (which includes Relevant Non-Genomic LDTs) in Beijing so long as there is no distribution or sale of unregistered testing kits. In addition, our PRC Legal Advisor is of the view that NMPA and their provincial counterparts adopts consistent approach with regard to this issue; and

- Pursuant to Article 53 of the Medical Devices Regulations and subject to detailed administrative rules to be enacted by the NMPA and the NHC, qualified medical institutions may, based on clinical needs, research and develop in vitro diagnostics testing kits with no same category of products available on market in China, and may use such in vitro diagnostics testing kits

internally pursuant to licensed physician's guidance. Our use of unregistered testing kits during provision of LDTs falls under the scope of Article 53 of the Medical Devices Regulations, which will substantially reduce the risk of being penalized for use of unregistered testing kits.

Although we believe that the exposure of the risks to the potential non-compliance in using Relevant Non-Genomic LDTs is limited, to reduce compliance risks, we undertake that we will take the following measures to ensure its compliance with current laws and regulations for the provision of Relevant Non-Genomic LDTs before the **[REDACTED]** according to our business strategy including: (i) converting around 178 Relevant Non-Genomic LDTs into Bundled Non-Genomic LDTs or testings with registered testing kits only; (ii) (a) ceasing the rest of Relevant Non-Genomic LDTs, or (b) applying such Relevant Non-Genomic LDTs for research purpose use only, if R&D funds can be provided by external parties, and no R&D works will be carried out if no party is willing to provide funds to entrust us to research on such Relevant Non- Genomic LDTs; and (iii) liaising with suppliers from which we procure unregistered testing kits to register such unregistered testing kits before the **[REDACTED]**.

Such measures with respect to our Relevant Non-Genomic LDTs will not significantly affect the operation and financial conditions of the Group since (i) the Group has a diversified portfolio of testing products and there will not be significant difficulty in converting Relevant Non-Genomic LDTs into testing with registered testing kits only or Bundled Non-Genomic LDTs; and (ii) considering that the revenue contribution by the Relevant Non-Genomic LDTs for the year ended December 31, 2020 was only approximately 5.0%, above ratification measures, such as conversion, cessation or for research use only, are not expected to materially adversely affect the Group's results of operations.

***Scope of testing through LDTs***

The permissible testing types under the Testing Items Catalogue are limited and have not been updated since 2013, and market demand and clinical needs are more extensive than the Testing Items Catalogue. According to the Governmental Consultations, it is understood that the Testing Items Catalogue is usually cited by the NHC or its local counterparts to determine the diagnostic subject of a medical institution when issuing a medical practice license, and in practice hospitals outsource various testing items not included in the Testing Items Catalogue to clinical laboratories.

Nevertheless, pursuant to the Circular 167, the clinical testing items not included in the Testing Items Catalogue, but with clear clinical significance, relatively high specificity and sensitivity, and reasonable price, shall be validated in time to meet clinical needs.

Although there is still no clear regulatory guidance, as clinical activities are usually carried out by hospitals, testing items outsourced from a hospital shall be deemed to meet the requirement of "clinical significance and relatively high specificity and sensitivity" and "validated in time to meet clinical needs", according to the Governmental Consultations. In addition, we have validated the testing items outside the Testing Items Catalogue in a timely manner pursuant to domestic and internal standards.

Pursuant to the Administrative Regulations on Medical Institutions (Revised in 2016) (《醫療機構管理條例》) promulgated by the State Council, medical institutions, including ICL, must carry out diagnosis and treatment activities according to the approved and registered diagnostic subjects (診療科目).

Pursuant to the Basic Standards and Practice of Medical Test Laboratory (for Trial Implementation) (《醫學檢驗實驗室基本標準和管理規範(試行)》), diagnostic subjects of an ICL include clinical test (醫學檢驗科) and pathology (病理), and internal departments of an ICL for purpose of provision of clinical test (醫學檢驗科) can include clinical hematology tests and body fluid tests, clinical chemistry tests, clinical immunology tests, clinical microbiology tests, clinical molecular cytogenetic tests and clinical pathology tests. The Testing Items Catalog is comprised of around 1500 testing items, being categorized under the above six internal departments of a medical test laboratory. Therefore, once an ICL is granted a medical practice license with diagnostic subject of clinical test (醫學檢驗科) covering the six internal departments identified in the Basic Standards and Practice of Medical Testing Laboratory (for Trial Implementation), such ICL shall be allowed to carry out any testing items under the Testing Items Catalogue, which is comprised of around 1,500 testing items categorized under the six internal departments of a medical test laboratory. An ICL can further carry out testing items outside of the Testing Item Catalog in accordance with the Circular 167.

As such, the Testing Items Catalog is not meant to limit the permissible scope of testing carried out by an ICL, but rather is a reference and a starting point of broader scope of testing activity.

Taking into consideration of the Governmental Consultations, the PRC Legal Advisor is of the view that the possibility of suspension of the LDT-based testing items that are not included in the Testing Items Catalogue is relatively low.

During the Track Record Period, our testing items implemented and carried out by LDT but not included in the Testing Items Catalogue contributed 5.2%, 6.5% and 6.7% of our total revenue in 2018, 2019 and 2020, respectively. As of December 31, 2020, such testing items accounted for approximately 5.6% of the total number of testing items we offered. During the Track Record Period and as of the Latest Practicable Date, we have not been penalized or investigated by any of relevant government authorities for the provision of LDTs.

***Quality Control over LDT***

We have adopted GxP measures in developing our LDTs from the following perspective. First, our labs in Wuhan, Beijing and Shanghai have been accredited with ISO15189 an international industry accreditation that certifies the quality of medical laboratories, and each has been recognized by the College of American Pathologists as "a laboratory demonstrating continuous improvement in quality" (the "**CAP Recognition**") in recent years, which is a much higher standard than the minimal requirement set by federal and international institutes. In addition, our laboratories have passed multiple external quality assessments on our LDTs each year, conducted by centers for clinical laboratories of the national level and provincial/municipal level, such as National Center for Clinical Laboratories, Shanghai Clinical Laboratory Center and Hubei Clinical Laboratory Center. We also conduct test results comparisons among our different laboratories from time to time to determine the acceptability and consistency of our LDT test results.

In addition, certain of our LDTs also comply with requirements set forth under the ISO15189 system.

Our laboratory-developed molecular testing programs comply with requirements set forth in the CNAS-CL02 *Application Note of Medical Laboratory Quality and Capability Accreditation Criteria* under

the ISO15189 quality system and the *Expert Consensus on Basic Requirements for Laboratory-developed Molecular Testing* promulgated by China National Accreditation Service for Conformity Assessment ("**CNAS**"). In this regard, our lab in Wuhan has been accredited as a clinical gene amplification laboratory by Hubei Clinical Laboratory Center for the three consecutive years from 2017 to 2019. We have also formulated the *Standard Operating Procedure for Performance Verification* applicable to molecular testing programs. Under the standard operating procedure, all quantitative laboratory-developed molecular testing programs are required to complete verification of a variety of performance indicators including accuracy, linearity, measurement and/or reportable range, analytical sensitivity and specificity, and all qualitative laboratory-developed molecular testing programs must complete verification of a variety of performance indicators including testing threshold, analytical specificity, accuracy, analytical sensitivity and anti-interference ability. Clinical validation are conducted by testing on clinical positive and negative specimens to evaluate whether a LDT is appropriate for the diagnosis of a specific clinical condition or as an adjunct to diagnosis.

Our laboratory-developed flow cytometry immune programs comply with requirements set forth in the CNAS-CL02 *Application Note of Medical Laboratory Quality and Capability Accreditation Criteria* under the ISO15189 quality system and the *YYT 0588-2005 Flow Cytometer industry standards promulgated* by CNAS. In this regard, we also adopted the *Standard Operating Procedure for Performance Verification* applicable to flow cytometry programs. Under the standard operating procedures, all the laboratory-developed flow cytometry immune programs are required to complete verification of performance indicators including precision and biological reference ranges.

Our laboratory-developed cytogenetic FISH programs comply with requirements set forth in the CNAS-CL02 *Application Note of Medical Laboratory Quality and Capability Accreditation Criteria* under the ISO15189 quality system and the *Consensus on FISH Technology*. In this regard, the Group has adopted the *Standard Operating Procedures for FISH Detection and Verification of Bone Marrow/Peripheral Blood*. Under the standard operating procedures, the Group's laboratory-developed cytogenetic FISH programs are required to complete verification of performance indicators including probe specificity, probe sensitivity, accuracy, and threshold ranges.

We believe these measures are sufficient to ensure the reliability of the underlying data applied in our LDTs, which is also of a level of standardization and consistency to provide further diagnosis. As confirmed by Frost & Sullivan, our quality control measures over LDTs are consistent with the global industry standards.

***LDT Safety Measures***

In connection with our clinical testing services, including those conducted with LDT, we need to comply with various required testing safety measures under applicable PRC laws and regulations to reinforce infectious diseases precaution and control work, and to dispose of medical waste properly. In order to comply with such laws and regulations and to ensure a safe working environment, we regularly performs body check up for our testing facility employees on infectious diseases and have engaged Han's Environment Co. Ltd. which has relevant qualifications to process our solid waste. For details on relevant regulations and safety measures we adopted, please refer to "Regulations – Regulations on the Administration and Classification of Healthcare Institutions" and "– Occupational Health and Safety Matters".

## SALES AND MARKETING

### Overview of Sales and Marketing Network

We primarily rely on our in-house sales and marketing force to market and sell our services. To effectively increase the market shares of our service offerings, we have designed specific sales and distribution models catering each of our services. Our in-house sales team market our clinical services directly to hospitals and doctors, who then educate the patients on the potential benefits of our services. For the R&D clients, we primarily rely on academic-driven marketing to increase awareness of our services among the institutions that may potentially become our customers. We currently serve over 3,000 hospitals in China in 31 provinces and municipalities, and in over 600 cities and counties. During the Track Record Period, we supported CROs, pharmaceutical companies and biotechnology companies on 26 clinical trials, providing medical research, clinical trial services and translational medicine study services.

### In-house Sales and Marketing

During the Track Record Period, our in-house sales team marketed our clinical services directly to hospitals and doctors through regular meetings with their representatives and senior management. The hospitals and doctors then educate patients on the potential benefits of our services. We believe that the market requires further education and guidance on the benefits of esoteric testing. In this regard, we believe our commercialization efforts team is well positioned to guide and educate the market, driving market penetration in our chosen markets. In anticipation of our business expansion and as we develop more new testing items for commercialization, we plan to further expand our sales and marketing force in the next few years.

Besides directly reaching out to our customers for business opportunities, our sales and marketing efforts are characterized by a strong emphasis on academic promotion to promote and strengthen the awareness and recognition of our services and brand among medical professionals. We regularly organize and participate in various academic conferences, seminars and symposia, which include large-scale international and national conferences, as well as smaller events tailored for specific cities and hospital departments. We sponsor and set up exhibitions at large-scale academic conferences to present our services' innovative and advantageous features. For example, in 2019, we attended conferences such as the 2019 National Oncology Group Meeting in April, Respiratory Annual Meeting of Chinese Medical Association in September and the 2019 St. Jude-VIVA Forum on Pediatric Hematologic Oncology in November.

Through our academic-driven marketing activities, we are able to establish and maintain relationships with key opinion leaders as well as department heads and senior physicians in our target hospitals. We maintain regular contact with over 200 key opinion leaders, who are generally medical experts with substantial national or regional influence, especially in the anticoagulant filed, some of whom hold leadership positions in national medical associations. Our sales and marketing team is responsible for establishing relationships with key opinion leaders and introducing to them the features of our testing services. We maintain a list of national and regional key opinion leaders, which are updated from time to time. We select key opinion leaders primarily based on the specialty areas they specialize in, their professional qualifications and their reputation in the medical community. We assist key opinion leaders in organizing high profile domestic and international academic conferences and seminars and conducting

clinical studies. We maintain regular communication with the key opinion leaders regarding the application of our testing services, and we also invite them to visit our laboratories, where we showcase our equipment, laboratory platform and other aspects of our operation that demonstrate our ability to provide compliant, robust and reliable services. We believe that KOLs' independent reviews and studies of our testing services, which may be published in academic journals or shared in conferences and seminars, help increase the recognition of our testing services among the wider medical community. We do not pay KOLs for their promotion of our testing services; we may, however, reimburse them for expenses incurred by their attendance of academic conferences, such as related travel expenses.

**Collaboration with Third-Party Promoters**

During the Track Record Period, we entered into marketing agreements to partner with third-party promoters in Hebei, Henan, Jiangsu, Zhejiang and Hubei Provinces and Shanghai as part of our pilot programs to increase market penetration and operational efficiency in marketing and sales. Such third-party promoters were responsible to exclusively promote and market our services in specified geographic locations and specialty areas, including organizing marketing activities to promote our brand and testing services, collecting payments from testing service customers and collecting testing samples from hospitals. During such partnerships, we conducted the tests on the samples collected by third-party promoters from hospitals and generate reports for them to distribute to the hospital clients and assist them in hiring their sales and logistics personnel and provide marketing materials. Third-party promoters we have worked with are all corporate entities with business licenses issued by competent authorities to engage in the promotion activities. We have also examined such business licenses before entering into contracts with them. For the years ended December 31, 2018, 2019 and 2020, RMB136.1 million, RMB138.8 million and RMB91.0 million of our revenue is attributable to third-party promoters activities, respectively. In return of the services provided by third-party promoters, we compensate them a portion of the total sales income realized through the promoters' sales activities and settle such payment on a monthly basis calculated by multiplying the total sales income by a compensation percentage determined based on various factors, including the services promoted, sales regions and hospitals. We also set a sales target for each third-party promoters, and once achieved, we adjust up the compensation percentage on the excess sales generated. Third-party promoters do not receive any payment from the hospitals or pay any fees on our behalf. We enter into agreements with each third-party promoters to memorialize the aforementioned arrangement, and such agreements are generally with a term of one year and renewable. Under our agreements with third-party promoters, We are responsible for the costs of promotional materials and associated mailing expenses, mailing expenses of invoices for patients, and costs associated with testing and issuing of report; third-party promoters are responsible for their own personnel expenses, rental and administrative expenses, marketing activities expenses, and cost of promotional materials in excess of the amount provided by us. The third-party promoter fees incurred under such agreements amounted to RMB57.6 million, RMB54.6 million and RMB30.3 million during the same periods. We had about 40 third-party promoters throughout the Track Record Period, the majority of which were small businesses located in Hubei Province.

Due to a strategic shift in 2019 to refocus on developing our own sales and marketing capabilities, we are in the process of phasing out such third-party promoter arrangements and as of the Latest Practicable Date, we ended the partnership with our exclusive third-party promoter in Hebei Province and limited the responsibilities of the existing third-party promoters in Henan, Jiangsu and Zhejiang Provinces to organize and implement marketing activities only. As of the same date, except the third-party promoters in Hubei province our third-party promoters no longer handle our testing sample logistics or payment collection.

*Transportation and Storage*

Our customers collect the samples in accordance with the requirements contained in our guidelines, which are usually included as an annex to our agreement with partner hospitals and the handbook we provide to the hospitals and physicians. We strictly enforce our requirements and guidelines to ensure the quality of the samples handed over to us. If the samples are not collected in accordance with our requirements and guidelines, we may notify the hospitals and refuse to take in such samples.

We offer flexible and customized pickup services. We have established an in-house logistics team consisting of over 900 employees to support the high-quality and efficient collection of testing samples across China. We provide tailored testing sample collection service where we can adjust the frequency, timing and the minimum number of testing samples to be collected depending on our customer's needs. Our logistics team is able to pick up the sample from the hospital on an on-demand basis. To further strengthen our logistics capacities, we have also built a customer service center, a nationwide logistics service network and professional quality monitoring system to ensure high-quality logistics service. We also use cold-chain technologies to maintain the activity and effectiveness of the testing samples during the delivery. We strive to pack, transport and store these testing samples at all laboratories according to carefully designed procedures, and perform regular oversight and monitor on the logistics process from our customers. To further increase our logistic capacities, we also outsource a portion of the sampling delivery to trusted third-party logistics companies, to transport the testing samples from our customers to our laboratories. In 2018, 2019 and 2020, the number of testing samples delivered by such third-party logistic service providers amounted to 1.9 million, 2.2 million, and 1.6 million, respectively, representing 74.1%, 69.7%, and 66.0% of the total testing samples delivered from our partner hospitals in the same period. Before accepting the testing samples, our logistic team will check if (1) the patients' information is well documented and (2) the sample is properly handled and packaged by the hospital personnel.

## PRICING

Pursuant to the Opinions on Promoting Further Reform of the Healthcare System (《中共中央、國務院關於深化醫藥衛生體制改革的意見》), the PRC government and its local counterparts set the benchmark for the price of certain of our testing services, such as Medical Service Price of Wuhan of Hubei. For such services with benchmark prices, our prices are tied to the price benchmark with adjustment made to competitors' pricing and our production costs. For our testing services that do not have the benchmark price, we determine preliminary prices with reference to prices of competitors' products and our production costs, off which we will give our partner hospitals respective discounts in light of their different size, ranking and competitiveness. To be compliant with the PRC laws and regulations on the use of unregistered testing kits, we do not take into account the cost of the unregistered testing kits in pricing our Non-Genomic LDT and the unregistered testing kits are considered as provided free of charge. We generally are able to charge a more premier price for testing services that are not benchmark controlled. The price of our clinical services provided to CROs, pharmaceutical companies, research institutes and other non-hospital customers are made on a case-by-case basis, taking into account the cost and size of the research programs and the size, competitiveness or the budget of our customers.

Our esoteric testing services generally has a higher price than our routine testing services, and for the years ended December 31, 2018, 2019 and 2020, the average price we charge for an esoteric test was

approximately RMB403.4, RMB425.1 and RMB472.1, respectively compared to approximately RMB70.7, RMB61.7 and RMB68.7 per routine test, respectively. According to Frost & Sullivan, our industry peers charged an average service fee of approximately RMB50 to RMB65 for routine testing services and RMB90 to RMB380 for esoteric testing services in 2020 esoteric. The average price for our esoteric testing services is higher than those of our industry peers primarily because (i) our business is focused on esoteric testing services, which by nature have a higher average service fee than routine testing services, which are the focus of some of our industry peers. According to Frost & Sullivan, certain of our industry peers derive 60% to 85% of their revenue from routine testing services, while we only had 7.6% of our revenue derived from our routine testing services. Our early focus on esoteric testing allows us to be in a leading market position in the overall ICL esoteric testing market as well as in some of the specialty areas which we're focused on, which led to our ability to charge higher prices for our esoteric testing services; (ii) hematology testing represents a significant portion of our esoteric testing services, which generally has higher costs than other types of esoteric testing services, resulting in higher average service price of our esoteric testing services, (iii) a considerable portion of our esoteric testing services require subsequent pathological analysis by our testing personnel, resulting in higher costs and thus higher average service price of our esoteric testing services and (iv) the level of discount of the esoteric testing services we offer to customers is relatively lower compared to that of our industry peers. The average price for our routine testing services is higher than those of our industry peers primarily because (i) compared to the routine testing services offered by our industry peers, for example routine complete blood count and thrombin clotting time, our routine testing services are provided using highly specialized testing methods such as fully automatic blood coagulation test, automated fixed immunoelectrophoresis/isoelectric focusing electrophoresis, antibody test and manual test and other. Many of such testing items are offered by only limited number of independent clinical laboratories in China, which cannot be offered by many of our industry peers, according to Frost & Sullivan, allowing us to charge higher prices for our routine testing services; (ii) a considerable portion of the reagents used in our routine testing services are imported products, which are more expensive compared to domestic products, whereas many of our industry peers use a higher proportion of domestic products in their routine testing services, according to Frost & Sullivan. We do not anticipate any significant price fluctuation of any of our major services in the future.

## OUR CUSTOMERS

The vast majority of our revenues are generated by providing clinical testing services to hospitals and their patients. The table below shows the number of hospitals and other institutions we served across the PRC by sub-category of testing services provided during the periods indicated.

| | For the Year ended December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| **Number of hospitals and other institutions served by sub-categories** | | | |
| Hematology | 1,545 | 1,649 | 1,588 |
| Genetic diseases and rare diseases | 847 | 829 | 735 |
| Infectious diseases | 1,432 | 1,454 | 1,290 |
| Oncology | 293 | 232 | 246 |
| Neurology | 1,081 | 1,128 | 1,114 |
| Maternity-related diseases | 1,118 | 1,105 | 1,040 |

During the Track Record Period, we served 3,249, 3,296 and 3,200 hospitals in China. We benefit from a high level of customer loyalty and have developed solid working relationships with many customers. As of December 31, 2020, our five largest customers had maintained a working relationship with us for approximately 10 years on average. For the years ended December 31, 2018, 2019 and 2020, our five largest customers together generated RMB41.8 million, RMB54.2 million and RMB56.9 million of revenue, respectively, accounting for approximately 6.0%, 6.5%, and 6.4% of our total revenue, respectively. Compared with our industry peers, who serve a more diverse group of customers in terms of customer types including medical institutions, hospitals, pharmaceutical firms, we primarily serve hospitals in China. All of our five largest customers are Independent Third Parties during the Track Record Period. To the best of our knowledge and as of the Latest Practicable Date, we were not aware of any information or arrangement that would lead to the termination of our relationships with any of our major customers. None of our Directors and their respective associates, or Shareholders who own 5% or more of the total issued Shares had an interest in any of our Group's five largest customers during the Track Record Period. All patients are referred to us for testing by our hospital customers. We do not serve individual patients directly, except our COVID-19-related testing services, part of which were offered to individuals directly. In 2020, revenue generated from COVID-19 services offered directly to individuals reached RMB29.6 million.

The following table sets out our five largest customers, all of which are Class III hospitals, for the year ended 31 December, 2018.

| Five Largest Customers for the Year Ended December 31, 2018 | Sales amount (in RMB million) | Percentage of Total Revenue | Service/ Products sold | Length of Relationship | Company Background | Credit Terms |
|---|---|---|---|---|---|---|
| Customer A | 10.5 | 1.5% | Medical diagnostic testing services | Since December 2008 | A Class III Grade A general hospital based in Guangxi Province, PRC | 1 month |
| Customer B | 9.0 | 1.3% | Medical diagnostic testing services | Since October 2012 | A Class III Grade A pediatrics hospital based in Chongqing, PRC | 3 months |
| Customer C | 7.5 | 1.1% | Medical diagnostic testing services | Since April 2010 | A Class III Grade A general hospital based in Xinjiang Province, PRC | 3 months |
| Customer D | 7.6 | 1.1% | Medical diagnostic testing services | Since January 2010 | A Class III Grade A general hospital based in Fujian Province, PRC | 1 month |
| Customer E | 7.2 | 1.0% | Medical diagnostic testing services | Since January 2005 | A Class III Grade A general hospital based in Hubei Province, PRC | 3 months |
| **Total** | **41.8** | **6.0%** | | | | |

The following table sets out our five largest customers, all of which are Class III hospitals, for the year ended 31 December, 2019.

| Five Largest Customers for the Year Ended December 31, 2019 | Sales amount (in RMB million) | Percentage of Total Revenue | Service/ Products sold | Length of Relationship | Company Background | Credit Terms |
|---|---|---|---|---|---|---|
| Customer C | 12.9 | 1.6% | Medical diagnostic testing services | See above | See above | 3 months |
| Customer A | 12.0 | 1.4% | Medical diagnostic testing services | See above | See above | 1 month |
| Customer F | 9.9 | 1.2% | Medical diagnostic testing services | Since March 2013 | A Class III Grade A general hospital based in Henan Province, PRC | 3 months |
| Customer D | 9.8 | 1.2% | Medical diagnostic testing services | See above | See above | 1 month |
| Customer G | 9.6 | 1.1% | Medical diagnostic testing services | Since September 2013 | A Class III gynecology and pediatrics hospital based in Guangdong Province, PRC | 3 months |
| **Total** | **54.2** | **6.5%** | | | | |

The following table sets out our five largest customers four of which are Class III hospitals for the year ended 31 December, 2020. In addition, the five largest hospitals served by us contributed a total of 5.5% of our revenue in 2020.

| Five Largest Customers for the Year Ended December 31, 2020 | Sales amount (in RMB million) | Percentage of Total Revenue | Service/Products sold | Length of Relationship | Company Background | Credit Terms |
|---|---|---|---|---|---|---|
| Customer H . . | 16.2 | 1.8% | Medical diagnostic testing services (COVID-19-related testing) | Since May 2020 | A district level governmental organization based in Wuhan, PRC | 2 months |
| Customer C . . . | 11.2 | 1.3% | Medical diagnostic testing services | See above | See above | 3 months |
| Customer A . . | 10.6 | 1.2% | Medical diagnostic testing services | See above | See above | 1 month |
| Customer G . . | 9.9 | 1.1% | Medical diagnostic testing services | See above | See above | 3 months |
| Customer D . . | 9.0 | 1.0% | Medical diagnostic testing services | See above | See above | 1 month |
| **Total** . . . . . | **56.9** | **6.4%** | | | | |

We enter into agreements with hospitals, where they would collect testing samples from their patients and after we obtain the samples and complete the testing and analysis, we would deliver the reports to hospitals for their handling. In return, hospitals settle with us the fees incurred by tests we performed for their patients. The term of such agreements is usually one year and renewable. We generally grant the hospitals a credit term from three to nine months. In addition to working with hospitals customers on a contract basis, we also work with hospitals on an ad hoc basis where the hospital patients, instead of the hospitals, would settle the testing fee payments with us. During the Track Record Period, payments settled directly by hospital patients contributed 49%, 47% and 42% of our total revenue. Cooperation with hospitals customers on either contract basis or ad hoc basis are common practice in the ICL esoteric testing market, according to Frost & Sullivan. Our level of direct settlement by hospital patients is on par with the industry average. Among our industry peers, approximately 40% to 50% of their revenue is generally attributable to payments settled directly by hospital patients, as advised by Frost & Sullivan. We consider a number of factors in determining the credit term of a customer, including its payment schedules and creditworthiness as well as the local medical care policy and market environment.

We have a dedicated customer service department of over 60 personnel that handles customer queries as of the Latest Practicable Date. If we receive a complaint about any of our services, which is usually through our local sales force, the complaint would be forwarded to, and discussed with, the sales department, the relevant laboratory, and/or other responsible departments, and a solution would be provided to the complaining customer. The complaint will also be forwarded to our quality and regulatory affairs department for further analysis. We also maintain a hotline to answer questions from hospitals, physicians and patients regarding our services. During the Track Record Period and as of the Latest Practicable Date, we had not received any material complaint from our customers.

## OUR SUPPLIERS

We have maintained stable and long-term relationships with our major suppliers and procure a wide variety of raw materials, mainly consumables and equipment, used for our testing services. We consider several factors in the evaluation and selection of suppliers, including but not limited to the supplier's background, reputation, and industry experience, and most importantly the quality and price of their supplies. All new suppliers must go through our internal supplier admission process before entering into supply agreements with us. Some of them are subject to an onsite inspection conducted by us on their production plants on an as-needed basis to evaluate the production processes and quality management and test the raw material and packaging material samples.

For the years ended December 31, 2018, 2019 and 2020, our five largest suppliers accounted for RMB56.1 million, RMB73.8 million, and RMB91.4 million, representing 20.0%, 21.4% and 23.8% of total purchases, respectively. All of our five largest suppliers during the Track Record Period are Independent Third Parties. None of our Directors or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued share capital immediately following completion of the **[REDACTED]** (but without taking into account the exercise of the **[REDACTED]**) nor any of their respective associates had any interest in any of our five largest suppliers during the Track Record Period. In addition, we believe that adequate alternative sources for such supplies exist and we have developed alternative sourcing strategies for these supplies. During the Track Record Period and as of the Latest Practicable Date, we had not received any material complaint from our suppliers.

Material terms of our reagent supply agreement include:

- Duration. Generally one to five years. In some cases, the supply agreement can be automatically renewed if we buy a certain amount of reagents within the prescribed period.
- Supply Volume. We acquire reagents from suppliers depending on our expected testing usage.
- Fees. We are responsible for the contract price of reagents, which is generally calculated based on the unit price and actual supply volume, on a monthly basis.
- Suppliers' Obligations. Suppliers generally warrant that the products are authentic and are in compliance with applicable laws, regulations and industry standard. Suppliers are generally required to deliver the goods to us. In addition, suppliers are generally required to maintain our order information confidential.

The following table sets out our five largest suppliers for the year ended 31 December, 2018.

| Five Largest Suppliers for the Year Ended December 31, 2018 | Purchased amount (in RMB million) | Percentage of Total Purchases | Service/ Products Purchased | Length of Relationship | Company Background | Credit Terms |
|---|---|---|---|---|---|---|
| Supplier A | 23.8 | 8.5% | Outsourced testing service | Since 2017 | A Class III Grade A general hospital based in Hubei Province, PRC | 1 month |
| Supplier B | 9.0 | 3.2% | Outsourced testing service | Since 2018 | A company engaged in R&D outsourcing, development and sales of reagents based in Shaanxi Province, PRC | 1 month |
| Supplier C | 8.8 | 3.1% | Agent service | Since 2017 | A company engaged in the consultation and development of biotechnology based in Hebei Province, PRC | 1 month |
| Supplier D | 7.6 | 2.7% | Reagent | Since 2017 | A company engaged in the supply of reagent based in Shanghai, PRC | 3 months |
| Supplier E | 6.9 | 2.5% | Reagent | Since 2013 | A company engaged in the development and sales of lab equipment based in Hubei Province, PRC | 3 months |
| **Total** | **56.1** | **20.0%** | | | | |

The following table sets out our five largest suppliers for the year ended 31 December, 2019.

| Five Largest Suppliers for the Year Ended December 31, 2018 | Purchased amount (in RMB million) | Percentage of Total Purchases | Service/ Products Purchased | Length of Relationship | Company Background | Credit Terms |
|---|---|---|---|---|---|---|
| Supplier A | 24.5 | 7.1% | Outsourced testing service | See above | See above | 1 month |
| Supplier B | 19.9 | 5.7% | Outsourced testing service | See above | See above | 1 month |
| Supplier F | 10.3 | 3.1% | Reagent | Since 2016 | A company engaged in the sales of reagents and medical diagnostic equipment | 3 months |
| Supplier G | 9.7 | 2.8% | Rental | Since 2016 | A company engaged in the rental of property | 3 months |
| Supplier D | 9.4 | 2.7% | Outsourced testing service | See above | See above | 3 months |
| **Total** | **73.8** | **21.4%** | | | | |

The following table sets out our five largest suppliers for the year ended 31 December, 2020.

| Five Largest Suppliers for the Year Ended December 31, 2018 | Purchased amount (in RMB million) | Percentage of Total Purchases | Service/Products Purchased | Length of Relationship | Company Background | Credit Terms |
|---|---|---|---|---|---|---|
| Supplier A . . . | 22.0 | 5.7% | Outsourced testing service | Since 2017 | See above | 1 month |
| Supplier H . . . | 21.4 | 5.6% | Reagent | Since 2009 | A company engaged in the development of reagents and testing equipment and provision of independent esoteric testing services based in Guangdong Province, PRC | 6 months |
| Supplier B . . . . | 19.4 | 5.0% | Outsourced testing service & Reagent | Since 2018 | See above | 1 month |
| Supplier I . . . . | 19.2 | 5.0% | Outsourced testing service | Since February 2019 | A company engaged in the provision of testing services and development of reagents based in Wuhan Province, PRC | 1 month |
| Supplier D . . . | 9.4 | 2.5% | Outsourced testing service | Since 2017 | See above | 3 months |
| **Total** . . . . . | **91.4** | **23.8%** | | | | |

## INVENTORY

Our inventory consists of reagents and consumables. We generally maintain an inventory level for raw materials to support one to two months of testing needs. We have established an inventory management system that manages and monitors each stage of the warehousing process and ensure the inventory maintained at sufficient level. Our inventory personnel are responsible for the inspection, storage and distribution of raw materials. Our accounting department also performs stocktaking and sends representatives to verify inventory and conduct impairment tests on a monthly basis.

## QUALITY CONTROL

We believe that an effective quality management system is critical to ensuring the quality of our services. We have established an in-house quality management system and devote significant attention to quality control of our raw materials, equipment, services. We have also established a quality control team. Our quality control team is led by Ms. Feng Xiaofeng, who has more than nine years of quality control experience in biotechnology products, particularly in medical diagnosis. Our quality control team consists

of 22 members who have an average of five years of working experience with us. We have established detailed quality control and assurance procedures guiding our internal production and external purchase of raw materials and equipment. We purchase our raw materials and equipment only from selected reputable suppliers. For further details, please refer to "Business – Our Suppliers". In addition, to ensure high service quality, we have implemented a "quality-by-design" approach pursuant to which manufacturing processes are designed during the research and development stage and quality control processes are continuously monitored.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

### Environmental protection

We strive to operate our facilities in a manner that protects the environment and the health and safety of our employees and communities. We are subject to certain environmental protection laws and regulations in China. Our testing and manufacturing process generates solid waste, liquid waste and other industrial waste including gas waste at various states of the manufacturing process. We take steps to ensure that wastes generated as a result of our operations are properly disposed of in order to reduce adverse effects to the environment. We have engaged Han's Environment Co. Ltd. which has relevant qualifications to process our solid waste, and both of our liquid and gas waste will be processed before it is released to the environment.

In addition, we have implemented a number of company-wide measures to ensure compliance with the stringent regulatory requirements and standard operating procedures relating to emissions of air, water and other materials, bio-waste generation and treatment, handling, use, storage, treatment and disposal of hazardous substances, worker health and safety requirements, and emergency planning and response. We have dedicated biosafety experts responsible for biosafety training, compliance of our operations with biosafety-related legal requirements, biosafety risk assessment and review of corrective actions and preventative actions that we will take upon the occurrence of any biosafety emergency.

During the Track Record Period and as of the Latest Practicable Date, we complied with the relevant environmental laws and regulations in China and had not been subject to any material claims, lawsuits, fines, penalties or disciplinary actions.

### Occupational health and safety matters

We are committed to complying with relevant laws and regulations to ensure the health, safety and wellness of our employees. We have adopted and implemented a comprehensive set of work safety guidelines setting out safety practices related to, including but are not limited to accident prevention, reporting and handling, waste management, bacteria and virus exposure and fire hazard. To reduce the risk of unnecessary exposure of employees to harmful materials, we strictly and physically divide each lab according to relevant laws and regulations into clean area, quasi-contaminated area and contaminated area. We also regularly perform free body checkups for our testing facility employees on infectious diseases. During the Track Record Period and as of the Latest Practicable Date, we did not experience any material accidents involving personal injury or property damages. Additionally, we were not subject to any material claims, lawsuits, penalties, compensations or disciplinary actions as a result of any material accidents and were in compliance with the relevant occupational health and safety laws and regulations.

## INTELLECTUAL PROPERTY

Intellectual property rights are important to our business. We develop and use a number of proprietary methodologies, analytics, systems, technologies, trade secrets, know-how and other intellectual property during the conduct of our business. As of the Latest Practicable Date, we had a variety of registered trademarks, trademark applications registered patents, patent applications and software copyrights in mainland China to protect our intellectual properties. See "Statutory and General Information – 2. Further Information about Our Business – B. Our Intellectual Property Rights" in Appendix IV to this Document for further details of our material intellectual property rights. We also maintain various licenses to use the intellectual property of third parties.

| No. | Product/Technology | Type | Date of announcement of patent grant | Patentee |
|---|---|---|---|---|
| 1. | The method of detecting hot spot mutation of PIKC3A gene by primer and primer spectrum (引物及該引物質譜檢測PIKC3A基因熱點突變的方法) | Invention | June 29, 2016 | Wuhan Kindstar |
| 2. | A kind of sub-regional specimen transport box（一種分區域的標本運輸箱） | utility model | November 27, 2013 | Wuhan Kindstar |
| 3. | A kind of specimen transport box (一種標本運輸箱) | utility model | September 11, 2013 | Wuhan Kindstar |
| 4. | Primers, probes and reagent kits for the detection of gene expression, and methods for the usage (檢測基因表達量的引物、探針和試劑盒、及其使用方法) | Invention | November 18, 2015 | Beijing Hightrust |
| 5. | Primers, probes, and reagent kits for the detection of gene locus mutations (用於檢測基因位點突變的引物、探針、試劑盒) | Invention | July 15, 2015 | Beijing Hightrust |
| 6. | Reagent kits for the detection of EGFR hotspot mutations T790M (用於檢測EGFR 基因熱點突變T790M的試劑盒) | utility model | April 9, 2014 | Beijing Hightrust |
| 7. | Reagent kits for the detection of V617F locus mutations in JAK2 genes (用於檢測JAK2基因V617F位點突變的試劑盒) | utility model | April 9, 2014 | Beijing Hightrust |
| 8. | Reagent kits for the detection of chromosomal instability syndromes (用於檢測染色體不穩定綜合征的試劑盒) | utility model | May 28, 2014 | Beijing Hightrust |

| No. | Product/Technology | Type | Date of announcement of patent grant | Patentee |
|---|---|---|---|---|
| 9. | Reagent kits for the screening of 31 kinds of blood disease fusion genes (用於篩查31種血液病融合基因的試劑盒) | utility model | April 9, 2014 | Beijing Hightrust |
| 10. | Reagent kits for the detection of viability and activity of NK cells (用於檢測NK細胞活性的試劑盒) | utility model | April 9, 2014 | Beijing Hightrust |
| 11. | Reagent kits for the detection of myelodysplastic syndrome and aplastic anemia (用於檢測骨髓增生異常綜合症和再生障礙性貧血的試劑盒) | utility model | April 9, 2014 | Beijing Hightrust |
| 12. | Reagent kits for the detection of cell-activated antigens (用於檢測細胞活化抗原的試劑盒) | utility model | May 28, 2014 | Beijing Hightrust |
| 13. | Reagent kits for the detection of microscopic residues in neuroblastoma (用於檢測神經母細胞瘤微小殘留的試劑盒) | utility model | April 9, 2014 | Beijing Hightrust |
| 14. | Reagent kits for the detection of V600E mutations in BRAF genes (用於檢測BRAF基因V600E突變的試劑盒) | utility model | April 9, 2014 | Beijing Hightrust |
| 15. | Primers and reagent kits for the detection of Y chromosome microdeletions (檢測Y染色體微缺失的引物和試劑盒) | Invention | June 10, 2015 | Shanghai SimpleGene |
| 16. | Reagent kits for the detection of DNA strand breaks using single-cell gel electrophoresis (採用單細胞凝膠電泳檢測DNA鏈斷裂的試劑盒) | utility model | February 4, 2015 | Beijing Hightrust |
| 17. | Reagent kits combining exfoliative cytology and fluorescence in situ hybridization for the detection of lung cancer (結合脱落細胞學形態及螢光原位雜交來檢測肺癌的試劑盒) | utility model | February 4, 2015 | Beijing Hightrust |

| No. | Product/Technology | Type | Date of announcement of patent grant | Patentee |
|---|---|---|---|---|
| 18. | Reagent kits for the detection of PNH clones (用於檢測PNH克隆的試劑盒) | utility model | December 10, 2014 | Beijing Hightrust |
| 19. | Reagent kits for the detection of residuals of acute B-lymphocytic leukemia (用於檢測急性B淋巴細胞白血病殘留的試劑盒) | utility model | February 4, 2015 | Beijing Hightrust |
| 20. | Reagent kits for the detection of E6 and E7 mRNA production by HPV-infected cells (用於檢測HPV感染細胞產生E6、E7 mRNA的試劑盒) | utility model | December 10, 2014 | Beijing Hightrust |
| 21. | Reagent kits for the detection of tumor cells in peripheral blood circulation (用於檢測外周血循環腫瘤細胞的試劑盒) | utility model | January 7, 2015 | Beijing Hightrust |
| 22. | Reagent kits for the detection of Fanconi anemia (用於檢測範可尼貧血的試劑盒) | utility model | January 7, 2015 | Beijing Hightrust |
| 23. | Reagent kits for the detection of viability and activity of NK cells (用於檢測NK細胞活性的試劑盒) | Invention | June 1, 2016 | Beijing Hightrust |
| 24. | Reagent kits for the detection of genes of multiple myeloma (用於檢測多發性骨髓瘤漿細胞基因的試劑盒) | utility model | September 9, 2015 | Beijing Hightrust |
| 25. | Reagent kits for the detection of regulatory T cells (用於檢測調節性T 細胞的試劑盒) | utility model | September 16, 2015 | Beijing Hightrust |
| 26. | Reagent kits for the detection of cytokines Th1 and Th2 (用於檢測細胞因子 Th1、Th2的試劑盒) | utility model | September 9, 2015 | Beijing Hightrust |
| 27. | Reagent kits for the detection of immune reconstitution in post-transplant patients (用於檢測移植後患者免疫重建功能的試劑盒) | utility model | September 9, 2015 | Beijing Hightrust |

| No. | Product/Technology | Type | Date of announcement of patent grant | Patentee |
|---|---|---|---|---|
| 28. | Reagent kits for the detection of progressive familial hepatobiliary cholestasis gene mutations and the detection method (一種檢測進行性家族性肝膽汁淤積症基因突變的試劑盒及其檢測方法) | Invention | February 12, 2019 | Shanghai SimpleGene |
| 29. | Reagent kits for the detection of genotype of three SNP loci of interleukin 28B and the detection method (一種檢測白介素28B三個SNP位點基因型的試劑盒及其檢測方法) | Invention | April 12, 2019 | Shanghai SimpleGene |
| 30. | Chromosome dropper (染色體滴片儀) | utility model | October 12, 2016 | Wuhan Kindstar |
| 31. | The Method of identifying genetic mutation sites of children interstitial lung pneumonia (確定兒童肺間質性肺炎的基因突變位點的方法) | Invention | May 29, 2020 | Wuhan Kindstar |
| 32. | Reagent kits for the detection of progressive familial hepatobiliary cholestasis gene mutations (一種檢測進行性家族性肝膽汁淤積症基因突變的試劑盒) | utility model | July 28, 2017 | Shanghai SimpleGene |
| 33. | Reagent kits for the detection of mutations in genes of Dubin-Johnson syndrome (一種用於檢測Dubin-Johnson綜合症基因突變的試劑盒) | utility model | July 28, 2017 | Shanghai SimpleGene |
| 34. | Reagent kits for the detection of IL28B gene polymorphism (一種IL28B基因多態性檢測試劑盒) | utility model | July 28, 2017 | Shanghai SimpleGene |
| 35. | Reagent kits for the detection of GBA gene mutations in Gaucher disease (一種戈謝病GBA基因突變的檢測試劑盒) | utility model | July 28, 2017 | Shanghai SimpleGene |
| 36. | Reagent kits for the detection of expression of drug resistancegene to first-line drugs used in treatment of malignant tumors (一種用於檢測治療惡性腫瘤的一線藥物耐藥基因表達量的試劑盒) | utility model | July 28, 2017 | Shanghai SimpleGene |

| No. | Product/Technology | Type | Date of announcement of patent grant | Patentee |
|---|---|---|---|---|
| 37. | Specimen boxes（標本箱） | utility model | February 27, 2018 | Shanghai SimpleGene |
| 38. | Integrated racks for dyeing sheets（染色晾片一體架） | utility model | February 27, 2018 | Shanghai SimpleGene |
| 39. | Reagent kits for the detection of progressive familial hepatobiliary cholestasis gene mutations based on Sanger sequencing technology（基於Sanger測序技術檢測進行性家族性肝膽汁淤積症基因突變的試劑盒） | utility model | March 30, 2018 | Shanghai SimpleGene |
| 40. | Antibody storage boxes（抗體收納盒） | utility model | April 3, 2018 | Shanghai SimpleGene |
| 41. | Diagnostic kits for plasma cell clonality in flow cytometry（用於流式細胞術中漿細胞克隆性診斷試劑盒） | utility model | April 3, 2018 | Shanghai SimpleGene |
| 42. | Reagent kits for immunofixation electrophoresis of cerebrospinal fluid oligoclonal regions with agarose gels (適用於腦脊液寡克隆區帶瓊脂糖凝膠免疫固定電泳的試劑盒) | utility model | July 27, 2018 | Shanghai SimpleGene |
| 43. | A kind of glass slide bracket (一種載玻片托架) | utility model | February 15, 2019 | Wuhan Kindstar |
| 44. | A type of segregated single cell suspension preparation device (一種分離式單細胞懸液製備裝置) | utility model | May 19, 2020 | Beijing Hightrust |
| 45. | A kind of fluorescence in situ hybridization locator (螢光原位雜交定位器) | utility model | October 2, 2020 | Wuhan Kindstar |
| 46. | Quantitative detection of primer and probes for CCL17 gene expression and its application (定量檢測CCL17 基因表達的引物和探針及其應用) | Invention | February 1, 2019 | Wuhan Kindstar |

| No. | Product/Technology | Type | Date of announcement of patent grant | Patentee |
|---|---|---|---|---|
| 47. | A testing kit for the detection or assisted detection in cellular differentiation stage of myeloid leukemia (一種檢測或輔助檢測髓系白血病細胞分化階段的試劑盒) | Invention | March 4, 2015 | Wuhan Kindstar |

As of the Latest Practicable Date, our Company had filed the following key patent applications in relation to the business of our Group as a whole:

| No. | Product/Technology | Type | Date of Application | Applicant |
|---|---|---|---|---|
| 1. | Handling, decalcification fluid and applications of bone marrow specimen (骨髓標本處理方法、脱鈣液及用途) | Invention | September 5, 2017 | Shanghai SimpleGene |
| 2. | Reagent kits for the detection of rrs mutations in MTB kanamycin-resistant related genes and the method and usage (檢測MTB耐卡那黴素相關基因rrs突變的試劑盒及其方法和用途) | Invention | September 6, 2017 | Shanghai SimpleGene |
| 3. | Reagent kits for detection of gyrA mutations in MTB quinolone resistance genes and the methods and usage （檢測MTB喹諾酮類藥物耐藥基因gyrA突變的試劑盒及其方法和用途） | Invention | September 6, 2017 | Shanghai SimpleGene |
| 4. | Bone marrow cell chromosome preparation methods（骨髓細胞染色體制片方法） | Invention | September 28, 2017 | Shanghai SimpleGene |
| 5. | Reagent kits for the detection of prognostic gene mutations in AML patients and the detection method（一種檢測AML患者預後基因突變的試劑盒及其檢測方法） | Invention | December 29, 2017 | Shanghai SimpleGene |
| 6. | A diagnosis system for central nervous system diseases （一種中樞神經系統疾病判斷系統） | Invention | July 12, 2018 | Shanghai SimpleGene |

| No. | Product/Technology | Type | Date of Application | Applicant |
|---|---|---|---|---|
| 7. | Reagent kits for the detection of relapse of acute lymphocytic leukemia and mutations in drug resistance genes and the application methods（急性淋巴細胞白血病復發、耐藥基因的突變檢測試劑盒及應用方法） | Invention | July 26, 2018 | Beijing Hightrust |
| 8. | A method for detecting mutations in ABL kinase region of BCR-ABL fusion gene（一種檢測BCR-ABL融合基因ABL激酶區突變的方法） | Invention | December 29, 2018 | Wuhan Kindstar |
| 9. | Detection kit for microscopic residues of acute B lymphoblastic leukemia（急性B淋巴細胞白血病微小殘留的檢測試劑盒） | Invention | February 22, 2019 | Wuhan Kindstar |
| 10. | Method and kit for simultaneously detecting multiple fat-soluble vitamins in blood（一種同時檢測血液中多種脂溶性維生素的方法和試劑盒） | Invention | February 27, 2019 | Wuhan Kindstar |

Save as aforesaid, as at the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our Group's business.

During the Track Record Period and up to the Latest Practicable Date, none of our employees breached the confidentiality obligations under their employment contracts in a material respect; we were not subject to, nor were we party to, any intellectual property rights infringement claims or litigations; and we were not aware of any material infringement of our intellectual property rights that had or could have a material adverse effect on our business. We had complied with all applicable intellectual property laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date. Also see "Risk Factors – Risks Relating to Our Business and Industry – We may be subject to intellectual property infringement or misappropriation claims by third parties, which may force us to incur substantial legal expenses and, if determined adversely against us, could disrupt our business."

## EMPLOYEES

As of the Latest Practicable Date, we had 2,727 employees in total, including 2,131 full-time employees. The following table sets forth the number of our employees categorized by function as of the Latest Practicable Date.

| Function | Number of Full-time Employees | Number of Full-time and Part-time Employees |
|---|---|---|
| Logistics | 942 | 503 |
| Testing | 664 | 560 |
| Quality Control | 22 | 21 |
| Research and Development | 253 | 248 |
| Sales and Marketing | 627 | 605 |
| Others | 219 | 194 |
| **Total** | **2,727** | **2,131** |

Note: Others includes human resource department, finance department, legal department and others.

We primarily recruit our employees through on-campus job fairs, recruitment agencies and online channels including our corporate websites and social networking platforms. We conduct new staff training regularly to guide new employees and help them adapt to the new working environment. In addition, we provide on-line and in-person formal and comprehensive company-level and department-level training to our employees on a quarterly basis in addition to on-the-job training. We also encourage our employees to attend external seminars and workshops to enrich their technical knowledge and develop competencies and skills. We also provide training and development programs to our employees and external training sessions from time to time to improve their technical skills and ensure their awareness and compliance with our various policies and procedures. We enter into standard contracts and agreements regarding confidentiality, intellectual property, employment, commercial ethics and non-competition with all of our executive officers and the vast majority of our employees. These contracts typically include a non-competition provision and a confidentiality provision effective during and after their employment with us.

As of the Latest Practicable Date, we have employees located in 30 different provinces, autonomous regions and municipalities, and most of them were located in Hubei and Sichuan Provinces, Beijing and Shanghai. Employees of our Wuhan, Beijing, Xinjiang, Tianjin and Shanghai laboratories are currently represented by labor unions. We believe that we maintain a good working relationship with our employees, and we have not experienced any significant labor disputes or any difficulty in recruiting staff for our operations during the Track Record Period.

During the Track Record Period, we did not make full social insurance and housing provident fund contributions for certain employees, and the total outstanding contribution of social insurance and housing provident fund was RMB17.1 million as of December 31, 2020. Our non-compliance was primarily due to our large labor force and relatively high mobility, the lack of experience of our human resources personnel who did not fully understand the relevant requirements of the relevant PRC laws and regulations, and the

preference of some of our employees not to contribute to such funds and such employees accounted for less than 0.15% of our total employees as of the Latest Practicable Date.

Our PRC Legal Advisers have advised us that, pursuant to relevant PRC laws and regulations, if we fail to pay the full amount of social insurance contributions as required, we may be ordered to pay the outstanding social insurance contributions within a prescribed time limit and may be subject to an overdue charge of 0.05% of the delayed payment per day from the date on which the payment is payable. If such payment is not made within the stipulated period, the competent authority may further impose a fine from one to three times the amount of any overdue payment, which amounts to a maximum of RMB14 million based on our outstanding contribution of social insurance due. Our PRC Legal Advisers have further advised us that, pursuant to relevant PRC laws and regulations, if we fail to pay the full amount of housing provident fund as required, the housing provident fund management center may order us to make the outstanding payment within a prescribed time limit. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement.

We have taken the following rectification measures to prevent future occurrence of such non-compliance:

***Training.*** Strengthen legal compliance training to our employees to increase their awareness of the relevant PRC laws and regulations and encourage their cooperation in making payments for social insurance and housing provident funds;

***Policy.*** Formulate and distribute to our employees an internal control policy with respect to social insurance and housing provident fund contribution in compliance with relevant PRC laws and regulations, which we have started to implement; and

***Review and record-keeping.*** Designate our human resources staff to monitor the payment status and prepare monthly reports of salary and contribution amounts, which shall be reviewed by our human resources department head and our finance department head to ensure that we make these payments and on time in accordance with relevant laws and regulations.

Despite our efforts, we were unable to make full contributions of social insurance and housing provident fund for our employees as of the Latest Practicable Date because some employees did not cooperate and chose to not to contribute to such funds. We will continue to actively encourage the cooperation of such employees and make the relevant contributions once they agree to participate in the social insurance and housing provident funds programs.

Our Directors believe that such non-compliance would not have a material and adverse effect on our business and results of operations, considering that: (i) as of the Latest Practicable Date, we had not received any notification from the relevant PRC authorities requiring us to pay material shortfalls or the penalties with respect to social insurance and housing provident funds; (ii) we had not been subject to any material administrative penalties during the Track Record Period, as confirmed by the compliance certificate issued by relevant PRC authorities, and up to the Latest Practicable Date; (iii) we were not aware of any material employee complaints nor were involved in any material labor disputes with our employees with respect to social insurance and housing provident funds; (iv) we have made provisions of RMB3.8

million, RMB5.4 million and negative RMB0.3 million for the social insurance and housing provident fund contribution shortfall in 2018, 2019 and 2020, respectively, calculated on the basis of the average income of our employees and the corresponding level of social insurance and housing provident funds due, which we believe adequately covers the shortfall.

## PROPERTIES

We are headquartered in Wuhan, Hubei province, China, and leased properties in Wuhan, Beijing, Shanghai, Chengdu, Urumqi and Tianjin with an aggregate area of approximately 23,135 sq.m., 4,546 sq.m., 452 sq.m., 1,230 sq.m., 1,079 sq.m. and 593 sq.m., respectively. The relevant lease agreements range from one to five years.

As of the Latest Practicable Date, the lease agreements with respect to 60 leased properties which we currently use primarily as offices and registered addresses in the PRC for our business operations had not been registered and filed with the relevant regulatory authorities. With respect to unregistered leases, our PRC Legal Advisor is of the view that the non-registration of lease agreements will not affect the validity of such lease agreements, but the relevant local housing administrative authorities can require us to complete registrations within a specified timeframe and we may be subject to a fine between RMB1,000 and RMB10,000 per lease for any delay in making these registrations. As of the Latest Practicable Date, we were not subject to any penalties arising from the non-registration of lease agreements. During the Track Record Period, we did not experience any dispute arising out of our leased properties.

As of the Latest Practicable Date, lessors of 14 of our leased properties which we currently use primarily as offices and registered addresses in China had not provided us with valid title certificates or relevant authorization documents evidencing their rights to lease the properties to us. As a result, these leases may not be valid, and there are risks that we may not be able to continue to use such properties. As advised by our PRC Legal Advisor, we as lessee will not be subject to penalty imposed by relevant authorities. Our Directors confirmed that the above-mentioned title defects would not materially and adversely affect our business operations because (i) if we have to terminate the leases or relocate from such leased properties with title defects, we are able to locate qualified alternative premises within a short period of time under comparable terms without incurring substantial additional costs; and (ii) as confirmed by our PRC Legal Advisor, in the event any of the relevant lease agreements be deemed invalid or otherwise unenforceable due to the above-mentioned title defects, we are entitled to claim against the relevant lessors for all the losses and damages so caused.

With respect to one of the leased properties in Xinjiang with a GFA of 1,078.61 sq.m. which we currently use as laboratory, we have applied for the filling for completion acceptance of fire protection and environmental protection facilities for the construction project of the leased property, but have not received approvals from the relevant authorities as of the Latest Practicable Date. As advised by our PRC Legal Advisor, for putting the construction project into use without the completion acceptance of fire protection, we may be subject to a fine ranging from RMB30,000 to RMB300,000 and suspension of the usage of the leased property. For putting the construction project into use without the completion acceptance of environmental protection facilities, we may be ordered by the relevant PRC government authority to make correction within a prescribed time limit and subject to a fine ranging from RMB200,000 to RMB1,000,000. Failure to do so with the time limit may subject us to a fine ranging from RMB1,000,000 to RMB2,000,000.

If material environmental pollution or ecological damage is caused, we may be subject to suspension of the usage of the leased property. We have decided not to further pursue the above filings as the current facilities at our leased property in Xinjiang can no longer satisfy our long-term business development needs, and we have decided to relocate our facilities in Xinjiang to another location and has prepared a relocation plan under which the relocation is expected to be accomplished within 6 months with a relocation expense of around RMB10,000,000. However, due to the ongoing COVID-19 pandemic and our Xinjiang testing facility being designated as one of the four third-party nucleic acid testing institutions by the local health department, the relocation plan of Xinjiang laboratory has been temporarily put on hold. We currently plan to initiate the relocation before winter 2021 or after spring 2022, provided that the Covid-19 pandemic will not affect Xinjiang and there will not be demand for Covid-19 related tests before we initiate the relocation. Our Directors confirmed that the facts above would not materially and adversely affect our business operations because if we have to relocate from such leased property, we are able to locate qualified alternative premises within a short period of time under comparable terms without incurring substantial additional costs.

## INSURANCE

We maintain insurance policies that we consider to be in line with market practice and adequate for our business, including medical malpractice liability and professional liability insurance policies. We maintain social welfare insurance for our employees in accordance with relevant PRC laws and regulations, and we also maintain commercial insurance for our employees.

## LEGAL PROCEEDINGS AND NONCOMPLIANCE

### Legal Proceedings

We may from time to time be involved in legal proceedings or other disputes in the ordinary course of business. During the Track Record Period and up to the Latest Practicable Date, we had not been involved in, nor were we aware of the threat of, any actual or pending legal, arbitration or administrative proceedings (including any bankruptcy or receivership proceedings) against us or our Directors that we believe would have a material and adverse effect on our business, financial conditions, results of operations or reputations.

### Non-Compliance

Unless described elsewhere in this Document, as advised by our PRC Legal Advisor, we had compiled with the relevant PRC laws and regulations in all material respects during the Track Record Period and as of the Latest Practicable Date.

## RISK MANAGEMENT AND INTERNAL CONTROL

### Risk Management

We recognize that risk management is critical to the success of our business. Key operational risks faced by us include changes in the general market conditions and the regulatory environment of the Chinese and global esoteric testing markets, our ability to develop and commercialize our services, and our ability to compete with other esoteric testing companies. For details of various risks and uncertainties we face, see "Risk Factors". We also face various financial risks. In particular, we are exposed to credit, liquidity, interest rate and foreign exchange risks that may arise in the normal course of our business.

We have adopted a consolidated set of risk management policies which set out a risk management framework to identify, assess, evaluate and monitor key risks associated with our strategic objectives on an on-going basis. Our Audit Committee and ultimately our Directors supervise the implementation of our risk management policies. Risks identified by our management will be analyzed on the basis of likelihood and impact, and will be properly followed up and mitigated and rectified by our Group and reported to our Directors.

The following key principles outline our Group's approach to risk management and internal control:

Our senior management oversees and manages the overall risks associated with our business operations, including (i) reviewing and approving our risk management policy to ensure that it is consistent with our corporate objectives; (ii) monitoring the most significant risks associated with our business operations and our management's handling of such risks; and (iii) ensuring the appropriate application of our risk management framework across our Group.

Our legal and internal control personnel are responsible for developing and implementing our risk management policy and carrying out our day-to-day risk management practice, such as assessing risks on key business operations, advising risk responses and optimizing risk management policies. In order to formalize risk management across our Group and set a common level of transparency and risk management performance, the relevant departments will (i) gather information about the risks relating to their operation or function; (ii) conduct risk assessments, which include the identification, prioritization, measurement and categorization of all key risks that could potentially affect their objectives; (iii) continuously monitor the key risks relating to their operation or function; (iv) implement appropriate risk responses where necessary; and (v) develop and maintain an appropriate mechanism to facilitate the application of our risk management framework.

We consider that our Directors and members of our senior management possess the necessary knowledge and experience in providing good corporate governance oversight in connection with risk management and internal control.

**Internal Control**

Our Board is responsible for establishing our internal control system and reviewing its effectiveness. During the Track Record Period, we regularly reviewed and enhanced our internal control system. As of the Latest Practicable Date, there were no material outstanding issues relating to our Group's internal control. Below is a summary of the internal control policies, measures and procedures we have implemented or plan to implement:

- Our Directors (who are responsible for monitoring the corporate governance of our Group), with assistance from our legal advisors, will periodically review our compliance status with all relevant laws and regulations upon **[REDACTED]**.

- Our Audit Committee shall (i) make recommendations to our Directors on the appointment and removal of external auditors; and (ii) review the financial statements and render advice in respect of financial reporting as well as oversee the risk management and internal control procedures of our Group. For more details, see "Directors and Senior Management – Audit Committee".

- We will engage a compliance adviser to provide advice to our Directors and management team upon **[REDACTED]** regarding matters relating to the Listing Rules. Our compliance adviser is expected to, inter alia, ensure our use of the **[REDACTED]** from the **[REDACTED]** complies with the section entitled "Future Plans and Use of **[REDACTED]**" in this Document after the **[REDACTED]** and provide support and advice regarding the requirements of relevant regulatory authorities on a timely basis.

- We will engage a PRC legal advisor to advise us on and keep us abreast with PRC laws and regulations upon **[REDACTED]**. We will continue to arrange various training to be provided by external legal advisors from time to time when necessary and/or any appropriate accredited institution to update our Directors, members of our senior management and relevant employees on the latest applicable laws and regulations.

- We maintain strict anti-corruption policies among our sales personnel in our sales and marketing activities. We have issued Anti-Bribery Management Measures in January 2018, which clearly define the key areas and key steps of our anti-fraud function and the responsibilities and authorities of relevant departments in carrying out our anti-fraud function, and set up the internal protocols for reporting, investigation and remedy procedures, reporting channels and whistle-blower protection mechanisms. Our Anti-Bribery Management Measures strictly prohibits our employees from offering, giving or promising something of value, whether tangible or intangible, either directly or directly through any agent, with the purpose of influencing the behavior of the recipient to the employees' advantage or inducing improper behavior on the part of the recipient. Legitimate and appropriate gifts to business partners in the ordinary course of business are subject to heightened scrutiny, including restrictions with respect to the type of gifts, limitation on the value of gifts, as well as a series of internal documentation, review and approval policy. Under our Anti-Bribery Management Measures, doctors and nurses of public hospitals in China are treated as "relevant government personnel", the relationship with whom are subject to even higher standard for the purpose of our Anti-Bribery Management Measures, including complete prohibition of offering, giving or promising something of value even for legitimate and appropriate purposes under certain circumstances. In addition, written approval from our chief compliance officer is required before inviting any medical professional personnel to any event sponsored or organized by the company. All expenses are subject to strict limitation at such event. We also monitor our sales and marketing personnel to ensure their compliance with applicable promotion and advertising requirements.

- We maintain a comprehensive treasury policy, detailing specific functions and internal control measures for capital use. These functions and measures include but are not limited to procedures of capital management and liquidity management.

- Our Directors believe that compliance creates value for us. We are dedicated to cultivating a compliance culture among all of our employees. To ensure such compliance culture is embedded into everyday workflow and set the expectations for individual behavior across our Group, we conduct regular internal compliance checks and inspections, adopt strict accountability internally and conduct compliance training.

- We will comply with the Corporate Governance Code. We have established three board committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, with respective terms of reference in compliance with the Corporate Governance Code. For details, see the section headed "Directors and Senior Management".

- We have adopted internal protocols governing both the confidentiality and privacy for patient sample and data.

**Ongoing Measures to Monitor the Implementation of Risk Management Policies**

Our audit committee, legal department and senior management together monitor the implementation of our risk management policies on an ongoing basis to ensure our policies and implementation are effective and sufficient.

## IMPACT OF THE COVID-19 OUTBREAK

In December 2019, a respiratory illness known as COVID-19 caused by a novel strain of coronavirus emerged and has spread globally since then. COVID-19 outbreak disrupted the normal life and daily routine of the global population and in amidst of this global pandemic, the performance of and access to many of our testing services were disrupted. Due to social distancing, lock-down, temporary shut-down and other disruptions, the COVID-19 outbreak had significantly impacted the esoteric testing industry because of the restricted access to medical institutions, including hospitals which we generate the vast majority of our revenues from. Therefore, our revenue and profitability have been negatively affected by the COVID-19 outbreak in 2020. For example, in January 2020, we suspended our operation in Hubei Province because of a complete city lock-down imposed to contain the COVID-19 outbreak, and we did not start the transition into normal operating schedules until April 2020. Our operation in locations outside of Hubei Province were also impacted during the same period and started to normalize as hospitals and our other clients began to normalize their operation in April 2020. During such period, our clients experienced difficulties in collecting testing samples, significantly reduced patient visits and other disruptions to their normal operations. We had also experienced difficulties in securing adequate supplies for raw materials at the beginning of the COVID-19 outbreak where there was a lack of supply, price increase and logistics disruptions. As a result, our revenue from hematology, genetic disease and rare disease, infectious disease, neurology, maternity-related and routine testing services was RMB469.3 million, RMB36.2 million, RMB50.4 million, RMB76.0 million, RMB52.1 million and RMB67.5 million for the year ended December 31, 2020, representing a year-over-year decrease of 2.8%, 13.1%, 21.7%, 6.3%, 18.7%, and 18.1% compared to the year ended December 31, 2019. Excluding the revenue and profit from COVID-19 testing services, total revenues decreased 7.1% from RMB832.8 million in 2019 to RMB773.5 million in 2020, and our total loss increased 472.1% from RMB169.6 million in 2019 to RMB970.1 million in 2020. Such decreases were offset by the COVID-19 testing services we started providing in response to the pandemic and sale of COVID-19 test reagents. Our revenue generated from COVID-19-related testing service was RMB117.9 million and the revenues generated from sales of COVID-19 test reagents amounted to RMB11.9 million in 2020, respectively. In the four months ended April 30, 2021, our revenue and gross profit experienced an increase compared to the four months ended April 30, 2020, as our business operations in Hubei and elsewhere in China resumed regular operations.

In view of our cash inflow from operating activities for each of the three years ended December 31, 2020, net current assets and net liabilities as at December 31, 2020, and based on our cash flow projections and taking into account the available financial resources, including cash and cash equivalents on hand, as well as the fact that the convertible redeemable preferred shares will be automatically converted into our Shares upon the **[REDACTED]**, the Directors are of the view that we have sufficient working capital to meet our present and future requirements for the next 12 months from the date of this Document without considering the amount of the net **[REDACTED]** from the **[REDACTED]**. Assuming we will not generate any revenue from providing clinical testing services in 2021 and beyond compared with year 2020 while the amount of fixed cost and expenses such as direct labor and rental expenses for 2021 and beyond maintains the same as in 2020, and taken into account prudent estimates of settlement of trade and bills receivables based on our historical settlement pattern and settlement of trade payables when they are due for payment, we estimate that our cash and cash equivalents as of December 31, 2020 will be able to sustain our financial viability for about 21 months or, if we take into account 10% of the estimated net **[REDACTED]** from the **[REDACTED]** (namely, the portion allocated for our working capital and other general corporate purposes), 25 months. We will continue to monitor our cash flows from operations closely, and expect we will not need to raise a new round of financing for at least the next 12 months even if without considering the **[REDACTED]** to be received from the **[REDACTED]**.

To prevent any spread of COVID-19 in our offices and lab facilities, we have employed and are continuing to employ various measures to prevent any spread of COVID-19 in our offices and lab facilities, we have implemented preventive measures such as conducting nucleic acid tests for our employees from time to time, regularly sterilizing and ventilating our offices and lab facilities, checking the body temperature of our employees daily, keeping track of the travel history and health conditions of employees, and providing face masks and disinfectant to employees attending our offices and facilities.

Although we experienced interruptions to the demands from our customers and our own operations at the beginning of the COVID-19 outbreak, there had not been any material ongoing disruptions to our business as of the Latest Practicable Date. As of the Latest Practicable Date, all of our major customers and suppliers had resumed their operations since the COVID-19 outbreak. Nevertheless, it is uncertain when and whether COVID-19 could be contained globally. We cannot guarantee you that the COVID-19 outbreak will not further escalate or have a material adverse effect on our results of operations, financial position or prospects. Even though our COVID-19-related testing services may experience growth if the COVID-19 outbreak worsens, we cannot assure you such growth will fully offset the decrease in our other testing businesses. See also "Risk Factors – Risks Relating to Our General Operations – Our business operations and financial performance have been adversely affected by the COVID-19 outbreak, may in the future continue to be affected by the COVID-19 outbreak, and may be affected by other force majeure events, natural disasters, outbreak of epidemics, and other unforeseeable catastrophes."

## LICENSES, APPROVALS AND PERMITS

As of the Latest Practicable Date, we had obtained all requisite licenses, approvals and permits from relevant authorities that are material to our operations. The ISO15189 certification issued to our laboratories in Wuhan, Beijing and Shanghai are valid as of the Latest Practicable Date. The table below sets forth the relevant details of the material licenses required for our operation in the PRC and overseas:

| License/Permit | Holder | Grant Date | Expiration Date |
|---|---|---|---|
| Practice License of Medical Institution | Wuhan Kindstar | January 2, 2018 | January 1, 2023 |
| Practice License of Medical Institution | Beijing Hightrust | June 1, 2020 | June 1, 2025 |
| Practice License of Medical Institution | Shanghai SimpleGene | July 16, 2019 | July 15, 2024 |
| Practice License of Medical Institution | Xinjiang Kindstar | March 31, 2017 | March 30, 2022 |
| Practice License of Medical Institution | Huaxi Kindstar | July 16, 2018 | July 15, 2023 |
| Practice License of Medical Institution | Chengdu Shengyuan | November 25, 2019 | November 24, 2024 |
| Practice License of Medical Institution | Tianjin Kindstar | March 13, 2019 | March 13, 2024 |
| PCR | Wuhan Kindstar | July, 2020 | June, 2023 |
| PCR | Beijing Hightrust | June 1, 2020 | June 1, 2025 |
| PCR | Shanghai SimpleGene | November 13, 2017 | November 12, 2022 |
| PCR | Xinjiang Kindstar | January 26, 2021 | January 25, 2026 |
| PCR | Huaxi Kindstar | August 28, 2019 | N/A |
| Biological Safety Level 2 Laboratory | Wuhan Kindstar | October 31, 2018 | October 30, 2023 |

| License/Permit | Holder | Grant Date | Expiration Date |
|---|---|---|---|
| Biological Safety Level 2 Laboratory | Beijing Hightrust | June 4, 2020 | N/A |
| Biological Safety Level 2 Laboratory | Shanghai SimpleGene | April 3, 2013; June 9, 2013 | N/A |
| Biological Safety Level 2 Laboratory | Xinjiang Kindstar | March 11, 2020 | N/A |
| Biological Safety Level 2 Laboratory | Huaxi Kindstar | September 20, 2019 | September 19, 2024 |
| Biological Safety Level 2 Laboratory | Tianjin Kindstar | June 28, 2020 | N/A |
| HIV Testing Laboratory Qualification | Wuhan Kindstar | December 30, 2016 | December 29, 2021 |
| Expert Testimony License | Wuhan Kindstar | October 23, 2020 | October 22, 2025 |
| Expert Testimony CMA Qualification | Wuhan Kindstar | November 19, 2019 | November 18, 2025 |
| Medical Device Operation License | Wuhan Kindstar | December 15, 2017 | December 14, 2022 |

## AWARDS AND RECOGNITIONS

The table below sets forth the major awards we received as of the Latest Practicable Date:

| Award/Project | Award/ Grant year | Award/Grant Authority |
|---|---|---|
| National Model Logistics Pilot Enterprise in "Pharmaceutical Cold Chain Logistics Operation Guidance" (《藥品冷鏈物流運作規範》 國家標準試點 企業) | 2017 | Cold Chain Logistics Sub-Committee of National Logistics Standardization Committee(全國物流標準化技術委員會冷鏈物流分技術委員會) |
| Hubei Enterprise Technology Center (湖北省企業技術中心) | 2018 | Hubei Provincial Development and Reform Commission (湖北省發展和改革委員會) |

| Award/Project | Award/ Grant year | Award/Grant Authority |
|---|---|---|
| Double A Logistics Enterprise (AA 級物流企業) | 2018 | China Federation of Logistics & Purchasing (中國物流與采購聯合會) |
| Donghu Golden Seed Enterprise (東湖高新區上市金種子企業) | 2018 | Management Committee of the Donghu New Technology Development Zone (武漢東湖新技術開發區管理委員會) |
| Wuhan Golden Seed Enterprise (武漢市上市後備金種子企業) | 2019 | 武漢市企業上市工作領導小組 |
| Hubei Key Guarantee Enterprise in Controlling COVID-19 (湖北省疫情防控重點保障企業) | 2020 | Hubei Provincial Development and Reform Commission (湖北省發展和改革委員會) |
| Wuhan Province Outstanding Enterprise in Controlling COVID-19 (湖北省抗疫先進集體) | 2020 | Hubei Provincial Committee of the Communist Party of China (中國共產黨湖北省委員會) |

**Background**

Foreign investment activities in China are mainly governed by the Special Management Measures for the Market Entry of Foreign Investment (Negative List) (2020 Version) (外商投資准入特別管理措施(負面清單) (2020年版)) (the "**Negative List**"), which was promulgated jointly by the MOFCOM and the NDRC on June 23, 2020 and became effective on July 23, 2020, and the Catalogue of Industries for Encouraged Foreign Investment (2020 Version) (鼓勵外商投資產業目錄 (2020年版)), which was promulgated jointly by the MOFCOM and the NDRC on December 27, 2020 and became effective on January 27, 2021. The Negative List divides industries into two categories in terms of foreign investment, namely "restricted" and "prohibited," and all industries not listed under any of these categories are deemed to be "permitted." As advised by our PRC Legal Advisor, a summary of our business or operation that is subject to foreign investment restriction or prohibition in accordance with the Negative List is set out below (the "**Relevant Businesses**").

| Business | Category | Our business/operation |
|---|---|---|
| Medical institutions | Restricted | Our key operating subsidiaries are primarily engaged in the provision of esoteric clinical testing service in China. Each of the PRC Consolidated Entities, save for Kindstar Global Wuhan, Kindstar Zhenyuan, Guangzhou Xinuo and Shanghai Xinuo, which have not commenced operation in esoteric clinical testing service, is considered a "medical institution" under the Administrative Regulations on Medical Institutions (《醫療機構管理條例》) issued by the State Council of the PRC. Kindstar Global Wuhan has applied for, and each of Kindstar Zhenyuan, Guangzhou Xinuo and Shanghai Xinuo is planning to apply for a Medical Institution Practice License (《醫療機構執業許可證》) from the local counterparts of NHC. For the years ended December 31, 2018, 2019 and 2020, Kindstar Zhenyuan, Guangzhou Xinuo and Shanghai Xinuo in aggregate contributed to nil, nil and 0.01% of our total revenue.<br><br>Medical institution falls within the "restricted" category under the Negative List and foreign investors are only allowed to invest in medical institutions in the form of joint ventures. According to the applicable PRC laws and regulations, foreign investors are not allowed to hold more than 70% of the equity interest in a sino-foreign joint venture medical institution. |

| Business | Category | Our business/operation |
|---|---|---|
| Genomic technology services | Prohibited | The Negative List stipulates that foreign investment is prohibited in businesses involving the development and application of technologies for the diagnosis and treatment with human stem cells and genes. As advised by our PRC Legal Advisor, the provision of genomic technology services falls within this category. Save as Kindstar Zhenyuan and Guangzhou Xinuo, which are planning to provide genomic technology services and made no contribution to our revenue during the Track Record Period, each PRC Consolidated Entity currently provides genomic technology services. Therefore, all of our PRC Consolidated Entities are subject to foreign investment restriction under the Negative List. |

We believe that the provision of genomic technology services is inalienable from the remaining businesses of each PRC Consolidated Entity, for the following reasons:

(i) genomic technology forms part of our clinical specialty esoteric diagnostic testing services and could not be separated as a stand-alone type of service. Based on the multi-disciplinary team (MDT) principle, we offer comprehensive esoteric clinical testing services which require both genomic-based and non-genomic based testing results in order to facilitate physicians to render accurate diagnosis of complex diseases. We provide a broad range of esoteric testing services which cover hematology, gynecology and pediatrics, oncology, neurology and infectious diseases. Most of these testing items involve both genomic and non-genomic services, and the separation of genomic service as a standalone service is infeasible. Our genomic technology services and non-genomic technology services share similar target hospitals, require similar raw materials such as assays and devices and are operated under the same group of sophisticated laboratory staff. Benefiting from genomic-based testing results, each clinical laboratory is able to render high-quality and precise test reports which facilitate physicians to deliver appropriate diagnosis opinions;

(ii) genomic technology is an advanced and complicated technology the application of which requires the collaboration of well-trained personnel with expertise in different areas. Personnel required by genomic-based testing services are largely the same as those required by other testing services of our Group;

(iii) we currently do not differentiate the setup and layout of our laboratories for different types of testing services. We provided both genomic and non-genomic services under the same PRC Consolidated Entities during the Track Record Period, so that we could run both genomic and non-genomic tests in the same laboratories to generate tests reports with comprehensive test results which facilitate physicians to deliver accurate diagnosis opinions and advice. In fact, the

provision of genomic technology services requires well-established laboratories with sophisticated standards of procedures and layout, which are collectively shared among the remaining businesses of our Group. Establishing separate laboratories for different types of testing services with similar setup and layout in the same or proximate location would render our operation inefficient; and

(iv) the collection of specimens and samples via the full range of testing services operated by our Group would enable us to build and maintain a sufficiently broad database for further research and development efforts. The specimens and samples collected for testing could not be separated for the use of either genomic-based testing or non-genomic-based testing. To ensure the comparability and reliability of the test results under different testing items (which cover both genomic and non-genomic testing services), the same specimens and samples shall be used. Given the special types and limited availability of specimens (such as bone marrow and cerebral spinal fluid) for certain testing items, from a technical point of view, it is infeasible to separate the limited specimens and samples collected for the use of either genomic-based testing or non-genomic-based testing. During the Track Record Period, revenue generated from testings that used rare specimens, which include bone marrow, cerebral spinal fluid, pleural fluid and lymphatic tissue, contributed to a substantial proportion of our total revenue. We anticipate that testings that involve the use of rare specimens will continue to be an important revenue stream going forward. Use of rare specimens and non-rare specimens shall be determined by physicians, instead of patients, based on clinical diagnostic situation and requirements and is beyond the control of our Company. The following table sets forth the revenue contribution from testings that involved the use of rare specimens for the periods indicated:

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | | 2019 | | 2020 | |
| | *RMB'000* | *%* | *RMB'000* | *%* | *RMB'000* | *%* |
| **Revenue from testings that involved the use of rare specimens** | **339,686** | **48.1** | **441,011** | **53.0** | **426,914** | **47.9** |
| – Testings that involved the use of rare specimens only | 182,385 | 25.8 | 243,020 | 29.2 | 236,629 | 26.5 |
| – Testings that involved the optional use of rare specimens[(1)] | 157,301 | 22.3 | 197,991 | 23.8 | 190,285 | 21.4 |
| **Total revenue** | **706,202** | **100.0** | **832,791** | **100.0** | **891,391** | **100.0** |

*Note:*

(1) They include testings which involved the use of either rare specimens or non-rare specimens at the option of the relevant physician.

In preparation for the **[REDACTED]** and upon the completion of the corporate reorganization detailed in "History – Corporate Reorganization," (i) Dr. Huang and Mr. Tu respectively entered into a series of contractual arrangements with Kindstar Wuhan WFOE and Wuhan Kindstar (the "**Wuhan Kindstar Contractual Arrangements**") on October 16, 2020 and November 24, 2020; and (ii) Kindstar Beijing WFOE, Kindstar Global Wuhan and the Kindstar Global Wuhan Registered Shareholders entered into a series of contractual arrangements (the "**Kindstar Global Wuhan Contractual Arrangements**") on

August 10, 2020. Details of the Contractual Arrangements are further elaborated in "– Our Contractual Arrangements." We believe that the Contractual Arrangements are narrowly tailored to achieve our Group's Business purpose as they are used to enable our Group to conduct businesses in industries that are subject to foreign ownership restriction in the PRC.

For further details of the limitations on foreign ownership in PRC companies conducting the aforementioned business under PRC laws and regulations, see "Regulations – Laws and Regulations Related to Foreign Investment in the PRC."

## QUALIFICATION REQUIREMENTS UNDER THE INTERIM MEASURES

According to the Interim Measures for the Administration of Sino-Foreign Joint Ventures and Cooperative Medical Institutions (《中外合資、合作醫療機構管理暫行辦法》) (the "**Interim Measures**") effective from July 1, 2000, foreign investors are not allowed to hold more than 70% of the equity interest in a sino-foreign joint venture medical institution. Furthermore, under the Interim Measures, the parties to the sino-foreign joint venture medical institution shall have direct or indirect experience in medical or healthcare investments and managements, and must satisfy at least one of the following requirements: (i) the ability to provide world-class management experience, management model and service model for medical institution; (ii) the ability to provide world-class medical technologies and equipment; or (iii) the ability to improve local medical capability, technology, fund and medical equipment (the "**Qualification Requirements**"). Currently none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirements.

Despite the lack of clear guidance or interpretation on the Qualification Requirements, we have taken or will take the following measures to comply with the Qualification Requirements in order to acquire the maximum permissible equity interests in Wuhan Kindstar and Kindstar Global Wuhan:

(i) we incorporated a subsidiary in Hong Kong, Kindstar HK;

(ii) we incorporated two subsidiaries in Singapore, namely Kindstar Singapore Holdings and Kindstar Singapore Gene PTE. LTD (collectively, "**Kindstar Singapore**");

(iii) we have conducted a feasibility study for Kindstar HK and Kindstar Singapore to gather management experience in the medical industry as appropriate;

(iv) our Company has signed a number of medical service agreements as well as medical procurement agreements with an aim to gain and accumulate medical management experience;

(v) we will seek to establish or acquire a medical institution in Hong Kong, Singapore or another foreign jurisdiction through Kindstar HK or Kindstar Singapore; and

(vi) Kindstar HK and Kindstar Singapore will seek cooperation opportunities with leading medical institutions to accumulate management experience and study leading management and service model in the medical industry.

As advised by our PRC Legal Advisor, Hubei NHC is the competent authority to confirm matters relating to the operation of medical institutions in Hubei. According to the consultation with Hubei NHC on September 4, 2020, the officer of Hubei NHC confirmed that:

(i) Hubei NHC would not approve foreign ownership of a medical institution if such foreign investor(s) does not satisfy the Qualification Requirements;

(ii) there is no clear guidance or interpretation on the Qualification Requirements; and

(iii) it has not approved any incorporation or establishment of a medical institution in the form of joint venture.

Further, according to the follow-up consultation with Hubei NHC on November 16, 2020, we will not be allowed to hold the maximum equity interest permissible in the PRC Consolidated Entities regardless of whether we meet the Qualification Requirements, given the lack of (i) clear guidance or interpretation on the Qualification Requirements and (ii) relevant rules for implementation and operating procedures. In addition, the Beijing NHC and Sichuan NHC have confirmed that, while the Interim Measures allow foreign investors to hold no more than 70% of the equity interest in a sino-foreign joint venture medical institution, we will not be allowed to hold such maximum equity interest permissible in the PRC Consolidated Entities as they currently provide, or are planning to provide, genomic technology services, where foreign investment is prohibited.

Based on the above, our PRC Legal Advisor is of the view that, subject to the discretion of the competent authority on whether we have fulfilled the Qualification Requirements, the above steps taken or to be taken by us are reasonable and appropriate for gradually fulfilling the Qualification Requirements.

We will, as applicable and when necessary, disclose the progress of our overseas business plans and updates to the Qualification Requirements in our annual and interim reports to inform the Shareholders and other **[REDACTED]** after the **[REDACTED]**. We will also make periodic inquiries to relevant PRC authorities to understand any new regulatory development and assess whether our level of overseas experience is sufficient to meet the Qualification Requirements.

**Investments held by Wuhan Kindstar and Kindstar Global Wuhan**

In addition to the Relevant Businesses of our Company, each of Wuhan Kindstar and Kindstar Global Wuhan also directly holds minority equity investment in certain entities in the PRC (the "**Relevant Entities**" and each a "**Relevant Entity**"), each of which (i) is currently carrying out business operations that are subject to foreign investment restriction/prohibition under the Negative List; or (ii) does not currently carry out business operations that are subject to foreign investment restrictions; however, it intends to engage in businesses which are subject to foreign investment restrictions and has expressly rejected our Company's proposed transfer of the interest in these entities held by our Group to the WFOEs.

Set out below is a summary of the Relevant Entities held by Wuhan Kindstar and Kindstar Global Wuhan:

| No. | Name of the Relevant Entities | Interest held by our Group as of the Latest Practicable Date | Principal business and place of operation | Investment subject to foreign investment restrictions |
|---|---|---|---|---|
| ***Relevant Entities currently carrying out business operations that are subject to foreign investment restrictions*** | | | | |
| 1 | Henan Kindstar Medical Laboratory Co., Ltd. (河南康聖達醫學檢驗所有限公司) | 39% equity interest held by Wuhan Kindstar | Clinical testing services/PRC | Yes |
| 2 | Anyang Kindstar Global Medical Laboratory Co., Ltd. (安陽康聖環球醫學檢驗所有限公司) | 51% equity interest held by Wuhan Kindstar | Clinical testing services/PRC | Yes |
| 3 | Mainuo (Wuhan) Medical Technology Co., Ltd. (脈諾(武漢)醫療科技有限公司) | 10% equity interest held by Wuhan Kindstar | Clinical testing services which involve the use of genomic technology/PRC | Yes |
| 4 | Wuhan Puyun Medical Laboratory Co., Ltd. (武漢蒲雲醫學檢驗實驗室有限公司) | 25% equity interest held by Kindstar Global Wuhan | Clinical testing services which involve the use of genomic technology/PRC | Yes |
| 5 | Wuhan Degu Medical Laboratory Co., Ltd. (武漢德穀醫學檢驗實驗室有限公司) | 25% equity interest held by Kindstar Global Wuhan | Clinical testing services which involve the use of genomic technology/PRC | Yes |
| ***Relevant Entities intending to engage in businesses which are subject to foreign investment restrictions*** | | | | |
| 6 | Wuhan Yijianyun Information Technology Co., Ltd. (武漢易檢雲信息技術有限公司) ("**Wuhan Yijianyun**") | 25% equity interest held by Kindstar Global Wuhan | Value-added telecommunication services/PRC | No(1) |

*Notes:*

(1) As of the Latest Practicable Date, Wuhan Yijianyun is applying for an ICP License to provide the type of value-added telecommunication service, which is subject to foreign investment restrictions.

***Compelling reasons to hold investment in Relevant Entities through Wuhan Kindstar and Kindstar Global Wuhan***

Our Company has compelling reasons to hold investment interests in the Relevant Entities through either Wuhan Kindstar or Kindstar Global Wuhan. As advised by our PRC Legal Advisor, these entities engage in businesses which are subject to foreign investment restriction/prohibition under the Negative List. For example, each of the Relevant Entitles (other than Wuhan Yijianyun) is a medical institution that are currently providing or planning to provide genomic technology services. The licenses or permits for the restricted/prohibited businesses held or invested by such Relevant Entitles do not allow any of their shares to be held by foreign investors (i.e. these Relevant Entitles must be 100% held by onshore entities). Therefore, the transfer of our investment interests in such Relevant Entities from the Onshore Holdcos to the WFOEs, which are deemed as foreign investors under the applicable PRC laws and regulations, would impair the continuous validity of the relevant licenses or permits for the restricted/prohibited businesses held or invested by such Relevant Entities.

In respect of Wuhan Yijianyun, to the best knowledge and information of our Company, it does not currently carry out business operations that are subject to foreign investment restrictions; however, it is applying for an ICP License and has expressly rejected our Company's proposed transfer of the interest in Wuhan Yijianyun held by our Group to any of the WFOEs.

***Other stakeholders' consent or assistance required for transferring our Group's investment interests from the Onshore Holdcos to the WFOEs***

It is impracticable for our Group to transfer its pre-existing investment interests in the Relevant Entities directly held by the Onshore Holdcos to the WFOEs without consent and/or assistance from other stakeholders of the Relevant Entities. Pursuant to the Companies Act of the PRC (《中華人民共和國公司法》) and the articles of association of the Relevant Entities and the applicable PRC laws and regulations, any transfer of the interest in the Relevant Entities directly held by the Onshore Holdcos and, if applicable, any resultant amendment to the Relevant Entities' articles of association require the consent and assistance of the other joint venture partners or shareholders.

Furthermore, in respect of the Relevant Entities in which the Onshore Holdcos are merely minority shareholders in each of the Relevant Entities, the influence that our Company or the Onshore Holdcos could exert on the Relevant Entities or on lobbying and obtaining the consent and approvals of other shareholders for implementing the transfer of their investment interests to the WFOEs is very limited.

Our Company has engaged in preliminary communication with the relevant joint venture partners and shareholders of each of the Relevant Entities in respect of our Company's proposal to transfer its investment interests directly or indirectly held by the Onshore Holdcos to the WFOEs; however, as of the Latest Practicable Date, such requests had been either rejected by the relevant parties or our Company was still awaiting response from such parties. Such communication process and its results were out of our Company's control.

In any event, even if the Company were able to lobby and obtain the consent and approvals of other shareholders for implementing the transfer of their investment interests to the WFOEs, the transfer would

still impair the continuous validity of the relevant licenses or permits for the restricted/prohibited businesses held or invested by such Relevant Entities based on the Negative List, because WFOEs will be deemed as a foreign investors under the applicable PRC laws and regulations.

***Immateriality to our Company's financial results and operating status***

The Relevant Entities are immaterial to our Group in terms of their contribution to our Company's financial results and operating status for the following reasons:

(i) Our Group's investment in the Relevant Entities does not form part of the principal business of our Group. The Onshore Holdcos are only passive minority investors in the Relevant Entities and are not involved in their daily operations and management.

(ii) The financial results of the Relevant Entities are not consolidated into our Company's consolidated financial statements.

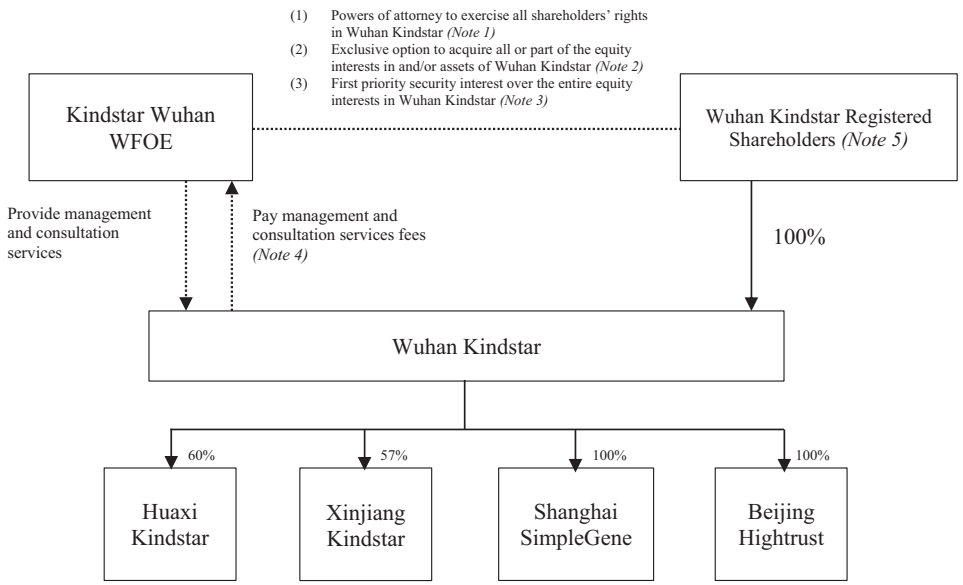
(iii) The impact on such investments in the Relevant Entities on our Company's consolidated financial statements is not significant.

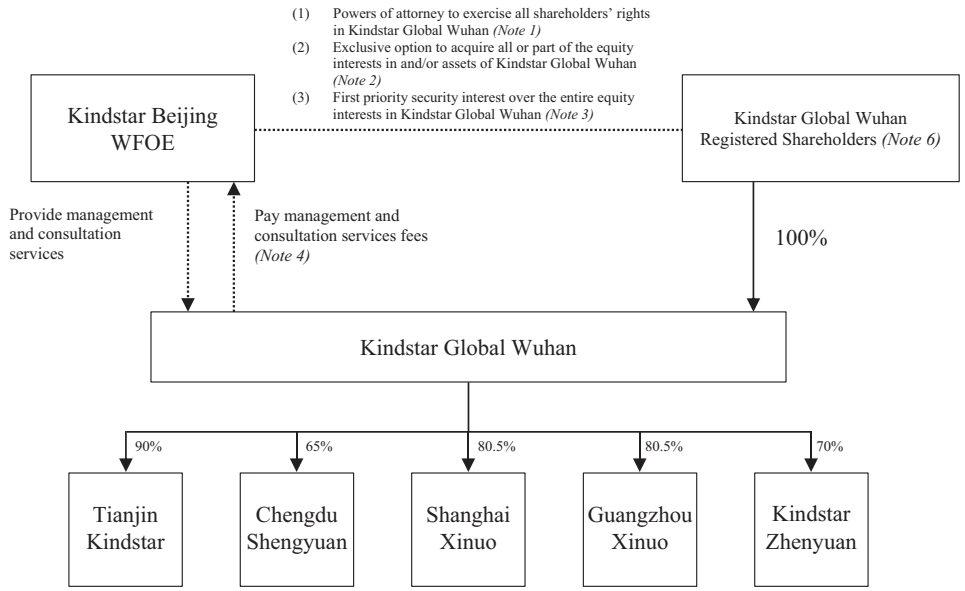
Our Company undertakes that, in the event that our Company proposes to acquire any business or equity interest in another company involving contractual arrangements, it will only do so in compliance with the Stock Exchange's Guidance Letter HKEX-GL77-14.

## OUR CONTRACTUAL ARRANGEMENTS

### Overview

The following simplified diagrams illustrate the flow of economic benefits from the PRC Consolidated Entities to our Group stipulated under the Contractual Arrangements:






*Notes:*

(1) Please refer to "Contractual Arrangements – Powers of attorney" for details.

(2) Please refer to "Contractual Arrangements – Exclusive Option Agreements" for details.

(3) Please refer to "Contractual Arrangements – Equity Pledge Agreements" for details.

(4) Please refer to "Contractual Arrangements – Exclusive Business Cooperation Agreements" for details.

(5) As of the Latest Practicable Date, the Wuhan Kindstar Registered Shareholders were the following persons who together held 100% of the equity interest of Wuhan Kindstar:

| Shareholders | Registered Capital (RMB) | Approximate percentage of shareholding |
|---|---|---|
| Dr. Huang | 6,644,000 | 96.29% |
| Mr. Tu | 256,000 | 3.71% |
| **Total** | **6,900,000** | **100%** |

(6) As of the Latest Practicable Date, the Kindstar Global Wuhan Registered Shareholders were the following persons who together held 100% of the equity interest of Kindstar Global Wuhan:

| Shareholders | Registered Capital (RMB) | Approximate percentage of shareholding |
|---|---|---|
| Dr. Huang | 10,000,000 | 99.01% |
| Mr. Tu | 100,000 | 0.99% |
| **Total** | **10,100,000** | **100%** |

(7) "⟶" denotes direct legal and beneficial ownership in the equity interests and "- - -⟶" denotes contractual relationship.

During the Track Record Period, all of our revenue was derived from the PRC Consolidated Entities.

Our Directors believe that the Contractual Arrangements are fair and reasonable because: (i) the Contractual Arrangements were freely negotiated and entered into among the parties thereto; (ii) by entering into the Exclusive Business Cooperation Agreements with each of Kindstar Wuhan WFOE and Kindstar

Beijing WFOE, our PRC Consolidated Entities will enjoy better economic and technological support from us, as well as a better market reputation after the **[REDACTED]**; and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

**Exclusive Business Cooperation Agreements**

As part of the Wuhan Kindstar Contractual Arrangements and the Kindstar Global Wuhan Contractual Arrangements, (i) Wuhan Kindstar and Kindstar Wuhan WFOE entered into the exclusive business cooperation agreement on October 16, 2020; and (ii) Kindstar Global Wuhan and Kindstar Beijing WFOE entered into the exclusive business cooperation agreement on August 10, 2020 (collectively, the "**Exclusive Business Cooperation Agreements**"). Pursuant to the Exclusive Business Cooperation Agreements, which contain similar terms and conditions, the WFOEs agreed to be engaged as the exclusive provider to the Onshore Holdcos of technical support, consultation and other services for a monthly service fee, including the following services:

- the use of any relevant software and trademarks legally owned by the WFOEs;
- development, maintenance and updating of software and medical equipment in respect of the businesses of the Onshore Holdcos;
- design, installation, daily management, maintenance and updating of network systems, hardware and database;
- providing technical support and professional training services to relevant staff of the Onshore Holdcos;
- providing assistance in consultancy and research of relevant technology; and
- other services negotiated and specified from time to time, based on the actual business requirements of the Onshore Holdcos and the services capacity of the WFOEs, to the extent permitted by PRC laws and regulations.

Under the Exclusive Business Cooperation Agreements, the service fees shall be of reasonable prices in accordance with the scope and nature of the services, and shall consist of 100% of the total consolidated profit of the relevant PRC Consolidated Entities, after deduction of any accumulated deficit of the relevant PRC Consolidated Entities in the preceding financial year(s), working capital, expenses, taxes and other statutory contributions. Notwithstanding the foregoing, the WFOEs may adjust the scope and amount of service fees according to PRC tax law and tax practices, and the relevant PRC Consolidated Entities shall accept such adjustments. The WFOEs shall calculate the service fees on a monthly basis and issue a corresponding value-added tax invoice to the Onshore Holdcos, at the tax rate stipulated by current PRC laws regarding value-added tax. Notwithstanding the payment agreements in the Exclusive Business Cooperation Agreements, the WFOEs may adjust the payment time and payment method, and the Onshore Holdcos shall accept any such adjustment.

In addition, absent the prior written consent of the WFOEs, during the term of the Exclusive Business Cooperation Agreements, with respect to the services subject to the Exclusive Business Cooperation Agreements and other matters, the Onshore Holdcos shall not directly or indirectly accept the same or any similar services provided by any third party and shall not establish cooperation relationship with any third party similar to that formed under the Exclusive Business Cooperation Agreements. The WFOEs may appoint other parties, who may enter into certain agreements with the Onshore Holdcos, to provide the Onshore Holdcos with the services under the Exclusive Business Cooperation Agreements.

The Exclusive Business Cooperation Agreements also provided that the WFOEs have the exclusive proprietary rights to and interests in any and all intellectual property rights developed or created as a result of the performance of the Exclusive Business Cooperation Agreements.

Each of the Exclusive Business Cooperation Agreements has an indefinite term commencing from the date of the execution of the relevant Exclusive Business Cooperation Agreement, and shall remain effective unless terminated (a) when all the equity interests and assets of the Onshore Holdcos have been legally transferred to the WFOEs; (b) unilaterally by the WFOEs if the **[REDACTED]** does not take place; (c) when the Onshore Holdcos goes bankrupt or is liquidated in accordance with the applicable laws; or (d) in accordance with the applicable PRC laws and regulations.

**Exclusive Option Agreements**

As part of the Wuhan Kindstar Contractual Arrangements and the Kindstar Global Wuhan Contractual Arrangements, (i) Wuhan Kindstar, Kindstar Wuhan WFOE and Dr. Huang entered into the exclusive option agreement on October 16, 2020; (ii) Wuhan Kindstar, Kindstar Wuhan WFOE and Mr. Tu entered into the exclusive option agreement on November 24, 2020; and (iii) Kindstar Global Wuhan, Kindstar Beijing WFOE and the Kindstar Global Wuhan Registered Shareholders entered into the exclusive option agreement on August 10, 2020 (collectively, the "**Exclusive Option Agreements**"). Pursuant to the Exclusive Option Agreements, which contain similar terms and conditions, the Wuhan Kindstar Registered Shareholders and the Kindstar Global Wuhan Registered Shareholders irrevocably agreed to grant the relevant WFOEs an exclusive right to acquire, or designate one or more persons to acquire, from the relevant Wuhan Kindstar Registered Shareholders or the relevant Kindstar Global Wuhan Registered Shareholders any or all their respective equity interests then held in the Onshore Holdcos, in whole or in part at any time, for a total consideration equivalent to the paid-up registered capital of the Onshore Holdcos. If the WFOEs exercise its option right to acquire part of equity interests held by certain Registered Shareholder(s) in the Onshore Holdcos, the relevant purchase price shall be calculated in proportion to the relevant equity interests being transferred. Furthermore, where the lowest price permitted by the then PRC laws are higher than the above purchase prices at the time of exercising options, the lowest price permitted by PRC laws, regulations and relevant rules shall be applied. Each of the Onshore Holdcos, the Wuhan Kindstar Registered Shareholders and the Kindstar Global Wuhan Registered Shareholders has covenanted, among other things, that:

- without the prior written consent of the WFOEs, they shall not in any manner supplement, change or amend the constitutional documents of the Onshore Holdcos, increase or decrease the Onshore Holdcos' registered capital, or change the structure of the Onshore Holdcos' registered capital in other manner;
- they shall maintain the Onshore Holdcos' corporate existence in accordance with good financial and business standards and practices, obtain and maintain all necessary government licenses and permits, prudently and effectively operate the Onshore Holdcos' businesses, and handle the Onshore Holdcos' affairs. The annual budgeting and final accounting of the Onshore Holdcos shall obtain the prior written consent of the WFOEs;
- without the prior written consent of the WFOEs, they shall not at any time following the date when the Exclusive Option Agreements came into effect sell, transfer, pledge or dispose of in any manner the equity shares of the PRC Consolidated Entities, or allow the encumbrance thereon of any security interest;

- without the prior written consent of the WFOEs, they shall not at any time following the date when the Exclusive Option Agreements came into effect sell, transfer, pledge or dispose of in any manner any material assets of the PRC Consolidated Entities or legal or beneficial interest in the material business or revenues of the PRC Consolidated Entities, or allow the encumbrance thereon of any security interest;
- without the prior written consent of the WFOEs, the PRC Consolidated Entities shall not incur, inherit, guarantee or assume any debt, except for debts incurred in the ordinary course of business other than payables incurred by a loan and/or debt between the Onshore Holdcos and their respective subsidiaries;
- they shall always operate all of their businesses during the ordinary course of business to maintain the PRC Consolidated Entities' asset value and refrain from any action/omission that may adversely affect their operating status and asset value;
- without the prior written consent of the WFOEs, they shall not cause the PRC Consolidated Entities to execute any material contract, except the contracts executed in the ordinary course of business;
- without the prior written consent of the WFOEs, the PRC Consolidated Entities shall not provide any person with any loan or credit, except for those provided by the Onshore Holdcos to their respective wholly-owned subsidiaries;
- they shall provide the WFOEs with information on the PRC Consolidated Entities' business operations and financial condition at the request of the WFOEs;
- if requested by the WFOEs, they shall procure and maintain insurance in respect of the PRC Consolidated Entities' assets and business from an insurance carrier acceptable to the WFOEs, at an amount and type of coverage typical for companies that operate similar businesses;
- without the prior written consent of the WFOEs, they shall not cause or permit the PRC Consolidated Entities to merge, consolidate with, acquire or invest in any person;
- they shall immediately notify the WFOEs of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to the PRC Consolidated Entities' assets, business or revenue;
- to maintain the ownership by the PRC Consolidated Entities of all of their assets, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defenses against all claims;
- without the prior written consent of the WFOEs, the PRC Consolidated Entities shall not in any manner distribute dividends to their shareholders, provided that upon the written request of the WFOEs, the Onshore Holdcos shall immediately distribute all distributable profits to their respective shareholders;
- at the request of the WFOEs, they shall appoint any persons designated by the WFOEs as the directors, supervisors (if applicable) and senior management of the Onshore Holdcos and the PRC Consolidated Entities and/or depose the directors, supervisors and senior executives of the Onshore Holdcos and the PRC Consolidated Entities and perform all relevant resolutions and filing procedures;
- without the written consent of the WFOEs, the Onshore Holdcos and the PRC Consolidated Entities shall not engage in any business in competition with the WFOEs or their respective affiliates; and

- unless otherwise mandatorily required by PRC laws, the Onshore Holdcos and the PRC Consolidated Entities shall not be dissolved or liquidated without the prior written consent of the WFOEs.

The Wuhan Kindstar Registered Shareholders and the Kindstar Global Wuhan Registered Shareholders have further covenanted, among other things, that:

- without the written consent of the WFOEs, they shall not sell, transfer, pledge or dispose of in any other manner their respective legal or beneficial interest in the Onshore Holdcos, or allow the encumbrance thereon of any security interest, except for the Equity Pledge Agreements and the interests prescribed in the Powers of Attorney, and procure the shareholders' meeting and/or the board of directors of the Onshore Holdcos not to approve such matters;
- for each exercise of the equity purchase option, to cause the shareholders' meeting and/or the board of directors of the Onshore Holdcos to vote on the approval of the transfer of equity interests and any other action requested by the WFOEs;
- they shall relinquish the pre-emptive right (if any) he is entitled to in relation to the transfer of equity interest by any other shareholders to the Onshore Holdcos and give consent to the execution by each other shareholder of the Onshore Holdcos with the WFOEs and the Onshore Holdcos of exclusive option agreement, equity interest pledge agreements and powers of attorney similar to the Exclusive Option Agreements, the Equity Pledge Agreements and the Powers of Attorney, and accept not to take any action in conflict with such documents executed by the other shareholders; and
- each of the Wuhan Kindstar Registered Shareholders and the Kindstar Global Wuhan Registered Shareholders will transfer to the relevant WFOEs or their respective appointee(s) by way of gifting any profit, dividend or proceeds they receive from the liquidation of the Onshore Holdcos in accordance with the PRC laws.

The Wuhan Kindstar Registered Shareholders and the Kindstar Global Wuhan Registered Shareholders have also undertaken that, subject to the relevant laws and regulations, they will return to the WFOEs any consideration they receive in the event that the WFOEs exercise the options under the Exclusive Option Agreement to acquire the equity interests in the PRC Consolidated Entities.

The validity period of each Exclusive Option Agreement commenced from the date of the relevant Exclusive Option Agreement and it shall remain effective unless terminated (a) when the entire equity interests held by the relevant Wuhan Kindstar Registered Shareholders or the relevant Kindstar Global Wuhan Registered Shareholders or their successors or the transferees in their respective Onshore Holdcos have been transferred to the relevant WFOEs or their appointee(s); (b) unilaterally by the WFOEs if the **[REDACTED]** does not take place; (c) in accordance with applicable PRC laws and regulations.

**Equity Pledge Agreement**

As part of the Wuhan Kindstar Contractual Arrangements and the Kindstar Global Wuhan Contractual Arrangements, (i) Kindstar Wuhan WFOE, Wuhan Kindstar and Dr. Huang entered into the equity pledge agreements dated October 16, 2020; (ii) Kindstar Wuhan WFOE, Wuhan Kindstar and Mr. Tu entered into the equity pledge agreements dated November 24, 2020; and (iii) Kindstar Beijing WFOE, Kindstar Global

Wuhan and each of the Kindstar Global Wuhan Registered Shareholders entered into the equity pledge agreements on August 10, 2020 (collectively, the "**Equity Pledge Agreements**"). Pursuant to the Equity Pledge Agreements, which contain similar terms and conditions, the Wuhan Kindstar Registered Shareholders and the Kindstar Global Wuhan Registered Shareholders agreed to pledge all their respective equity interests in the Onshore Holdcos that they own, including any interest or dividend paid for the shares, to the WFOEs, as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts.

The pledges in respect of the Onshore Holdcos took effect upon the completion of the respective change of registration with the relevant administration for market regulation and shall remain valid until after all the contractual obligations of the Wuhan Kindstar Registered Shareholders, the Kindstar Global Wuhan Registered Shareholders and the Onshore Holdcos under the relevant Contractual Arrangements have been fully performed and all the outstanding debts of the Registered Shareholders, the Onshore Holdcos under the relevant Contractual Arrangements have been fully paid.

Upon the occurrence and during the continuance of an event of default (as defined in the Equity Pledge Agreements), unless such default is cured within 20 days following the relevant Registered Shareholders and/or the Onshore Holdcos' receipt of the written notice which requests the cure of such default, the WFOEs shall have the right to exercise all such rights as a secured party under any applicable PRC laws and the Equity Pledge Agreements, including without limitation, being paid in priority with the equity interests based on the monetary valuation that such equity interests are converted into or from the proceeds from auction or sale of the equity interest upon written notice to the relevant Registered Shareholders.

We completed the change of registration of the Equity Pledge Agreements on December 2, 2020 as required by the relevant PRC laws and regulations.

**Powers of Attorney**

As part of the Wuhan Kindstar Contractual Arrangements and the Kindstar Global Wuhan Contractual Arrangements, (i) Dr. Huang has executed a power of attorney on October 16, 2020; (ii) Mr. Tu has executed a power of attorney on November 24, 2020 and (iii) each of the Kindstar Global Wuhan Registered Shareholders has executed a power of attorney dated August 10, 2020 (collectively, the "**Powers of Attorney**"). Pursuant to the Powers of Attorney, each of the Wuhan Kindstar Registered Shareholders and the Kindstar Global Wuhan Registered Shareholders irrevocably appointed the WFOEs and their respective designated persons (including but not limited to our Directors and their successors and liquidators replacing our Directors but excluding those who are non-independent or who may give rise to conflict of interests) as his attorney-in-fact to exercise on his behalf, and agreed and undertook not to exercise, any and all right that he or she has in respect of his or her equity interests in the Onshore Holdcos, including without limitation:

- to attend shareholders' meetings of the Onshore Holdcos and to execute meeting minutes;
- to file documents with the relevant registrar of companies;
- to exercise all the shareholder's rights and the shareholder's voting rights in accordance with law and the relevant constitutional documents of the Onshore Holdcos, including but not limited to

the sale, transfer, pledge or disposal of any or all of the equity interests in the Onshore Holdcos; and

- to nominate or appoint the legal representatives, directors, supervisors, general manager and other senior management of the Onshore Holdcos.

Each of the Wuhan Kindstar Registered Shareholders and the Kindstar Global Wuhan Registered Shareholders has undertaken that he or she will not directly or indirectly participate in, engage in, involve in, own or be interested in any business which potentially competes with the Onshore Holdcos or their respective affiliates without the WFOEs' prior written consent.

Each of the Wuhan Kindstar Registered Shareholders and the Kindstar Global Wuhan Registered Shareholders has further undertaken that in the event that he becomes a natural person without civil capacity or a natural person with limited capacity for civil activity due to any reasons, his representatives or successors shall continue to perform his obligations and enjoy the benefits under the Contractual Arrangements subject to the terms of the Powers of Attorney.

Further, the Wuhan Kindstar Registered Shareholders and the Kindstar Global Wuhan Registered Shareholders have been in compliance with the Powers of Attorney since October 16, 2020, November 24, 2020 and August 10, 2020, respectively. The Powers of Attorney shall remain effective for so long as the Registered Shareholders holds an equity interest in the relevant Onshore Holdcos.

**Confirmation and Undertakings from the Registered Shareholders**

Each of the Wuhan Kindstar Registered Shareholders and the Kindstar Global Wuhan Registered Shareholders has confirmed and undertaken to the effect that in the event of his death, incapacity, divorce or any other event which causes his or her inability to exercise his rights as a shareholder of the relevant Onshore Holdcos, his successors, debtor, spouse or any other persons entitled to claim rights or interests in the relevant Onshore Holdcos (together with any other interests therein) will not take any actions in any circumstances in any way, if such actions are likely to affect or prevent such Registered Shareholder and/or the relevant Onshore Holdcos from performing their obligations under the Contractual Arrangements. Each of the Wuhan Kindstar Registered Shareholders and the Kindstar Global Wuhan Registered Shareholders has confirmed that (i) his spouse does not have the right to claim any interests in the relevant Onshore Holdcos (together with any other interests therein); (ii) his direct or indirect day-to-day management and voting matters in the relevant Onshore Holdcos are not affected by his spouse; and (iii) in the event of his divorce, he will take all actions deemed necessary by the relevant Onshore Holdcos to safeguard the performance of the Contractual Arrangements.

**Spouse Undertakings**

The spouse of each of Dr. Huang, Mr. Tu and the Kindstar Global Wuhan Registered Shareholders, where applicable, signed a letter of agreement on October 16, 2020, November 24, 2020 and August 10, 2020, respectively (collectively, the "**Spouse Undertakings**"), to the effect, among others, that:

(i) each spouse confirmed and agreed that the respective Registered Shareholders' existing and future equity interests in the relevant Onshore Holdcos (together with any other interests therein)

are separate properties of such Registered Shareholder and do not fall within the scope of communal properties of such Registered Shareholder and his spouse; the respective Registered Shareholder is entitled to deal with his own equity interests and any interests therein in the relevant Onshore Holdcos in accordance with the Contractual Arrangements. The spouse of each of the Wuhan Kindstar Registered Shareholders and the Kindstar Global Wuhan Registered Shareholders confirmed that she will fully assist with the performance of the Contractual Arrangements at any time;

(ii) each spouse unconditionally and irrevocably waives any right or benefits on such equity interests and assets in accordance with applicable laws and confirms that she will not have any claim on such equity interests and assets; and she has not and does not intend to participate in the operation and management or other voting matters of the relevant Onshore Holdcos;

(iii) each spouse confirmed that the respective Registered Shareholders may further amend or terminate the Contractual Arrangements or enter into other alternative documents without the need for authorization or consent by the spouse; and

(iv) each spouse will enter into all necessary documents and take all necessary actions to ensure the due performance of Contractual Arrangements as amended from time to time.

**Dispute Resolution**

Each of the agreements under the Contractual Arrangements contains a dispute resolution provision. Pursuant to such provision, in the event of any dispute arising from the performance of or relating to the Contractual Arrangements, any party has the right to submit the relevant dispute to the Beijing Arbitration Commission (the "**BAC**") for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be confidential and the language used during the arbitration shall be Chinese. The arbitration award shall be final and binding on all parties. The dispute resolution provisions also provide that subject to the requirements under PRC laws, the arbitral tribunal may award remedies over the shares or assets of the relevant Onshore Holdcos or assets of the Registered Shareholders (as the case may be) or injunctive relief (e.g. limiting the conduct of business, limiting or restricting the transfer or sale of shares or assets) or order the winding up of the relevant Onshore Holdcos; the WFOEs may apply to the courts of the PRC, Hong Kong, the Cayman Islands (being the place of incorporation of our Company) or other competent jurisdiction for interim remedies.

However, our PRC Legal Advisor has advised that the above provisions may not be enforceable under PRC laws. For instance, the arbitral tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of the Onshore Holdcos pursuant to current PRC laws. In addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC. Even if the abovementioned provisions may not be enforceable under PRC laws, the remaining provisions of the dispute resolution clauses are legal, valid and binding on the parties to the agreement under the Contractual Arrangements.

As a result of the above, in the event that the PRC Consolidated Entities or the Registered Shareholders breach any of the Contractual Arrangements, we may not be able to obtain sufficient remedies

in a timely manner, and our ability to exert effective control over our PRC Consolidated Entities and conduct our business could be materially and adversely affected. See "Risk Factors — Risks Relating to our Contractual Arrangements."

**Arrangements to Address Potential Conflict of Interest**

Each of the Wuhan Kindstar Registered Shareholders and the Kindstar Global Wuhan Registered Shareholders has given their irrevocable undertakings in the Powers of Attorney which address potential conflicts of interests that may arise in connection with the Contractual Arrangements. See "– Our Contractual Arrangements – Powers of attorney" above.

**Loss Sharing**

Under the relevant PRC laws and regulations, neither our Company, Kindstar Wuhan WFOE or Kindstar Beijing WFOE is expressly legally required to share the losses of, or provide financial support to, our PRC Consolidated Entities. Further, each of our PRC Consolidated Entities is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. Each of the WFOEs intends to continuously assist our PRC Consolidated Entities in obtaining financial support when deemed necessary. In addition, given that our Group conducts a substantial portion of its business operations in the PRC through the PRC Consolidated Entities, and that their financial position and results of operations are consolidated into our Group's financial statements under the applicable accounting principles, our Company's business, financial position and results of operations would be adversely affected if our PRC Consolidated Entities suffer losses.

However, as provided in the Exclusive Option Agreements, without the prior written consent of the WFOEs, the Onshore Holdcos shall not, among others, (i) sell, transfer, pledge or dispose of in any manner any of the equity shares of the PRC Consolidated Entities, or allow the encumbrance thereon of any security interest; (ii) sell, transfer, pledge or dispose of in any manner any of their material assets; (iii) execute any material contract, except those entered into in the ordinary course of business; (iv) provide any loan, credit or guarantees in any form to any third party, or allow any third party to create any other security interests on its material assets or equity interest, except for those provided by the Onshore Holdcos to their respective wholly owned subsidiaries; (v) incur, inherit, guarantee or allow any debt that is not incurred in the ordinary course of business; (vi) enter into any consolidation or merger with any third party, or being acquired by or invest in any third party; (vii) increase or reduce its respective registered capital, or alter the structure of its registered capital in any other way, or amend its articles of association; (viii) conduct any act or act of omission that may adversely affect its operation condition or value of assets; (ix) distribute any dividends to the Registered Shareholders; (x) conduct any business that competes with the businesses of the WFOEs or their respective affiliates; or (xi) liquidate or dissolve. Therefore, due to the relevant restrictive provisions in the agreements, the potential adverse effect on the WFOEs and our Company in the event of any loss suffered from the PRC Consolidated Entities can be limited to a certain extent.

**Liquidation**

Pursuant to the Exclusive Option Agreements, in the event of a mandatory liquidation required by the PRC laws, the Registered Shareholders shall give the proceeds they received from liquidation as a gift to the relevant WFOEs or their respective designee(s) to the extent permitted by the PRC laws.

**Insurance**

There are certain risks involved in our operations, in particular, those relating to our corporate structure and the Contractual Arrangements. A detailed discussion of material risks relating to our Contractual Arrangements is set forth in "Risk Factors – Risks Relating to our Contractual Arrangements." We have determined that the costs of insurance for the risks associated with business liability or disruption and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. Accordingly, as of the Latest Practicable Date, we did not purchase any insurance to cover the risks relating to the Contractual Arrangements. For further details, see "Risk Factors – Risks Relating to our Business and Industry – We have limited insurance coverage, and any claims beyond our insurance coverage may result in our incurring substantial costs."

**Company's Confirmation**

As of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating our businesses through the PRC Consolidated Entities under the Contractual Arrangements.

**Circumstances Under Which We Will Adjust or Unwind the Contractual Arrangements**

We will adjust or unwind (as the case maybe) the Contractual Arrangements as soon as practicable in respect of the operation of the Relevant Businesses to the extent permissible and we will directly hold the maximum percentage of ownership interests permissible under relevant PRC laws and regulations if the relevant government authority accepts applications for the relevant licenses made by sino-foreign joint ventures or wholly-owned foreign investment entities under relevant PRC laws and regulations.

## LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, our PRC Legal Advisor is of the opinion that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations as:

(a) each of the WFOEs and the PRC Consolidated Entities is a duly incorporated and validly existing company, and their respective establishment is valid, effective and complies with the relevant PRC laws and regulations; each of the Wuhan Kindstar Registered Shareholders and the Kindstar Global Wuhan Registered Shareholders is a natural person with full civil and legal capacity; and all parties to each of the Contractual Arrangements have obtained all necessary approvals and authorizations to execute and perform the Contractual Arrangements;

(b) the parties to each of the Contractual Arrangements are entitled to execute the agreements and perform their respective obligations thereunder;

(c) none of the Contractual Arrangements violates any provisions of the articles of association of any of the WFOEs or our PRC Consolidated Entities;

(d) each of the Contractual Arrangements is binding on the assignees or successors of the parties thereto;

(e) the parties to each of the Contractual Arrangements are not required to obtain any approvals or authorizations from the PRC governmental authorities, except that:

(i) the exercise of the option by the WFOEs or their respective designee of their respective rights under the Exclusive Option Agreements to acquire all or part of the equity interests in the relevant Onshore Holdcos is subject to the approvals of and/or registration with the PRC regulatory authorities;

(ii) any share pledge contemplated under the Equity Pledge Agreements is subject to the registration with local administration bureau for market regulation; and

(iii) the arbitration awards/interim remedies provided under the dispute resolution provision of the Contractual Arrangements shall be recognized by PRC courts before compulsory enforcement; and

(f) each of the Contractual Arrangements is valid, legal and binding under PRC laws, except for the following provisions regarding dispute resolution and the liquidating committee:

(i) the Contractual Arrangements provide that any dispute shall be submitted to the BAC for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing. They also provide that the arbitrator may award interim remedies over the shares or assets of the Onshore Holdcos or injunctive relief (e.g. for the conduct of business or to restrict the transfer of assets) or order the winding up of the Onshore Holdcos; and the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company) and the PRC (being the place of incorporation of our PRC Consolidated Entities) shall also have jurisdiction for the grant and/or enforcement of the arbitral award and the interim remedies against the shares or assets of the Onshore Holdcos. However, our PRC Legal Advisor has advised that interim remedies or enforcement orders granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC; and

(ii) the Contractual Arrangements provide that the Registered Shareholders undertake to appoint a committee designated by the WFOEs as the liquidation committee upon the winding up of the Onshore Holdcos to manage their assets. However, in the event of a mandatory liquidation required by PRC laws or bankruptcy liquidation, these provisions may not be enforceable under PRC Laws.

**Interviews with Relevant Government Authorities**

Representatives of our Company, our PRC Legal Advisor and the Joint Sponsors' PRC legal advisor have consulted the Hubei NHC, Beijing NHC and Sichuan NHC. During the interview, Hubei NHC, Beijing NHC and Sichuan NHC have confirmed that they do not object to the adoption of the Contractual Arrangements. Our PRC Legal Advisor has advised us that (i) such authorities are competent government authorities for our Company's principal business activities; (ii) the personnel consulted in the interview are competent and authorized to interpret the relevant PRC laws, regulations and rules for the industries in

which our Company operates its businesses and make the abovementioned verbal confirmations; and (iii) based on such consultations, the adoption of the Contractual Arrangements is unlikely to be ineffective or invalid under the applicable PRC laws and regulations. Our PRC Legal Advisor is of the view that the use of the Contractual Arrangements does not constitute a breach of the relevant PRC laws and regulations.

Based on the above analysis and advice from our PRC Legal Advisor, our Directors are of the view that the adoption of the Contractual Arrangements is unlikely to be ineffective or invalid under the applicable PRC laws and regulations. See "Risk Factors – Risks Relating to our Contractual Arrangements."

**Relevance of Supreme People's Court Ruling and Two Arbitration Decisions**

We are aware of a Supreme People's Court ruling (the "**Supreme People's Court Ruling**") made in October 2012 and two arbitral decisions from the Shanghai International Economic and Trade Arbitration Commission made in 2010 and 2011 which invalidated certain contractual agreements for the reason that the entry into of such agreements with the intention of circumventing foreign investment restrictions in the PRC contravene the prohibition against "concealing an illegitimate purpose under the guise of legitimate acts" set out in Article 52 of the PRC Contract Law and the General Provisions of the PRC Civil Law（《中華人民共和國民法通則》）. It has been further reported that these court rulings and arbitral decisions may increase (i) the possibility of PRC courts and/or arbitration panels taking similar actions against contractual structures commonly adopted by foreign investors to engage in restricted or prohibited businesses in the PRC and (ii) the incentive for shareholders of the Onshore Holdcos under such contractual structures to renege on their contractual obligations. The PRC Contract Law and the General Provisions of the PRC Civil Law are superseded by the Civil Code of the PRC. Pursuant to Articles 144, 146, 153 and 154 of the PRC Civil Code, a contract is void if the civil juristic act: (i) is performed by a person who has no capacity for performing civil juristic acts; (ii) is performed by a person and another person based on a false expression of intent; (iii) is in violation of the mandatory provisions of laws or administrative regulations, unless such mandatory provisions do not lead to invalidity of such a civil juristic act; (iv) offends the public order or good morals; or (v) is conducted through malicious collusion between a person who performs the act and a counterparty thereof and thus harms the lawful rights and interests of another person.

Our PRC Legal Advisor is of the view that the relevant terms of our Contractual Arrangements do not fall within the above five circumstances. The purpose of the Contractual Arrangements is (a) to enable the PRC Consolidated Entities to transfer their respective economic benefits to the WFOEs as service fees for engaging the WFOEs as their exclusive service providers and (b) to ensure that the Registered Shareholders do not take any actions that are contrary to the interests of the WFOEs.

**Tax Requirements Relating to the Contractual Arrangements**

In terms of tax requirements relating to the Contractual Arrangements, as advised by our PRC Legal Advisor, pursuant to the PRC Civil Code, the WFOEs (as the pledgees) shall have the right to receive all yields accrued from the entire pledged equity interest in the Onshore Holdcos, and which shall include dividends or other distributions declared to the Registered Shareholders and the WFOEs will be subject to value-added tax and enterprise income tax upon the receipt of such dividends or distributions as service fees. Apart from the aforementioned taxes, our PRC Legal Advisor has confirmed that there are no other tax requirements in respect of the receipt of such dividend or other distribution as accrued from the entire

pledged equity interest in the Onshore Holdcos by the WFOEs from the Registered Shareholders in the PRC. It is also confirmed that there is no legal impediment for our Group to fulfill the aforementioned tax requirements.

## ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

### Consolidation of Financial Results of the PRC Consolidated Entities

Under the Exclusive Business Cooperation Agreements, it was agreed that, in consideration of the services provided by the WFOEs, the Onshore Holdcos shall pay service fees to the respective WFOEs. The service fees shall equal 100% of the total consolidated profit of the PRC Consolidated Entities, after deduction of any accumulated deficit of the PRC Consolidated Entities in the preceding financial year(s), working capital, expenses, taxes and other statutory contributions. Each of the WFOEs has the right to periodically receive or inspect the accounts of the Onshore Holdcos.

In addition, under the Exclusive Equity Option Agreements, each of the WFOEs has absolute contractual control over the distribution of dividends or any other amounts to the Registered Shareholders, as the WFOEs' prior written consent is required before any distribution can be made. If the Registered Shareholders receive any income, profit distribution or dividend from the Onshore Holdcos, they shall promptly transfer or pay, as part of the service fees under the Exclusive Business Cooperation Agreements, such income, profit distribution or dividend to the WFOEs or any other person designated by the WFOEs to the extent permitted under applicable PRC laws and regulations.

As a result of the Contractual Arrangements, each of the WFOEs is able to effectively control, recognize and receive all the economic benefit (after deduction of any accumulated deficit of the PRC Consolidated Entities in the preceding financial year(s), working capital, expenses, taxes and other statutory contributions) of the business and operations of the PRC Consolidated Entities. Accordingly, the PRC Consolidated Entities are treated as controlled structured entities of our Company and consolidated by our Company. The basis of consolidating the results of the PRC Consolidated Entities is disclosed in Note 2.1 to the Accountants' Report set out in Appendix I.

## DEVELOPMENT IN LEGISLATION ON FOREIGN INVESTMENT IN MAINLAND CHINA

### The Foreign Investment Law

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) (the "**FIL**") was adopted at the Second Session of the Thirteenth National People's Congress of the PRC on March 15, 2019 and came into force on January 1, 2020. The FIL replaced the former foreign investment legal foundation in the PRC consisting of three laws: the Sino-Foreign Equity Joint Venture Enterprise Law, the Sino-Foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-Invested Enterprise Law. On December 26, 2019, the State Council released the Implementation Rules to the Foreign Investment Law of the PRC (《中華人民共和國外商投資法實施條例》) (the "**FIL Implementing Regulations**"), which took effect on January 1, 2020. For details of the FIL and the FIL Implementing Regulations, see "Regulations — Regulations Related to Foreign Exchange and Overseas Investment."

**Impact of the FIL**

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including us, to obtain and maintain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions or prohibitions in the PRC. The FIL, unlike the discussion draft of the proposed Foreign Investment Law of the People's Republic of China (《中華人民共和國外國投資法（草案徵求意見稿）》) published in January 2015 by the MOFCOM, does not explicitly prohibit or restrict a foreign investor to rely on contractual arrangements to control the majority of its business that is subject to foreign investment restrictions or prohibitions in the PRC. Our PRC Legal Advisor is of the view that given the FIL does not explicitly prohibit or restrict a foreign restricted business to be controlled by contractual arrangements, when the FIL becomes effective on January 1, 2020 and if there is no other promulgated national laws, administrative regulations or administrative rules prohibiting or restricting the operation of or affecting the legality of contractual arrangements, the validity of our Contractual Arrangements may not be affected. See "Risk Factors – Risks Relating to our Contractual Arrangements – Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance, and business operations" for further details of risks relating to the FIL. In any event, we will take reasonable steps in good faith to seek compliance with the FIL.

**COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS**

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

(a) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;

(b) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

(c) our Company will disclose the overall performance of and compliance with the Contractual Arrangements in its annual reports; and

(d) our Company will engage external legal advisers or other professional advisers, if necessary, to assist our Board with reviewing the implementation of the Contractual Arrangements, and review the legal compliance of the WFOEs and the PRC Consolidated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

## BOARD OF DIRECTORS

As of the date of this Document, our Board of Directors consists of nine Directors, comprising three executive Directors, three non-executive Directors and three independent non-executive Directors:

The table below sets forth certain information in respect of the members of the Board of Directors of our Company:

| Name | Age | Position | Roles and responsibilities | Date of joining our Group | Date of appointment as Director |
|---|---|---|---|---|---|
| Dr. Huang Shiang (黃士昂) | 62 | Executive Director, Chairman, Chief Executive Officer and Chief Medical Officer | Overall strategic planning and business direction of our Group and management of our Company | August 8, 2003 | February 22, 2011 |
| Mr. Tu Zanbing (涂贊兵) | 49 | Executive Director, Chief Operating Officer | Business and strategic planning, management and operations | August 8, 2003 | December 4, 2020 |
| Ms. Chai Haijie (柴海節) | 42 | Executive Director, Chief Financial Officer and one of the joint company secretaries | Financial and strategic planning, financing and investor relation activities | July 15, 2014 | December 4, 2020 |
| Mr. Huang Zuie-Chin (黃瑞瑨) | 55 | Non-executive Director | Participating in decision-making in respect of major matters such as strategy | January 30, 2012 | January 30, 2012 |
| Mr. Peng Wei (彭偉) | 34 | Non-executive Director | Participating in decision-making in respect of major matters such as strategy | October 27, 2020 | October 27, 2020 |
| Ms. Huang Lu (黃璐) | 47 | Non-executive Director | Participating in decision-making in respect of major matters such as strategy | September 9, 2020 | September 9, 2020 |
| Dr. Yao Shanglong (姚尚龍) | 65 | Independent non-executive Director | Supervising and providing independent judgment to our Board | Date of this Document | Date of this Document |

| Name | Age | Position | Roles and responsibilities | Date of joining our Group | Date of appointment as Director |
|---|---|---|---|---|---|
| Dr. Xia Xinping (夏新平) | 56 | Independent non-executive Director | Supervising and providing independent judgment to our Board | Date of this Document | Date of this Document |
| Mr. Gu Huaming (顧華明) | 57 | Independent non-executive Director | Supervising and providing independent judgment to our Board | Date of this Document | Date of this Document |

## EXECUTIVE DIRECTORS

**Dr. Huang Shiang (黃士昂)**, aged 62, was appointed as our Director on February 22, 2011, and re-designated as our executive Director on February 8, 2021. Dr. Huang was also appointed as the Chief Medical Officer on September 30, 2020 and as the Chairman and Chief Executive Officer on February 8, 2021. Dr. Huang founded our Group in 2003. He is responsible for overall strategic planning and business direction of our Group and management of our Company.

Dr. Huang has over 34 years of experience in medical practice, research, diagnosis and management. Dr. Huang started his career at Union Hospital affiliated to Tongji Medical University (同濟醫科大學附屬協和醫院) (currently known as "Union Hospital affiliated to Tongji Medical College of Huazhong University of Science and Technology (華中科技大學同濟醫學院附屬協和醫院)", "**Union Hospital**") in June 1986, where he served as a resident doctor and later served as an attending doctor. From June 1989 to April 1994, Dr. Huang served as a visiting research scientist and later as a research scientist at Becton Dickinson Immunocytometry Systems in the United States. From July 1994 to 1995, Dr. Huang worked as a senior scientist at Applied Imaging Corporation. From 1995 to 1998, Dr. Huang served as an associate project scientist at UCSD Cancer Center. From 2000 to June 2001, Dr. Huang worked as a vice president and chief technology officer at W.B. Technologies, Inc. Dr. Huang has been working at the Union Hospital since 2001 as a distinguished professor and later as a professor.

Dr. Huang received his Bachelor of Sciences in Medicine from Wuhan Medical College (武漢醫學院) (currently known as "Tongji Medical College of Huazhong University of Science and Technology (華中科技大學同濟醫學院)") and his Master of Medicine from Tongji Medical University (同濟醫科大學) (currently known as "Tongji Medical College of Huazhong University of Science and Technology (華中科技大學同濟醫學院)") in Wuhan, Hubei Province, the PRC, in August 1983 and July 1986, respectively. He has become a registered practicing physician in Mainland China since May 1999.

Dr. Huang currently holds directorship in the following major subsidiaries and operating entities of our Group: Wuhan Kindstar, Beijing Hightrust and Shanghai SimpleGene.

**Mr. Tu Zanbing (涂贊兵)**, aged 49, was appointed as our Director on December 4, 2020, and re-designated as our executive Director on February 8, 2021. Mr. Tu was also appointed as our Chief Operating Officer on February 8, 2021. Mr. Tu joined our Group in August 2003.

Mr. Tu worked as an engineer at the Fourth Railway Design Institute (鐵道第四設計院) from October 2000 to October 2001, and later as a vice director of operating department in the industrial development center from October 2001 to December 2002.

Mr. Tu has been the general manager of Wuhan Kindstar since August 2003. He has also been the general manager of Huaxi Kindstar since December 2017. From April 2014 to August 2015, Mr. Tu served as the general manager of Shanghai SimpleGene.

Mr. Tu currently holds directorship in the following major subsidiaries and operating entities of our Group: Wuhan Kindstar and Xinjiang Kindstar.

Mr. Tu received his Bachelor's degree in Automation and Master's degree in Business Administration from Huazhong University of Science and Technology (華中科技大學) (formerly known as "Huazhong Institute of Technology (華中理工大學)"). in Wuhan, Hubei Province, the PRC, in April 1999 and December 2002, respectively.

**Ms. Chai Haijie (柴海節)**, aged 42, was appointed as our Director on December 4, 2020, and re-designated as our executive Director on February 8, 2021. Ms. Chai was also appointed as our chief financial officer and joint company secretary on February 8, 2021. Ms. Chai joined our Group in July 2014.

Ms. Chai has over 16 years of experience in finance and accounting. She began her career at KPMG Shanghai Office from August 2004 to September 2008. From September 2008 to November 2010, Ms. Chai served as a senior accountant in the Ernst & Young Hua Ming Wuhan Branch. From December 2010 to November 2012, Ms. Chai worked as the chief financial officer of Hubei Grand Trio Investment Management Co., Ltd. (湖北鴻鼎投資管理有限公司). She subsequently worked at Wuhan Yuansheng Optoelectronic Communication Industry Investment Co., Ltd. (武漢塬生光電通信產業投資有限責任公司) from May 2013 to June 2014.

Ms. Chai currently holds directorship in the following major subsidiary and operating entity of our Group: Wuhan Kindstar.

Ms. Chai received her Bachelor's degree in Financial Administration and her Master's degree in Business Administration from Huazhong University of Science and Technology (華中科技大學) in Wuhan, Hubei Province, the PRC, in June 2001 and June 2004, respectively. She passed the National Uniform Examination for Certified Public Accountants in March 2006, and obtained the qualification of certified public accountant from Chinese Institute of Certified Public Accountants in January 2011.

**NON-EXECUTIVE DIRECTORS**

**Mr. Huang Zuie-Chin (黃瑞瑨)**, aged 55, was appointed as our Director on January 30, 2012 and re-designated as our non-executive Director on February 8, 2021.

Mr. Huang has over 30 years of biological executive and investment experience since graduation from Stanford University. In June 2011, he joined Kleiner Perkins Caufield & Byers China (凱鵬華盈中國基金) as a managing partner and focuses on the firm's life science practice. Mr. Huang is also the founding managing partner of Panacea Venture since 2017, which is a venture capital focusing on investments in innovative and transformative early and growth stage healthcare and life sciences companies worldwide.

Mr. Huang also concurrently holds the following positions outside our Group:

- a director of CASI Pharmaceuticals, Inc., a company whose shares are listed on NASDAQ Global Select Market (ticker symbol: CASI), since April 2013;

- a non-executive director of Genscript Biotech Corporation, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 01548), from August 2015 to January 2018;

- the chairman of the board of Windtree Therapeutics, Inc., a company whose shares are listed on NASDAQ Global Select Market (ticker symbol: WINT), since January 2019;

- a director and the chairman of the board of Ziopharm Oncology, Inc., a company whose shares are listed on NASDAQ Global Select Market (ticker symbol: ZIOP) since July 2020 and January 2021, respectively; and

- an executive director of Auto Italia Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 720), since July 2020.

Mr. Huang graduated from University of California, Berkeley in the United States with a bachelor of science degree in chemical engineering in May 1988. He obtained a master of business administration degree from the Stanford Graduate School of Business in the United States in June 1992.

**Mr. Peng Wei (彭偉)**, aged 34, was appointed as our Director on October 27, 2020, and re-designated as our non-executive Director on February 8, 2021.

Mr. Peng joined the Monitor Group (currently known as Monitor Deloitte) in 2008 after graduation and worked as a consultant until July 2011. Mr. Peng has served respectively as an investment manager from July 2013 to December 2015, a vice-president from January 2016 to December 2017 and a principal from January 2018 to December 2018 of Shanghai Panxin Equity Investment Management Co., Ltd. (上海磐信股權投資管理有限公司). Mr. Peng served as a principal of Tianjin Panmao Enterprise Management Partnership (Limited Partnership) (天津磐茂企業管理合夥企業(有限合夥)) from January 2019 to September 2020 and has served as a principal of Beijing Panmao Investment Management Co., Ltd (北京磐茂投資管理有限公司) since October 2020.

Mr. Peng received his Bachelor's degree in Information Engineering from Shanghai Jiaotong University (上海交通大學) in Shanghai, the PRC, in July 2008, and his Master of Business Administration from Yale University, New Haven, Connecticut, the United States in May 2013.

Mr. Peng was the supervisor of the following companies which were established in the PRC and subsequently deregistered during his tenure:

- On August 5, 2015, Mr. Peng was appointed as a supervisor of Shanghai Shiwei Information Technology Co., Ltd. (上海詩味信息科技有限公司) ("**Shanghai Shiwei**"), a company established

in the PRC engaged in the provision of fitness services. On June 25, 2018, the business license of Shanghai Shiwei was revoked due to cessation of business operation for six consecutive months.

- On November 9, 2015, Mr. Peng was appointed a supervisor of Luzhou Zhongkang Hospital Management Co., Ltd. (瀘州眾康醫院管理有限公司), a company established in the PRC engaged in the provision of hospital management services, which was deregistered on March 20, 2017 by way of voluntary dissolution.

Mr. Peng further confirmed (i) the above companies were solvent immediately prior to such revocation and dissolution; (ii) there was no wrongful act on his part leading to such revocation or dissolution and was not aware of any actual or potential claim that had been or would be made against him as a result of such revocation or dissolution; and (iii) no misconduct or misfeasance on his part had been involved in such revocation or dissolution.

**Ms. Huang Lu (黃璐)**, aged 47, was appointed as our Director on September 9, 2020 and re-designated as our non-executive Director on February 8, 2021.

Ms. Huang worked as a resident doctor at Shanghai Second Medical University School of Clinical Medicine (上海第二醫科大學市六臨床醫學院) (currently known as "Clinical Medical School of the Sixth People's Hospital affiliated to Shanghai Jiao Tong University (上海交通大學六院臨床醫學院)") after graduation from Shanghai Second Medical University (上海第二醫科大學) (currently knowns as "Shanghai Jiaotong University School of Medicine (上海交通大學醫學院)". Ms. Huang worked as a member of the Marketing Department at Continuum Health Partners. Ms. Huang worked as Investment Director from October 2003 to July 2016 in Morningside IT Management Services (Shanghai) Co. Ltd. (晨興信息科技諮詢(上海)有限公司), and has been worked as Managing Director since August 2016 in HCA (Shanghai) Consulting Co Ltd (卓聲諮詢(上海)有限公司).

Ms. Huang has been a non-executive director of Stealth BioTherapeutics Corp, a company listed on the NASDAQ (stock symbol: MITO), since June 2018.

Ms. Huang received her Bachelor's degree in Clinical Medicine from Shanghai Second Medical University (上海第二醫科大學) (currently knowns as "Shanghai Jiaotong University School of Medicine (上海交通大學醫學院)") in Shanghai, the PRC, in July 1997, and received her Master of Business Administration from St. John's University, New York, the United States, in September 2002.

**INDEPENDENT NON-EXECUTIVE DIRECTORS**

**Dr. Yao Shanglong (姚尚龍)**, aged 65, was appointed as our independent non-executive Director on the date of this Document.

Dr. Yao once served as the director of anesthesiology department and later as the deputy dean in Union Hospital.

Dr. Yao served as the chairman of the Chinese Society of Anesthesiologists under Chinese Medical Doctor Association (中國醫師協會) from April 2011 to April 2014. He was the associate chairman of Chinese Society of Anesthesiology under Chinese Medical Association (中華醫學會) from August 2012 to November 2018.

Dr. Yao received his Bachelor's degree in medicine from Wannan Medical College (皖南醫學院), in Wuhu, Anhui Province, the PRC in August 1982, and received his Master's degree in medicine and Doctor's degree in medicine from Tongji Medical University (同濟醫科大學) (currently known as "Tongji Medical College of Huazhong University of Science and Technology (華中科技大學同濟醫學院)"), in Wuhan, Hubei Province, the PRC in July 1987 and June 1990, respectively.

**Dr. Xia Xinping (夏新平)**, aged 56, was appointed as our independent non-executive Director on the date of this Document.

Dr. Xia has solid academic background and extensive experience in finance. Dr. Xia started to work at Huazhong University of Science and Technology (華中科技大學), where, between August 1987 and June 1991, Dr. Xia served as a teaching assistant; between June 1991 and June 1996, he served as a lecturer; between June 1996 and May 2000, he served as an associate professor. He has been serving as a professor under the Department of Finance under the School of Management of Huazhong University of Science and Technology (華中科技大學) (the "**School of Management**") since May 2000. Between January 2003 and December 2011, he also served as the Vice Dean of the School of Management.

Since May 2019, Dr. Xia has been serving as an independent non-executive director and the chairman of the audit committee of Gemdale Properties and Investment Corporation Limited (金地商置集團有限公司) (stock code: 0535), a company listed on the Hong Kong Stock Exchange. In discharging his duties as the chairman of the audit committee, he has reviewed, monitored, and discussed with the management, among other things, accounting principles and practices, internal control, risk management, adequacy of resources, qualifications and experience of the staff, connected and continuing connected transactions, and financial reporting matters including the annual results for the year ended December 31, 2019 and 2020 and unaudited condensed consolidated interim financial information as of and for the six months ended June 30, 2020, of that company. Dr. Xia has also been responsible in ensuring the full, complete and accurate disclosure in the financial statements pursuant to the accounting standards and other legal requirements relating thereto. Dr. Xia was also an independent director of Gemdale Corporation (金地（集團）股份有限公司) (stock code: 600383), a company listed on the Shanghai Stock Exchange, from May 2009 to April 2017 and was the chairman of the audit committee of that company from 2010 to 2017. In discharging his duties, he reviewed and discussed with the management, among other things, annual audited financial statements of Gemdale Corporation published during his tenure. Since April 2017, Dr. Xia has also been served as an independent director of Hubei Fuxing Science and Technology Co., Ltd. (湖北福星科技股份有限公司) (stock code: 000926), a company listed on the Shenzhen Stock Exchange. From May 2014 to June 2020, he was an independent director of Shenzhen New Nanshan Holding (Group) Co., Ltd. (深圳市新南山控股（集團）股份有限公司) (formerly known as "Yahgee Modular House Co., Ltd.(雅緻集成房屋股份有限公司)" and "Yahgee Modular House (Group) Co., Ltd. (雅緻集成房屋（集团）股份有限公司)") (stock code: 002314), a company listed on the Shenzhen Stock Exchange. He was also on the board of Fiberhome Telecommunication Technologies Co., Ltd. (烽火通信科技股份有限公司) (stock code: 600498), a company listed on the Shanghai Stock Exchange, as an independent director from December 2011 to December 2017.

Dr. Xia received his Bachelor's degree in Engineering, Master's degree in Management and Doctor's degree in Management from Huazhong University of Science and Technology (華中科技大學) (formerly known as "Huazhong Institute of Technology (華中工學院)" and "Huazhong University of Science and Technology (華中理工大學)") in Wuhan, Hubei Province, the PRC in July 1985, June 1990 and June 2000, respectively.

**Mr. Gu Huaming (顧華明)**, aged 57, was appointed as our independent non-executive Director on the date of this Document.

After graduation, and between May 1993 and February 1996, Mr. Gu worked at J.J.B. Hilliard, W.L. Lyons, LLC (acquired by Robert W Baird & Co. Incorporated in April 2019). After that, Mr. Gu served as the Strategic Planner at Emerson Electric Co., the Business Development Director at GE Plastics Pacific and the Senior Vice President at EQT Partners Asia Limited. Mr. Gu joined Baird Investment Advisor Co., Ltd in July 2007 as a partner to source, evaluate, execute and monitor investments in China and Asia Pacific area. Mr. Gu has also been a director of Vega Global Limited. since January 2020, and a director of PCA Sign Resources SDN. BHD. since November 2018, respectively.

Mr. Gu is also a founding member of the Finance Advisory Board of the Gatton College of Business and Economics at the University of Kentucky since January 2020.

Mr. Gu received his Bachelor's degree in Philosophy from Renmin University of China (中國人民大學) in Beijing, the PRC, in July 1986. Mr. Gu also obtained a Master's degree in Business Administration from the University of Kentucky, Kentucky, the United States, in May 1993.

Mr. Gu was the director of the following companies which were incorporated in the Hong Kong and subsequently dissolved during his tenure:

- On Mar 10, 2016, Mr. Gu was appointed as a director of DIAMOND PAGODA LIMITED, a private company limited by shares incorporated in the Hong Kong engaged in the investment holding, which was dissolved on Aug 30, 2019 by way of voluntary dissolution.

- On Mar 10, 2016, Mr. Gu was appointed as a director of RAINBOW ORBIT LIMITED, a private company limited by shares incorporated in the Hong Kong engaged in the investment holding, which was dissolved on Jun 14, 2019 by way of voluntary dissolution.

Mr. Gu further confirmed (i) the above companies were solvent immediately prior to such dissolutions; (ii) there was no wrongful act on his part leading to such dissolutions and was not aware of any actual or potential claim that had been or would be made against him as a result of such dissolutions of the above companies; and (iii) no misconduct or misfeasance on his part had been involved in such dissolutions.

## SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. Dr. Huang, Mr. Tu and Ms. Chai Haijie, executive Directors of our Company, are also members of our senior management team. See their biographies in the part headed "—Executive Directors".

## DIRECTORS' AND SENIOR MANAGEMENT'S INTERESTS

Save as disclosed above, none of our Directors or senior management members has been a director of any public company the securities of which are listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this Document.

Save as disclosed above, to the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

As of the Latest Practicable Date, save for the interests in the shares of our Company held by Dr. Huang, Mr. Tu, Ms. Chai Haijie and Mr. Huang Zuie-Chin, which are disclosed in the section headed "Statutory and General Information—C. Further Information about Our Directors and Our Substantial Shareholders" in Appendix IV to this Document, none of our Directors held any interest in the securities within the meaning of Part XV of the SFO.

As of the Latest Practicable Date, none of our Directors or senior management are related to other Directors or senior management of our Company.

## JOINT COMPANY SECRETARIES

**Ms. Chai Haijie (柴海節)**, our executive Director and Chief Financial Officer, was appointed as our joint company secretary on February 8, 2021. Please see her biography in the sub-section headed "—Executive Directors".

**Ms. Chan Wai Ling (陳蕙玲)**, was appointed as our independent joint company secretary on February 8, 2021.

Ms. Chan is a director of Corporate Services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

Ms. Chan has over 20 years of experience in the corporate secretarial field. She has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. Ms. Chan is currently the company secretary / joint company secretary of five companies listed on the Hong Kong Stock Exchange of Hong Kong Limited, namely, Razer Inc. (stock code: 1337), IMAX China Holding, Inc. (stock code: 1970), Greenway Mining Group Limited (信盛礦業集團有限公司) (stock code: 2133), Budweiser Brewing Company APAC Limited (百威亞太控股有限公司) (stock code: 1876) and China Feihe Limited (中國飛鶴有限公司) (stock code: 6186).

Ms. Chan is a Chartered Secretary, a Chartered Governance Professional and a Fellow of both The Hong Kong Institute of Chartered Secretaries ("**HKICS**") and The Chartered Governance Institute (formerly 'The Institute of Chartered Secretaries and Administrators') in the United Kingdom.

Ms. Chan holds a Bachelor of Arts (Honors) degree in Accountancy from City University of Hong Kong and a Bachelor of Laws degree from the University of London.

## REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors receive compensation in the form of fees, salaries, allowances and benefits in kind and performance related bonuses. We determine the compensation of our Directors based on each Director's responsibilities, qualification, position and seniority. Each of the independent non-executive Directors has entered into an appointment letter with our Company effective upon [the date of this Document]. For additional information, please refer to the section headed "Statutory and General Information – C. Further Information about Our Directors and Our Substantial Shareholders – 1. Particulars of Directors' Service Contracts and Appointment Letters" in Appendix IV to this Document.

The aggregate amount of remuneration of our Directors (including fees, salaries, allowances and benefits in kind and performance related bonuses for the years ended December 31, 2018, 2019 and 2020 were approximately RMB0.66 million, RMB0.77 million and RMB0.94 million, respectively.

It is estimated that remuneration and benefits in kind (excluding any discretionary bonus which may be paid to any Directors) equivalent to approximately RMB3.07 million in aggregate will be paid and granted to our Directors by us in respect of the financial year ending December 31, 2021 under arrangements in force at the date of this Document.

The aggregate amount of remuneration of our five highest paid individuals (including no Directors) for the years ended December 31, 2018, 2019 and 2020 were approximately RMB 5.34 million, RMB5.75 million and RMB5.49 million, respectively.

During the Track Record Period, no remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors, past Directors or the give highest paid individuals for the Track Record Period for the loss of office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the same period.

For additional information on Directors' remuneration during the Track Record Period as well as information on the highest paid individuals, please see Notes 10 and 11 of the Accountants' Report set out in Appendix I to this Document. For the details of the stock options that we granted to our Directors and senior management, please see the section headed "Statutory and General Information—D. **[REDACTED]** Stock Incentive Plans" in Appendix IV to this Document.

Save as disclosed above in this section and the sections headed "Financial Information", "Accountants' Report" and "Statutory and General Information" in this Document, no other payments have been paid or are payable in respect of the Track Record Period to our Directors by our Group.

## CORPORATE GOVERNANCE

We have established the following committees in our Board of Directors: an Audit Committee, a Remuneration Committee and a Nomination Committee. The committees operate in accordance with terms of reference established by our Board of Directors.

**Audit Committee**

Our Company [has] established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Code. The Audit Committee consists of three members, namely, Dr. Xia Xinping, Mr. Huang Zuie-Chin and Mr. Gu Huaming. Dr. Xia Xinping, being the chairman of the Audit Committee, holds the appropriate professional qualifications as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the Audit Committee include, without limitation, assisting our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group and overseeing the audit process.

**Remuneration Committee**

Our Company [has] established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Code. The Remuneration Committee consists of three members, namely, Mr. Gu Huaming, Dr. Xia Xinping and Mr. Tu. Mr. Gu Huaming is the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee include, without limitation, the following: (i) making recommendations to the Board on our policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing the policy on such remuneration; (ii) determining the specific remuneration packages of all Directors and senior management, or alternatively, making recommendations to the Board on such remuneration packages; and (iii) reviewing performance-related elements of the total remuneration package for executive Directors to align their interests with those of Shareholders.

**Nomination Committee**

Our Company [has] established the Nomination Committee with written terms of reference in compliance with the Code. The Nomination Committee consists of three members, namely, Dr. Huang, Dr. Yao Shanglong and Dr. Xia Xinping. Dr. Huang is the chairman of the Nomination Committee. The primary duties of the Nomination Committee include, without limitation, reviewing the structure, size and composition of the Board, assessing the independence of independent non-executive Directors and making recommendations to the Board of Directors on matters relating to the appointment of Directors.

**DIVERSITY**

We are committed to promoting the culture of diversity in our Company. We have strived to promote diversity to the extent practicable by taking into consideration a number of factors in our corporate governance structure.

We have adopted 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 Board diversity through the consideration of a number of factors, including but not limited to gender, age, language, cultural background, educational background, industry experience and professional experience. Our Directors have a balanced mix of knowledge and skills, including knowledge and experience in the areas of medicine, business management, finance, investment and accounting, etc. They obtained degrees in various areas including chemical engineering, medicine,

information engineering, philosophy, engineering, financial administration, management and business administration. Our board diversity policy is well implemented as evidenced by the fact that there are both female and male Directors ranging from 34 years old to 64 years old with experience from different industries and sectors.

We are also committed to adopting a similar approach to promote diversity within management (including but not limited to the senior management) of our Company to enhance the effectiveness of corporate governance of our Company as a whole.

The Nomination Committee is delegated by our Board to be responsible for compliance with relevant codes governing board diversity under the Code. After the **[REDACTED]**, the Nomination Committee will review the board diversity policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the board diversity policy on an annual basis.

## CORPORATE GOVERNANCE CODE

In view of Dr. Huang's experience, personal profile and his roles in our Group as mentioned above and that Dr. Huang has assumed the role of our Chief Executive Officer since our incorporation, our Board considers it beneficial to the business prospect and operational efficiency of our Group that upon **[REDACTED]**, Dr. Huang acts as the Chairman of our Board and continues to act as the Chief Executive Officer. While this will constitute a deviation from Code Provision A.2.1 of the Code as set out in Appendix 14 to the Hong Kong Listing Rules, our Board believes that this structure will not impair the balance of power and authority between our Board and the management of our Company, given that: (i) decision to be made by our Board requires approval by at least a majority of our Directors, and we believe that there is sufficient check and balance in our Board; (ii) Dr. Huang and the other Directors are aware of and undertake to fulfill their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of our Company and will make decisions for our Group accordingly; and (iii) the balance of power and authority is ensured by the operations of our Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of our Company. Moreover, the overall strategic and other key business, financial, and operational policies of our Group are made collectively after thorough discussion at both our Board and senior management levels. Our Board will continue to review the effectiveness of the corporate governance structure of our Group in order to assess whether separation of the roles of chairman of the Board and chief executive officer is necessary. Our Directors strive to achieve a high standard of corporate governance (which is of critical importance to our development) to protect the interest of shareholders.

Save as disclosed above, our Directors consider that upon **[REDACTED]**, we will comply with all applicable code provisions of the Code as set out in Appendix 14 to the Listing Rules.

## COMPLIANCE ADVISER

We have appointed Somerley Capital Limited as our Compliance Adviser pursuant to Rule 3A.19 of the Listing Rules. Our Compliance Adviser will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, our Compliance Adviser will advise our Company in certain circumstances including: (a) before the publication

of any regulatory announcement, circular, or financial report; (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases; (c) where we propose to use the **[REDACTED]** of the **[REDACTED]** in a manner different from that detailed in this Document or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this Document; and (d) where the Stock Exchange makes an inquiry to our Company under Rule 13.10 of the Listing Rules.

The term of appointment of our Compliance Adviser shall commence on the **[REDACTED]** and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the **[REDACTED]**.

## COMPETITION

Each of our Directors confirms that as of the Latest Practicable Date, he or she did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business and requires disclosure under Rule 8.10 of the Listing Rules. From time to time our non-executive Directors may serve on the boards of both private and public companies within the broader healthcare industries. However, as these non-executive Directors are neither our controlling shareholders nor members of our executive management team, we do not believe that their interests in such companies as directors would render us incapable of carrying on our business independently from the other companies in which they may hold directorships from time to time.

So far as our Directors are aware, immediately following completion of the **[REDACTED]** and the Share Subdivision, assuming the **[REDACTED]** is not exercised, no additional Shares are issued under the **[REDACTED]** Stock Incentive Plans and no Shares are issued pursuant to the **[REDACTED]** Share Schemes, the following persons will have interests and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to us pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company:

| Substantial Shareholder | Capacity / Nature of interest | Total number of Shares / underlying shares | Approximate percentage of interest in our Company upon the completion of the [REDACTED] and the Share Subdivision (assuming the [REDACTED] is not exercised) | Approximate percentage of interest in our Company upon completion of the [REDACTED] and the Share Subdivision (assuming the [REDACTED] is fully exercised) |
|---|---|---|---|---|
| Ms. Guo | Beneficial interest | [3,971,020] | **[REDACTED]**% | **[REDACTED]**% |
| | Interest held through voting powers entrusted by other persons *(Note 1)* | [90,454,452] | **[REDACTED]**% | **[REDACTED]**% |
| | Settlor of a trust *(Note 2)* | [50,937,896] | **[REDACTED]**% | **[REDACTED]**% |
| Jackson Hole *(Notes 2,3)* | Beneficial interest | [50,937,896] | **[REDACTED]**% | **[REDACTED]**% |
| | Interest in controlled corporation | [48,361,508] | **[REDACTED]**% | **[REDACTED]**% |
| Mr. Huang Bo *(Notes 2,3)* | Interest in controlled corporation | [99,299,404] | **[REDACTED]**% | **[REDACTED]**% |
| Perfect Tactic *(Note 3)* | Beneficial interest | [48,361,508] | **[REDACTED]**% | **[REDACTED]**% |
| Infinite Prosperity Holdings LLC *(Note 3)* | Interest in controlled corporation | [48,361,508] | **[REDACTED]**% | **[REDACTED]**% |
| Dr. Huang *(Notes 3,4)* | Settlor of a trust and interest of spouse | [145,363,368] | **[REDACTED]**% | **[REDACTED]**% |
| Mr. Tu | Interest in controlled corporation *(Note 5)* | [38,624,144] | **[REDACTED]**% | **[REDACTED]**% |

| Substantial Shareholder | Capacity / Nature of interest | Total number of Shares / underlying shares | Approximate percentage of interest in our Company upon the completion of the [REDACTED] and the Share Subdivision (assuming the [REDACTED] is not exercised) | Approximate percentage of interest in our Company upon completion of the [REDACTED] and the Share Subdivision (assuming the [REDACTED] is fully exercised) |
|---|---|---|---|---|
| | Beneficial interest *(Note 6)* | [25,737,720] | **[REDACTED]**% | **[REDACTED]**% |
| Ningbo Ruifu *(Note 7)* | Interest in controlled corporation | [72,539,632] | **[REDACTED]**% | **[REDACTED]**% |
| Mr. Huang Zuie-Chin *(Note 7)* | Interest in controlled corporation | [93,927,372] | **[REDACTED]**% | **[REDACTED]**% |
| HCA Investments *(Note 8)* | Beneficial interest | [91,068,160] | **[REDACTED]**% | **[REDACTED]**% |
| Morningside Holdings (Asia) Limited *(Note 8)* | Interest in controlled corporation | [91,068,160] | **[REDACTED]**% | **[REDACTED]**% |
| CK Lab Tech *(Note 9)* | Beneficial interest | [80,367,640] | **[REDACTED]**% | **[REDACTED]**% |
| CPEChina Fund III, L.P. *(Note 9)* | Interest in controlled corporation | [80,367,640] | **[REDACTED]**% | **[REDACTED]**% |
| CPE Funds III Limited *(Note 9)* | Interest in controlled corporation | [80,367,640] | **[REDACTED]**% | **[REDACTED]**% |
| CPE Holdings Limited *(Note 9)* | Interest in controlled corporation | [80,367,640] | **[REDACTED]**% | **[REDACTED]**% |
| CPE Holdings International Limited *(Note 9)* | Interest in controlled corporation | [80,367,640] | **[REDACTED]**% | **[REDACTED]**% |

*Notes:*

1. According to voting proxy arrangements dated April 28, 2021, January 1, 2017 and November 2, 2020, Ms. Guo has effective control over the voting rights attached to the Shares held by each of Perfect Tactic, Mr. Chen Zhong ("**Mr. Chen**") and Ever Prospect. Accordingly, Ms. Guo is deemed to be interested in (i) the [48,361,508] Shares held by Perfect Tactic, (ii) the [3,468,800] Shares held by Mr. Chen and (iii) the [38,624,144] Shares held by Ever Prospect.

2. Jackson Hole is the trustee of Gui-Rong Guo Trust, a family trust established by Ms. Guo (as the settlor) with her and her family members being the beneficiaries. Under the trust deed of the Gui-Rong Guo Trust, for so long as the Jackson Hole holds or controls any Shares, all voting rights attaching to such Shares shall be in effect exercised by Mr. Huang Bo, Dr. Huang and Ms. Guo's son, as investment advisor to the Gui-Rong Guo Trust. Accordingly, each of Ms. Guo and Mr. Huang Bo is deemed to be interested in the total number of Shares held by Jackson Hole.

3. Perfect Tactic is a company incorporated in the BVI held as to 99.8% and 0.2% by Infinite Prosperity Holdings LLC ("**Infinite Prosperity**") and Kindstar Rui An, respectively. Infinite Prosperity is wholly-owned by Jackson Hole. Jackson Hole is the trustee to the Shiang Huang Family Trust which was established by Dr. Huang as settlor. The Shiang Huang Family Trust is a discretionary trust and the beneficiaries of which includes Dr. Huang and his family members who are this associates, and their lineal descendants. Under the trust deed of the Shiang Huang Family Trust, for so long as the Jackson Hole Trust Company holds or controls any shares in Perfect Tactic, all voting rights with respect to investment decisions attaching thereto will be exercised by Mr. Huang Bo as investment advisor to the Shiang Huang Family Trust. Accordingly, each of Infinite Prosperity, Jackson Hole, Mr. Huang Bo and Dr. Huang is deemed to be interested in the total number of Shares held by Perfect Tactic.

4. Dr. Huang, being the spouse of Ms. Guo, is also deemed to be interested in the total number of the Shares Ms. Guo holds or is interested in.

5. Ever Prospect is wholly-owned by Mr. Tu. Accordingly, Mr. Tu is deemed to be interested in the [38,624,144] Shares held by Ever Prospect.

6. Mr. Tu is interested in 6,434,430 share options granted to him under the **[REDACTED]** Stock Incentive Plans to receive 6,434,430 ordinary shares (to be adjusted to [25,737,720] Shares upon the Share Subdivision).

7. The general partners of Ningbo Xinyue and Wuhan Ruifu are Ningbo Meishan Bonded Port Zone Ruixi Equity Investment Management Partnership (Limited Partnership) (寧波梅山保税港區瑞羲股權投資管理合夥企業(有限合夥)) ("**Ningbo Ruixi**") and Ningbo Ruifu, respectively. The general partner of Ningbo Ruixi is Ningbo Ruifu. Accordingly, Ningbo Ruifu is deemed to be interested in (i) the [41,829,140] Shares held by Wuhan Ruifu, and (ii) the [30,710,492] Shares held by Ningbo Xinyue. The general partner of Panacea is Panacea Venture Healthcare Fund GP I, L.P., which is controlled by Panacea Venture Healthcare Fund GP Company, Ltd., its general partner. Each of Ningbo Ruifu and Panacea Venture Healthcare Fund GP Company, Ltd. is ultimately controlled by Mr. Huang Zuie-Chin, one of our non-executive Directors. Accordingly, Mr. Huang Zuie-Chin is deemed to be interested in (i) the [41,829,140] Shares held by Wuhan Ruifu, (ii) the [30,710,492] Shares held by Ningbo Xinyue, and (iii) the [21,387,740] Shares held by Panacea.

8. HCA Investments is a company incorporated in the BVI and indirectly owned and controlled by Morningside Holdings (Asia) Limited, a member of Morningside group ultimately owned by a family trust established by Madam Chan Tan Ching Fen. Accordingly, Morningside Holdings (Asia) Limited is deemed to be interested in the total number of Shares held by HCA Investments.

9. CK Lab Tech is a company incorporated in the BVI held as to approximately 85.1% by CPEChina Fund III, L.P. ("**CPE Fund III**") and 14.9% by CPE Global Opportunities Fund, L.P. The general partner of CPE Fund III is CPE Funds III Limited, an exempted company incorporated in the Cayman Islands with limited liability, which is wholly owned by CPE Holdings Limited. CPE Holdings Limited is wholly owned by CPE Holdings International Limited. CPE Holdings International Limited is owned by a number of shareholders that are natural persons none of whom controls CPE Holdings International Limited. Accordingly, each of CPE Fund III, CPE Funds III Limited, CPE Holdings Limited and CPE Holdings International Limited is deemed to be interested in the total number of Shares held by CK Lab Tech.

For those who are directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of our Group, see "Appendix IV – Statutory and General Information – C. Further Information about Our Directors and Our Substantial Shareholders – 3. Disclosure of Interests" in this Document.

## AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the completion of the **[REDACTED]** and the Share Subdivision.

As of the Latest Practicable Date, our authorized share capital was US$500,000 divided into (i) 366,537,312 ordinary shares of par value of US$0.001 each, (ii) 18,666,667 Series A Preference Shares of par value of US$0.001 each, (iii) 20,943,230 Series B Preference Shares of par value of US$0.001 each, (iv) 6,124,021 Series B1 Preference Shares of par value of US$0.001 each, (v) 24,198,413 Series C Preference Shares of par value of US$0.001 each, (vi) 19,868,842 Series D Preference Shares of par value of US$0.001 each, (vii) 9,698,920 Series D+ Preference Shares of par value of US$0.001 each, and (viii) 33,962,595 Series E Preference Shares of par value of US$0.001 each.

As of the Latest Practicable Date, our issued share capital consisted of (i) 36,340,842 Ordinary Shares of a par value of US$0.001 each, (ii) 18,666,667 Series A Preference Shares of par value of US$0.001 each, (iii) 20,943,230 Series B Preference Shares of par value of US$0.001 each, (iv) 6,124,021 Series B1 Preference Shares of par value of US$0.001 each, (v) 24,198,413 Series C Preference Shares of par value of US$0.001 each, (vi) 19,868,842 Series D Preference Shares of par value of US$0.001 each, (vii) 9,698,920 Series D+ Preference Shares of par value of US$0.001 each, and (viii) 33,962,595 Series E Preference Shares of par value of US$0.001 each.

The Preference Shares will be converted into Shares on a one-to-one basis by way of re-designation and reclassification before **[REDACTED]**.

Assuming the **[REDACTED]** is not exercised, the share capital of our Company immediately after the **[REDACTED]** and the Share Subdivision will be as follows:

| Description of Shares | Number of Shares | Aggregate nominal value of Shares | Approximate percentage of issued share capital |
|---|---|---|---|
| | | (US$) | (%) |
| Shares in issue (including the Shares on re-designation of the Preference Shares) | [679,214,120] | [169,803.53] | **[REDACTED]** |
| Shares to be issued under the **[REDACTED]** | **[REDACTED]** | **[REDACTED]** | **[REDACTED]** |
| **Total** | **[REDACTED]** | **[REDACTED]** | **100** |

Assuming the **[REDACTED]** is exercised in full, the share capital of our Company upon completion of the **[REDACTED]** and the Share Subdivision will be as follows:

| Description of Shares | Number of Shares | Aggregate nominal value of Shares (US$) | Approximate percentage of issued share capital (%) |
|---|---|---|---|
| Shares in issue (including the Shares on re-designation of the Preference Shares) | [679,214,120] | [169,803.53] | **[REDACTED]** |
| Shares to be issued under the **[REDACTED]** | **[REDACTED]** | **[REDACTED]** | **[REDACTED]** |
| **Total** | **[REDACTED]** | **[REDACTED]** | **100** |

## ASSUMPTIONS

The above tables assume that (i) the **[REDACTED]** becomes unconditional, (ii) Shares are issued pursuant to the **[REDACTED]**, (iii) the Share Subdivision is completed, and (iv) the Preference Shares are converted into Shares on a one-to-one basis. The above tables do not take into account any additional Shares which may be issued pursuant to the **[REDACTED]** Stock Incentive Plans and Shares which may be issued pursuant to the **[REDACTED]** Share Schemes.

## RANKING

The **[REDACTED]** are shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued (including all Preference Shares re-designated into Shares upon completion of the **[REDACTED]** and the Share Subdivision) and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this Document.

## CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Pursuant to the Cayman Companies Act and the terms of the Articles of Association, our Company may from time to time by ordinary resolution of Shareholders (i) increase its share capital; (ii) consolidate and divide its share capital into Shares of larger amount; (iii) divide its Shares into several classes; and (iv) cancel any Shares which have not been taken or agreed to be taken. In addition, our Company may, subject to the provisions of the Cayman Companies Act, reduce its share capital or capital redemption reserve by its Shareholders passing a special resolution. See the section headed "Summary of the Constitution of our Company and Cayman Companies Act – 2. Articles of Association – 2.5 Alteration of Capital" in Appendix III to this Document for further details.

## [REDACTED] STOCK INCENTIVE PLANS

We adopted the **[REDACTED]** Stock Incentive Plans. For further details, please see the section headed "Statutory and General Information – D. **[REDACTED]** Stock Incentive Plans" in Appendix IV to this Document.

## GENERAL MANDATE TO ISSUE AND REPURCHASE SHARES

Subject to the **[REDACTED]** becoming unconditional, our Directors have been granted general unconditional mandates to issue and repurchase our Shares.

For further details of these general mandates, please see the section headed "A.Further Information about our Company and our Subsidiaries – 4. Written Resolutions Passed by our Shareholders on [●], 2021" in Appendix IV to this Document.

### Share Incentive Schemes

We adopted the **[REDACTED]** Stock Incentive Plans on March 14, 2013, December 20, 2015 and December 1, 2016, respectively. See the section headed "Appendix IV – Statutory and General Information – D. **[REDACTED]** Stock Incentive Plans" in this Document for further details.

We adopted the **[REDACTED]** RSU Scheme on [●], 2021. See the section headed "Appendix IV – Statutory and General Information – E. **[REDACTED]** RSU Scheme" in this Document for further details.

We also adopted the **[REDACTED]** Option Scheme on [●], 2021. See the section headed "Appendix IV – Statutory and General Information – F. **[REDACTED]** Option Scheme" in this Document for further details.

*You should read the following discussion and analysis with our consolidated financial information, including the notes thereto, included in the Accountants' Report in Appendix I to this Document. Our consolidated financial information has been prepared in accordance with IFRS.*

*The following discussion and analysis contains forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depend on a number of risks and uncertainties, many of which we cannot control or foresee. In evaluating our business, you should carefully consider all of the information provided in this Document, including the sections headed "Risk Factors" and "Business."*

*For the purpose of this section, unless the context otherwise requires, references to 2018 and 2019 refer to our financial years ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.*

## OVERVIEW

We are a leading independent esoteric clinical testing service provider in China. We have the largest esoteric testing portfolio among all the independent esoteric testing providers in China, with over 3,500 testing items in our service menu, which includes over 2,300 testing items for hematology. Our mission is to offer patients and physicians worldwide broad and high-quality testing services and promote the application of precision diagnostics and medicine.

Since our inception in 2003, we have strategically focused on esoteric clinical tests to address the significant unmet medical needs in China. We started from hematology as it is a leading specialty area for the development of novel therapies and adoption of new clinical diagnostic tests. We have successfully established a leading position in China's independent hematology esoteric clinical testing industry, accounting for the largest or 42.3% of the market share by revenue in 2020. We offer one of the most extensive hematology testing portfolios worldwide, according to Frost & Sullivan. Leveraging our experience in hematology, we have been expanding our services into other adjacent specialty areas, including genetic diseases and rare diseases, infectious diseases, oncology, neurology and maternity-related diseases. In addition to these specialty areas, we started offering COVID-19-related testing services in response to the COVID-19 pandemic started in early 2020. We also offer routine testing services, covering testing for fever and inflammatory symptoms, routine physical examination and basic testing for various diseases.

We generated revenue of RMB706.2 million, RMB832.8 million and RMB891.4 million for the years ended December 31, 2018, 2019 and 2020. We incurred loss of RMB54.3 million, RMB169.6 million and RMB970.1 million for the years ended December 31, 2018, 2019 and 2020, mainly attributable to the fair value loss on financial liabilities at fair value through profit or loss (FVTPL), which we do not expect to continue to incur after our **[REDACTED]**. Adding back fair value loss on financial liabilities at FVTPL and **[REDACTED]** expenses, we had adjusted net income of RMB18.9 million, RMB53.3 million and RMB92.0 million for the

years ended December 31, 2018, 2019 and 2020. For more details, please see "Financial Information – NON-IFRS MEASURES: ADJUSTED NET INCOME".

## BASIS OF PRESENTATION

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended December 31, 2018, 2019 and 2020, and the consolidated statements of financial position of the Group as at December 31, 2018, 2019 and 2020 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information") has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB").

All IFRSs effective for the accounting period commencing on/before 1 January 2020, including IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers*, and IFRS 16 *Leases*, together with the relevant transitional provisions, have been early adopted by our Group in the preparation of the Historical Financial Information throughout the Track Record Period and in the periods covered by the Interim Financial Information.

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at FVTPL and financial liabilities at FVTPL which have been measured at fair value.

## FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Our results of operations and financial condition have been, and are expected to continue to be, affected by a variety of factors, including those set forth below.

### Growth of the Independent Esoteric Clinical Testing Market in China, in Particular, the Specialty Areas That We Focus on

We believe that the overall growth of the independent esoteric clinical testing industry in China, in particular, the specialty areas we focus on, have significantly, and will continue to significantly impact, our revenue growth. Driven by increasing end customer demands, outsourcing demands from public and private hospitals, unique advantages of independent clinical laboratories over hospital-based laboratories and favorable policies, the ICL esoteric testing market in China had been growing and is expected to grow at a significant rate. According to Frost & Sullivan, the independent esoteric clinical testing industry in China has increased from RMB4.9 billion in 2016 to RMB20.1 billion in 2020, representing a CAGR of 42.2% and is expected to further grow at a CAGR of 6.8% to RMB27.9 billion in 2025. We focus on some of the largest and fastest-growing specialty areas including hematology, genetic disease and rare disease, infectious disease, oncology, neurology and maternity-related diseases. The market of esoteric clinical testing for hematology, genetic disease and rare disease, infectious disease, oncology, neurology and maternity-related diseases is expected to increase from RMB1,109.9 million, RMB627.3 million, RMB1,001.4 million, RMB3,690.6 million, RMB189.2 million and RMB2,297.7 million in 2020 to RMB4,679.4 million, RMB2,637.2 million, RMB4,511.9 million, RMB7,764.3 million, RMB1,023.6 million and RMB3,812.3 million in 2025 at a CAGR of 33.3%, 33.3%, 35.1%, 16.0%, 40.2%

and 10.7% from 2020, respectively. The decrease in the percentage of revenue from Class III hospitals is primarily due to our COVID-19-related testing services, which are more evenly provided across different levels and types of medical institutions.

We believe that by leveraging our leading position in the independent esoteric clinical testing market in China, we are well positioned to capture the expected growth of the market through our comprehensive testing portfolio. With the potential growth in the PRC independent esoteric clinical testing market, we expect our results of operation and financial performance to continue to grow in the future.

**Our Ability to Broaden Hospital Network and Deepen Market Penetration**

Clinical testing services accounted for 99.1% of our total revenue in 2020, and accordingly, the width and depth of our hospital coverage can greatly affect our results of operation. We provided services to 3,249, 3,296 and 3,200 hospitals in 2018, 2019 and 2020, respectively, among which 1,514, 1,550 and 1,567 hospitals were Class III hospitals. In 2018, 2019 and 2020, 83%, 83% and 72% of our total revenue were generated from Class III hospitals, respectively. We intend to increase our testing volume from and penetrate into more specialty departments in hospitals with which we have existing relationships as well as expand our sales network to cover more hospitals in China.

Specifically, we plan to increase sales efforts to deepen the penetration in hospitals to which we have established collaborative relationships with. We expect the demands for esoteric tests in these hospitals to continue to grow as the clinical demands, such as precision medicine, evolve. We also plan to expand into new hospitals and increase the application of esoteric testing by more physicians in China by providing systematic trainings to physicians and continuing our sponsorship and attendance in various academic conferences in different specialty areas. We plan to continue to focus our marketing efforts on establishing and maintaining relationships with Class III hospitals, in order to further promote the awareness of esoteric testing and the recognition of our brand names and increase our revenue in the future.

**Development of Our Platform Technologies and Extension of Our Service Offerings**

Our advanced technology platforms and our comprehensive testing portfolio form the foundation of our business. Therefore, continuous research and development to refine our testing technologies and extend our testing items is critical to maintain our industry leading position. We have established systematic technology platforms since our inception, including molecular testing, flow cytometry, molecular cytogenetics, mass spectrometry and clinical chemistry and immunology under clinical pathology and technologies under anatomic pathology such as bone marrow biopsy. We offer over 3,500 testing items, among which, we have self-developed over 1,100 testing items, and we have expanded our testing services to cover six major specialty areas, including hematology, genetic diseases and rare diseases, infectious diseases, oncology, neurology, and maternity-related diseases. We have also leveraged our PCR-based technologies on the testing for COVID-19 since February 2020. As of the Latest Practicable Date, we had conducted nearly 2.2 million COVID-19 nucleic acid tests.

We believe that our services being developed in our pipeline will drive our future growth. We plan to allocate more resources to develop and market our new services, especially those related to adult or pediatric hematologic disorders and maternity-related diseases. We plan to continue developing several

hundred new testing items each year. We expect to increase our research and development expense significantly with the goal of fueling further innovation and expand the scope of our services and business.

**Collaboration with Biopharmaceutical Companies and CRO Customers**

Although revenue generated testing services for R&D projects and others for biopharmaceutical companies and CROs accounted only 0.9% of our revenue in 2020, the absolute amount increased from RMB5.8 million in 2019 to RMB8.4 million in 2020. We believe testing services for R&D projects and others for biopharmaceutical companies and CROs present significant growth potential, and we intend to pursue further expansion in our collaboration with them. Future growth of our revenue and business opportunities depend in part on our ability to attract new biopharmaceutical companies and CRO customers and to maintain and expand relationships with existing customers.

We believe our services could be used by biopharmaceutical companies and CROs for a wide range of applications, including discovery of new targets and mechanisms of acquired resistance, retrospective sample analysis to rapidly identify biomarkers associated with drug response and resistance, prospective screening and patient referral to accelerate clinical trial enrollment, prospective studies for clinical trials, and companion diagnostic development to support the approval and commercialization of therapeutics and may become one of our important revenue drivers. During the Track Record Period, we worked with CROs, pharmaceutical companies and biology technology companies on 26 clinical trials, providing medical research, clinical trial services and translational medicine study services.

**Increasingly Efficient Costs and Expenses Management**

Our ability to manage our costs and expenses efficiently is critical to the success of our business. Our cost of sales primarily consists of cost of labor cost, equipment and infrastructure expenses and outsourced testing service expenses associated with our testing services. We expect our cost of sales to grow in absolute amount consistent with our growth. Our ability to effectively control our operating expenses, particularly our R&D costs and selling and marketing expenses, also has a material impact on our profitability. Our operating expenses primarily include selling and marketing expenses, R&D costs, administrative expenses, finance costs and other expenses. Selling and marketing expenses and R&D costs are the two largest component of our operating expenses, with the selling and marketing expenses accounting for 35.3%, 33.0% and 27.9%, respectively, of our revenue and R&D costs accounting for 10.4%, 9.5% and 8.4%, respectively, of our revenue in 2018, 2019 and 2020. In the future, we expect our selling and marketing expenses to continue to grow as we expand our sales network but at a slower rate than our revenue growth as certain marketing expenses are fixed in nature such as the introduction of new services on our existing marketing network. At the same time, we intend to continue to control our selling and marketing expenses and enhance our sales productivity through additional tailored training of sales personnel, more targeted marketing activities and cross-selling strategies between different service types. We intend to continue to control our administrative expenses through more efficient management tools and systems, more efficient training of our administration personnel and more reasonable allocation of administrative allocation.

**Mix of Service Offerings**

Our gross margins and profitability depend on our ability to optimize pricing for our services and generate more revenues from those services that offer a higher gross margin. Our pricing ability could be

affected by many factors, such as the service quality and popularity of our testing services and the fees charged by our competitors. Historically, our gross margins vary across different business segments. Hematology testing is our largest business segment in terms of revenue contribution with a relatively high gross margin. Our routine testing segment, however, had relatively lower gross profit margin. Our COVID-19-related testing also had a relatively low gross margin. As we explore to offer more and different testing services and expand our current offerings, our mix of testing services will change thus affecting our overall operating results.

## CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies and estimates that we believe are most significant to the preparation of our consolidated financial statements. See Note 2.3 and Note 3 to the Accountants' Report included in Appendix I to this Document for details of these accounting policies and estimates.

### Critical Accounting Policies

***Revenue Recognition***

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which we will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between we and the customer at contract inception. When the contract contains a financing component which provides us a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

*Clinical testing services*

We earn revenue by providing specialized diagnostic testing to hospitals or, through them, individual patients based on a written test requisition form. The services period of each specialized diagnostic testing is generally within two to seven business days.

Revenue from clinical testing service is recognized at a point in time when control of the asset is transferred to the customer, generally on delivery of the testing report.

*Testing services for R&D projects and others*

We generally enter into contracts with contract research organizations, sponsors of clinical trials, pharmaceutical and research institutes to provide research and clinical trial services ranging in duration from one month to several years.

Revenue from testing services for R&D projects and others is recognized overtime when we have an enforceable right to payment for performance completed to date. The progress of research services is measured based on outputs to the satisfaction of related performance obligation of research services (output method). In an output method, revenue is determined by multiplying that percentage of the actual units of output achieved by the total contract value.

***Fair Value Measurement***

We measure certain financial instruments at fair value at the end of each relevant period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by us. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

We use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, we determine whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the relevant periods.

We issued series A/B/B1/C/D/D+/E convertible redeemable preferred shares (collectively, the "Preferred Shares") and convertible bonds from 2016 to 2020. These Preferred Shares and convertible bonds are accounted for as financial liabilities at FVTPL under IFRS 9 Financial Instruments during the Track Record Period. As disclosed in Note 32 and 33 of the Accountants' Report included in Appendix I to this Document, the fair value of these Preferred Shares as at December 31, 2018, 2019 and 2020 is RMB615,672,000, RMB807,528,000 and RMB2,854,390,000, respectively, the fair value of the convertible bonds as at December 31, 2018, 2019 and 2020 is RMB221,689,000, RMB265,131,000 and nil, respectively.

Regarding the valuation of our financial liabilities measured at fair value through profit or loss categorized within level 3 of fair value measurement, we had engaged an independent valuation expert, or the expert, which used valuation methods such as the Black-Scholes option pricing model that took into account several assumptions on risk-free interest rates, discounts for lack of marketability ("DLOM") and volatility. We provided documents related to the Preferred Shares and convertible bonds to the expert, reviewed the assumptions adopted by the expert and evaluated the reasonableness of these assumptions. The Directors, after taking into account of the assumptions and methods adopted by the independent valuation expert as set forth in detail in the valuation report, are satisfied with the categorization within level 3 of fair value measurement pursuant to the SFC's "Guidance note on directors' duties in the context of valuations in corporate transactions."

The procedures of the Reporting Accountants in relation to the fair value measurements for these Preferred Shares and convertible bonds with no quoted market prices in active markets included:

- Understanding our relevant internal controls over the fair value measurement for these Preferred Shares and convertible bonds;
- Assessing the objectivity, independence and competence of the external appraisers who assisted the management in preparing the valuation model for measuring the Preferred Shares and convertible bonds; and
- With the assistance of internal valuation specialists of the Reporting Accountants, evaluating the reasonableness of the management's key assumptions including valuation model, the risk-free interest rate, DLOM and volatility.

Based on the above procedures, nothing has come to the Reporting Accountants' attention for them to cast doubt on the valuation of our financial liabilities measured at fair value through profit or loss within level 3 of fair value measurement.

In relation to the valuation analysis on level 3 financial liabilities of our Preferred Shares and convertible bonds during the Track Record Period, the Joint Sponsors have, among others: (i) reviewed the subscription agreements of our Preferred Shares and convertible bonds and discussed with us to understand the nature and details of such financial liabilities; (ii) considered the qualification, independence and

credentials of the external valuer; (iii) reviewed the valuation reports prepared by the external valuer engaged by us; (iv) discussed with the external valuer regarding the assumptions, valuation techniques and methodologies applied to determine the valuation; (v) discussed with and understood from the Reporting Accountants that they had performed the audit procedures on the valuations of level 3 financial liabilities in accordance with Hong Kong Standards on Auditing and discussed with the Reporting Accountants about the accounting treatment of such financial liabilities; and (vi) reviewed the relevant notes in the Accountants' Report as contained in Appendix I to this Document and the reporting accountants' opinion on the historical financial information of us as a whole for the Track Record Period. Based on the above due diligence and having considered the work performed by and the views of each of the Directors and the Reporting Accountants as set out above, nothing has come to the Joint Sponsors' attention for them to cast doubt on the valuation analysis performed by us on our level 3 financial liabilities and reviewed by the Reporting Accountants.

***Property, Plant and Equipment and Depreciation***

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, we recognize such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

| | |
|---|---|
| Laboratory equipment | 9.50% – 31.68% |
| Other equipment | 9.50% – 31.68% |
| Transportation equipment | 19.00% |
| Leasehold improvements | 10.00% – 33.33% |

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the statement of profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

***Leases***

We assess at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*We as a Lessee*

We apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. We recognize lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At inception or on reassessment of a contract that contains a lease component and non-lease component(s), we adopt the practical expedient not to separate non-lease component(s) and to account for the lease component and the associated non-lease component(s) (e.g., property management services for leases of properties) as a single lease component.

*(a) Right-of-use Assets*

We recognize right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

| | |
|---|---|
| Properties | 2 to 6 years |
| Equipment | 2 to 5 years |

If ownership of the leased asset transfers to us by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

*(b) Lease Liabilities*

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments

also include the exercise price of a purchase option reasonably certain to be exercised by us and payments of penalties for termination of a lease, if the lease term reflects us exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, we use our incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

*(c) Short-term Leases and Leases of Low-value Assets*

We apply the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

***Impairment of Financial Assets***

We recognize an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVTPL (as defined below). ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that we expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

*General Approach*

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, we assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, we compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

We consider a financial asset in default when contractual payments are 30 days past due. However, in certain cases, we may also consider a financial asset to be in default when internal or external information indicates that we is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by us. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

*Simplified Approach*

For trade receivables that do not contain a significant financing component or when we apply the practical expedient of not adjusting the effect of a significant financing component, we apply the simplified approach in calculating ECLs. Under the simplified approach, we do not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. We have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

***Government Grants***

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

**Critical Accounting Estimates**

***Provision for Expected Credit Losses of Trade and Bills Receivables***

We use a provision matrix to calculate ECLs for trade and bills receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision

matrix is initially based on our historical observed default rates. We will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. Our historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on our trade and bills receivables is disclosed in notes 22 and 43 to the Accountants' Report included in Appendix I to this Document, respectively.

***Deferred Tax Assets***

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying values of deferred tax assets relating to recognized tax losses at December 31, 2018, 2019 and 2020 were RMB5,000,000, RMB3,348,000 and RMB2,086,000, respectively. Further details are given in note 30 to the Accountants' Report included in Appendix I to this Document.

***Fair Value of Financial Instruments***

The convertible redeemable preferred shares and convertible bonds issued by us are not traded in an active market and the respective fair value is determined by using valuation techniques, including Black-Scholes option pricing model.

The fair values of convertible redeemable preferred shares at December 31, 2018 and 2019 and 2020 were RMB615,672,000, RMB807,528,000 and RMB2,854,390,000 respectively. Further details are set out in note 32 to the Accountants' Report included in Appendix I to this Document.

The fair values of convertible bonds at December 31, 2018 and 2019 and 2020 were RMB221,689,000, RMB265,131,000 and Nil. Further details are set out in note 33 to the Accountants' Report included in Appendix I to this Document.

## DESCRIPTION OF KEY STATEMENT OF PROFIT OR LOSS ITEMS

The table below sets forth our consolidated statements of profit or loss for the years indicated derived from our consolidated statements of profit or loss and other comprehensive income set out in the Accountants' Report included in Appendix I to this Document:

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | **2018** | **%** | **2019** | **%** | **2020** | **%** |
| | *(RMB in thousands, except for percentage)* | | | | | |
| Revenue | 706,202 | 100.0 | 832,791 | 100.0 | 891,391 | 100.0 |
| Cost of sales | (327,806) | (46.4) | (380,577) | (45.7) | (430,410) | (48.3) |
| Gross profit | 378,396 | 53.6 | 452,214 | 54.3 | 460,981 | 51.7 |
| Other income and gains | 13,829 | 2.0 | 16,870 | 2.0 | 39,598 | 4.4 |
| Selling and marketing expenses | (249,528) | (35.3) | (274,599) | (33.0) | (248,521) | (27.9) |
| Administrative expenses | (41,890) | (5.9) | (48,734) | (5.9) | (52,320) | (5.9) |
| Research and development costs | (73,583) | (10.4) | (79,023) | (9.5) | (75,282) | (8.4) |
| Other expenses | (9,248) | (1.3) | (8,889) | (1.1) | (22,382) | (2.5) |
| **[REDACTED]** expenses | **[REDACTED]** | **[REDACTED]** | **[REDACTED]** | **[REDACTED]** | **[REDACTED]** | **[REDACTED]** |
| Finance costs | (4,189) | (0.6) | (3,536) | (0.4) | (2,327) | (0.3) |
| Profit before fair value loss on financial liabilities at fair value through profit or loss ("FVTPL") and tax | 13,787 | 2.0 | 54,303 | 6.5 | 84,243 | 9.5 |
| Fair value loss on financial liabilities at FVTPL | (73,202) | (10.4) | (222,908) | (26.8) | (1,046,595) | (117.4) |
| Loss before tax | (59,415) | (8.4) | (168,605) | (20.2) | (962,352) | (108.0) |
| Income tax credit/ (expense) | 5,066 | 0.7 | (977) | (0.1) | (7,768) | (0.9) |
| **Loss for the year** | **(54,349)** | **(7.7)** | **(169,582)** | **(20.4)** | **(970,120)** | **(108.8)** |
| Attributable to: | | | | | | |
| Owners of the parent | (52,674) | | (169,788) | | (974,020) | |
| Non-controlling interests | (1,675) | | 206 | | 3,900 | |
| **Non-IFRS Measure:** | | | | | | |
| Adjusted net income[1] | 18,853 | 2.7 | 53,326 | 6.4 | 91,979 | 10.3 |

*Note:*

(1) We define "adjusted net income" for the year or period by adding back to loss for the year (i) fair value loss on financial liabilities at FVTPL and (ii) **[REDACTED]** expenses, which are non-recurring in nature and are not directly related to our operating activities. Adjusted net income is not a measure required by, or presented in accordance with IFRS. The use of adjusted net income has limitations as an analytical tool, and you should not consider it in isolation from, or as a substitute for analysis of, our results of operations or financial condition as reported under IFRS. See "– Non-IFRS Measures: Adjusted Net Income" for details.

**Non-IFRS Measure: Adjusted Net Income**

To supplement our consolidated results which are prepared and presented in accordance with IFRS, we also use adjusted net income as additional financial measure, which is not required by, or presented in accordance with IFRS. We believe that this non-IFRS measure facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that our management does not consider to be indicative of our operating performance such as certain non-cash items. We added back fair value loss on financial liabilities at FVTPL, which was caused by an increase in the fair value of our convertible redeemable preferred shares and convertible bonds issued by us. The convertible bonds have been converted into convertible redeemable preferred shares in 2020, which will be automatically converted into Shares upon **[REDACTED]**, after which we do not expect to recognize any further loss on fair value changes from the convertible redeemable preferred shares. We also added back **[REDACTED]** expenses as these are also non-recurring in nature and are not directly related to our operating activities. The use of this non-IFRS measure has limitations as an analytical tool, and you should not consider them in isolation from, or as a substitute for analysis of, our results of operations or financial conditions as reported under IFRS. In addition, this non-IFRS financial measure may be defined differently from similar terms used by other companies.

The following tables set forth the reconciliations of our non-IFRS financial measure for the years ended December 31, 2018, 2019 and 2020 to the nearest measure prepared in accordance with IFRS:

| | For the year ended December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *(RMB in thousands)* | | |
| Loss for the year | (54,349) | (169,582) | (970,120) |
| Add: | | | |
| Fair value loss on financial liabilities at FVTPL | 73,202 | 222,908 | 1,046,595 |
| **[REDACTED]** expenses | **[REDACTED]** | **[REDACTED]** | **[REDACTED]** |
| **Adjusted net income** | **18,853** | **53,326** | **91,979** |

**Revenue**

We organize our businesses into nine segments, including hematology testing, genetic disease and rare disease testing, infectious disease testing, oncology testing, neurology testing, maternity-related testing, COVID-19-related testing, routine testing and others. Others mainly include services we provide for contract research organizations. We recorded revenue of RMB706.2 million, RMB832.8 million and RMB891.4 million for the years ended December 31, 2018 and 2019 and 2020, respectively. The table below sets forth our segment revenue by operating segment for the years presented.

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | | 2019 | | 2020 | |
| | *RMB* | *%* | *RMB* | *%* | *RMB* | *%* |
| | *(in thousands, except for percentages)* | | | | | |
| **Revenue** | | | | | | |
| Hematology testing | 406,692 | 57.6 | 482,833 | 58.0 | 469,329 | 52.7 |
| Genetic disease and rare disease testing | 32,492 | 4.6 | 41,610 | 5.0 | 36,177 | 4.1 |
| Infectious disease testing | 53,708 | 7.6 | 64,422 | 7.7 | 50,441 | 5.7 |
| Oncology testing | 7,204 | 1.0 | 6,786 | 0.8 | 7,597 | 0.9 |
| Neurology testing | 60,217 | 8.5 | 81,196 | 9.7 | 76,042 | 8.5 |
| Maternity-related testing | 62,204 | 8.8 | 64,122 | 7.7 | 52,119 | 5.8 |
| COVID-19-related testing | – | – | – | – | 117,851 | 13.2 |
| Routine testing | 78,925 | 11.2 | 82,438 | 9.9 | 67,540 | 7.6 |
| Others | 4,760 | 0.7 | 9,384 | 1.1 | 14,295 | 1.6 |
| **Total** | **706,202** | **100.0** | **832,791** | **100.0** | **891,391** | **100.0** |

As of the Latest Practicable Date, we offered 2,339, 106, 218, 392, 226, 462 and more than 1,700 testing items for hematology testing, neurology testing, maternity testing, genetic disease and rare disease testing, infectious disease testing, oncology testing, and routine testing, respectively. The table below sets forth the average price of the type of testing services and the number of tests we performed we offered for the years presented.

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | | 2019 | | 2020 | |
| | Average Price in (RMB) | Testing Volume (in thousands) | Average Price in (RMB) | Testing Volume (in thousands) | Average Price in (RMB) | Testing Volume (in thousands) |
| Hematology testing | 591 | 688 | 555 | 870 | 638 | 736 |
| Neurology testing | 688 | 88 | 1,189 | 68 | 846 | 90 |
| Maternity testing | 187 | 333 | 181 | 354 | 194 | 268 |
| Genetic disease and rare disease testing | 298 | 109 | 281 | 148 | 287 | 126 |
| Infectious disease testing | 170 | 317 | 220 | 293 | 216 | 234 |
| Oncology testing | 859 | 8 | 709 | 10 | 655 | 12 |
| COVID-19-related testing | – | – | – | – | 64 | 1,861 |
| Routine testing | 71 | 1,117 | 62 | 1,337 | 69 | 983 |
| **Total** | **264** | **2,660** | **267** | **3,080** | **204** | **4,309** |

Our revenue has been increasing steadily during the Track Record Period, although the COVID-19 pandemic in 2020 limited our ability to provide services and decreased the demand for our testing due to the lock down, resulting in limited revenue growth. Such growth trend, which we expect to continue, is mainly attributable to (i) increasing demand for medical services as technology develops, (ii) expanding customer base, especially hospitals and (iii) increasing demand for testing services from existing hospital customers, and (iv) offering of nucleic acid testing as a result of the ongoing COVID-19 outbreak. The average price of neurology testing decreased from RMB1,189 in 2019 to RMB846 in 2020, primarily because we introduced packaged testing services at discounted prices in order to promote our services and improve competitiveness. The average price of oncology testing decreased from RMB859 in 2018 to RMB709 in 2019 and further to RMB655 in 2020, primarily because we increased the amount of sales to medical facilities, such as third-party testing companies or physical examination centers which are not equipped with certain types of oncology testing capabilities. Such medical facilities customers offer the oncology testing services bought from us for use in their diagnosis and treatment of their patients. Due to their bulk purchases and in order to maintain ongoing business relationship with such medical facility customers, as well as to attract new medical facility customers that could place bulk purchase orders, we typically offer these customers lower and more competitive prices.

By nature of our services, we generate revenues from (i) clinical testing services, and (ii) testing services for R&D projects and others. For a more detailed discussion of our services, please refer to the

section headed "Business – Clinical Testing Services" and "Business – Our Testing Services for R&D Projects and Others" The table below sets forth a breakdown of our revenue by type of services for the years indicated, both in actual amounts and as a percentage of total revenue.

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | | 2019 | | 2020 | |
| | *RMB* | *%* | *RMB* | *%* | *RMB* | *%* |
| | *(in thousands, except for percentages)* | | | | | |
| **Revenue** | | | | | | |
| Clinical testing service | 704,315 | 99.7 | 826,996 | 99.3 | 882,962 | 99.1 |
| Testing services for R&D projects and others | 1,887 | 0.3 | 5,795 | 0.7 | 8,429 | 0.9 |
| **Total** | **706,202** | **100.0** | **832,791** | **100.0** | **891,391** | **100.0** |

**Cost of Sales**

For the years ended December 31, 2018 and 2019 and 2020, our cost of sales was RMB327.8 million, RMB380.6 million and RMB430.4 million, respectively. Our cost of sales consists of staff costs of the personnel related to the performance of our testing services, costs incurred when we outsource certain infrequently performed testing items to third-party institutions or laboratories, raw material costs and others. Others mainly include third-party logistics, depreciation and amortization and rental expenses. The following table sets forth a breakdown of our cost of sales by nature for the years indicated, both in actual amounts and as a percentage of cost of sales.

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | | 2019 | | 2020 | |
| | *RMB* | *%* | *RMB* | *%* | *RMB* | *%* |
| | *(in thousands, except for percentages)* | | | | | |
| Staff costs | 79,390 | 24.2 | 93,420 | 24.5 | 98,924 | 23.0 |
| Outsourcing costs | 104,248 | 31.8 | 125,363 | 33.0 | 123,845 | 28.8 |
| Raw materials | 87,328 | 26.6 | 101,959 | 26.8 | 136,412 | 31.7 |
| Others | 56,840 | 17.4 | 59,835 | 15.7 | 71,229 | 16.5 |
| **Total** | **327,806** | **100.0** | **380,577** | **100.0** | **430,410** | **100.0** |

**Gross Profit, Gross Profit Margin and Segment Results**

For the years ended December 31, 2018, 2019 and 2020, our gross profit was RMB378.4 million, RMB452.2 million and RMB461.0 million, respectively. For the same years, our gross profit margin was 53.6%, 54.3% and 51.7%, respectively. According to Frost & Sullivan, the gross profit margin of our industry peers in China were approximately 30% to 40%. The reason that our gross profit margin was higher than that of our industry peers is because of our focus on esoteric testing services, which by nature

have a higher gross profit margin than routine testing services, which are the primary focus of some of our industry peers. Certain of our industry peers derive 60% to 85% of their revenue from routine testing services, while we only had 7.6% of our revenue derived from our routine testing services. Our operation in hematology testing service is relatively mature and has a relatively higher gross profit margin due to the economies of scale and operation efficiency and experience we developed. Other esoteric testing services have different gross profit margins depending their respective business cycle and competitive landscape. Additionally, the gross profit margins of different esoteric testing services vary due to the percentage of outsourced testing service we use. The gross profit margin of our esoteric testing services is significantly higher than that of our routine testing, primarily because routine testing service has a lower barrier to entry and the market is much more competitive than the esoteric testing market. For the year ended December 31, 2020, the average price we charge for an esoteric test was approximately RMB472.1 compared to approximately RMB68.7 per routine test.

Our management monitors the results of our operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax from continuing operations, or our segment result, is measured consistently with our profit before tax except that other income and gains, administrative expenses, research and development costs, other expenses, finance costs, **[REDACTED]** expenses and fair value loss on financial liabilities at FVTPL are excluded from such measurement. The following table sets forth a breakdown of our segment results during the Track Record Period.

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | | 2019 | | 2020 | |
| | Segment result | % of Segment revenue | Segment result | % of Segment revenue | Segment result | % of Segment revenue |
| | *(in thousands, except for percentages)* | | | | | |
| Hematology testing | 103,039 | 25.3 | 136,991 | 28.4 | 131,894 | 28.1 |
| Neurology testing | 3,038 | 5.0 | 10,569 | 13.0 | 12,597 | 16.6 |
| Maternity testing | 3,843 | 6.2 | 5,362 | 8.4 | 3,536 | 6.8 |
| Genetic disease and rare disease testing | (1,165) | (3.6) | 1,551 | 3.7 | 2,398 | 6.6 |
| Infectious disease testing | 7,284 | 13.6 | 12,427 | 19.3 | 7,343 | 14.6 |
| Oncology testing | 121 | 1.7 | 271 | 4.0 | 456 | 6.0 |
| COVID-19-related testing | – | – | – | – | 44,608 | 37.9 |
| Routine testing | 13,516 | 17.1 | 8,387 | 10.2 | 5,196 | 7.7 |
| Others | (808) | (17.0) | 2,057 | 21.9 | 4,432 | 31.0 |
| **Total** | **128,868** | **18.2** | **177,615** | **21.3** | **212,460** | **23.8** |

Segment results of our neurology testing increased from RMB3.0 million in 2018 to RMB10.6 million in 2019 and RMB12.6 million in 2020. The rapid growth was primarily attributable to the fact that our neurology testing services started in 2016, gradually ramped up and expanded from 2017 to 2018, and

entered into a rapid growth period from 2019 to 2020 as our service coverage and geographic coverage expanded.

Our genetic disease and rare disease testing services had a negative segment results of RMB1.2 million in 2018 when we first started offering the services, primarily due to higher costs associated with market education and lower testing volume in the early stages. Our segment results turned positive in 2019 and eventually increased to RMB2.4 million in 2020, in line with the expansion of our service and geographic coverage.

Segment results of our infectious disease results fluctuated during the Track Record Period with a spike in 2019. This was primarily due to the metagenomics testing service we introduced in 2018 which has a higher price, driving our segment results. In 2020, due to the decreased testing volume of infectious disease testing as a result of COVID-19, the segment results decreased to RMB7.3 million.

Segment results of our oncology testing increased rapidly over the Track Record Period but at a smaller scale overall, in line with the business growth and the lower scale overall.

Our routine testing decreased over the Track Record Period, primarily due to the strategic shift in our market focus. We forfeited certain markets characterized by cut-throat competition, which led to a lower segment results.

Our other segment results include research and development, CRO and new testing services. The fluctuation over the Track Record Period was primarily due to the higher promotion costs and testing costs associated with the new testing services and lower testing volume.

### Other Income and Gains

Our other income and gains primarily consist of bank interest income, other interest income generated from loans to key management and employee, government grants, revenue from sales of reagent relating to COVID-19, consulting service income related to our assistance in supplying selected devices manufactured by third parties for our clients, fair value gains on financial assets at FVTPL and others. Government grants consisted of various types of subsidies we received from the PRC government mainly to subsidize our operating expenses and purchases of lab equipments, and the establishment of the incentive programs and grant of such subsidies are subject to the government's discretion and the receipt of such subsidies is thus unpredictable. Loans to key management and employee has been settled as of December 31, 2020 and we do not expect to receive any such interest income going forward. Interest income from wealth management assets mainly consists of interest income generated from low-risk instruments such as certificates of deposit and monetary market funds from reputable financial institutions. Our investments in wealth management assets are managed by personnels with more than ten years of related experience, including managers in our finance department, director of internal control and our CFO. Going forward, we expect to maintain the current investment plan and invest in low-risk instruments from reputable financial institutions. Others mainly include sale of reagents not related to COVID-19. Government grants increased significantly from RMB5.8 million in 2019 to RMB18.7 million in 2020, primarily because our subsidiary in Wuhan received more than RMB9.0 million rent subsidies from local government in October 2020. The table below sets forth a breakdown of our other income and gains for the years indicated:

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | | 2019 | | 2020 | |
| | *RMB* | *%* | *RMB* | *%* | *RMB* | *%* |
| | *(in thousands, except for percentages)* | | | | | |
| Bank interest income | 1,523 | 11.0 | 2,773 | 16.4 | 1,377 | 3.5 |
| Other interest income from loans to key management and employee | 1,161 | 8.4 | 1,682 | 10.0 | 1,826 | 4.6 |
| Government grants | 4,492 | 32.5 | 5,804 | 34.4 | 18,738 | 47.3 |
| Revenue from sale of reagents relating to COVID-19 | – | – | – | – | 11,902 | 30.1 |
| Consulting service income | 1,578 | 11.4 | 2,135 | 12.7 | 900 | 2.3 |
| Interest income from wealth management assets | 1,035 | 7.5 | 321 | 1.9 | 278 | 0.7 |
| Share of profits and losses of associates | – | – | – | – | 562 | 1.4 |
| Fair value (losses)/gains on financial assets at FVTPL | (13) | (0.1) | 81 | 0.5 | (59) | (0.5) |
| Others | 4,053 | 29.3 | 4,074 | 24.1 | 4,074 | 10.2 |
| **Total** | **13,829** | **100.0** | **16,870** | **100.0** | **39,598** | **100.0** |

### Selling and Marketing Expenses

Our selling and marketing expenses consist of staff costs, marketing and development expenses, travel and office expenses and others. Staff costs consist of the salaries and benefits for our in-house marketing

and development staff. Marketing and development expenses mainly consist of expenses associated with various marketing and development activities, including marketing activities for our newly-launched testing items, including these through third-party promoters, and participation in different levels of academic conferences and seminars. Others mainly include renting expense, depreciation and amortization expenses and agency fee. For the years ended December 31, 2018, 2019 and 2020, we recorded selling and marketing expenses of RMB249.5 million, RMB274.6 million and RMB248.5 million, respectively.

The following table sets forth a breakdown of our selling and marketing expenses for the years indicated, both in actual amounts and as a percentage of total selling and marketing expenses.

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | | 2019 | | 2020 | |
| | *RMB* | *%* | *RMB* | *%* | *RMB* | *%* |
| | *(in thousands, except for percentages)* | | | | | |
| Staff costs | 74,510 | 29.9 | 92,857 | 33.8 | 90,458 | 36.4 |
| Marketing and development expenses | 117,285 | 47.0 | 136,611 | 49.7 | 112,910 | 45.4 |
| Travel and office expenses | 33,597 | 13.5 | 23,477 | 8.5 | 18,422 | 7.4 |
| Others | 24,136 | 9.7 | 21,654 | 7.9 | 26,731 | 10.8 |
| **Total** | **249,528** | **100.0** | **274,599** | **100.0** | **248,521** | **100.0** |

**Administrative Expenses**

Our administrative expenses consist of staff costs relating to our administrative and management personnel, rental expenses, depreciation and amortization, office expenses and others. Others mainly include expenses such as utilities, transportation and travel expenses. For the years ended December 31, 2018, 2019 and 2020, we recorded administrative expenses of RMB41.9 million, RMB48.7 million and RMB52.3 million, respectively.

The following table sets forth a breakdown of our administrative expenses for the years indicated, both in actual amounts and as a percentage of total administrative expenses.

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | | 2019 | | 2020 | |
| | *RMB* | *%* | *RMB* | *%* | *RMB* | *%* |
| | *(in thousands, except for percentages)* | | | | | |
| Staff costs | 21,364 | 51.0 | 26,083 | 53.5 | 27,361 | 52.3 |
| Rental expenses | 1,690 | 4.0 | 1,747 | 3.6 | 2,609 | 5.0 |
| Depreciation and amortization | 6,699 | 16.0 | 7,126 | 14.6 | 8,661 | 16.6 |
| Office expenses | 3,172 | 7.6 | 3,190 | 6.5 | 2,569 | 4.9 |
| Others | 8,965 | 21.4 | 10,588 | 21.7 | 11,120 | 21.2 |
| **Total** | **41,890** | **100.0** | **48,734** | **100.0** | **52,320** | **100.0** |

**Research and Development Costs**

Our research and development costs primarily consist of staff costs relating to our R&D personnel, raw materials, depreciation and amortization and others. During the Track Record Period, our R&D personnel were primarily engaged in developing new tests and improving existing testing items. For the years ended December 31, 2018, 2019 and 2020, we recorded research and development expenses of RMB73.6 million, RMB79.0 million and RMB75.3 million, respectively.

The following table sets forth a breakdown of our research and development costs for the years/periods indicated, both in actual amounts and as a percentage of total research and development costs.

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | | 2019 | | 2020 | |
| | *RMB* | *%* | *RMB* | *%* | *RMB* | *%* |
| | *(in thousands, except for percentages)* | | | | | |
| Staff costs | 39,103 | 53.1 | 44,083 | 55.8 | 38,812 | 51.6 |
| Raw materials | 31,391 | 42.7 | 31,254 | 39.5 | 31,446 | 41.8 |
| Depreciation and amortization | 2,343 | 3.2 | 3,078 | 3.9 | 3,865 | 5.1 |
| Others | 746 | 1.0 | 608 | 0.8 | 1,159 | 1.5 |
| **Total** | **73,583** | **100.0** | **79,023** | **100.0** | **75,282** | **100.0** |

**Other Expenses**

Our other expenses primarily consist of impairment losses, bank charges, purchase of reagent relating to COVID-19, foreign exchange losses/(gains), losses on disposal of equipment and others. For the years ended December 31, 2018, 2019 and 2020, we recorded other expenses of RMB9.2 million, RMB8.9 million and RMB22.4 million, respectively. During the Track Record Period, our impairment losses on inventories increased from RMB0.8 million in 2018 to RMB1.7 million in 2019 was mainly due to inventory write down associated with the increase of expired reagents in 2019. The amount slightly increased to RMB1.8 million in 2020, mainly due to the slight increase of expired reagents.

The following table sets forth a breakdown of our other expenses for the years indicated, both in actual amounts and as a percentage of total other expenses.

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | | 2019 | | 2020 | |
| | *RMB* | *%* | *RMB* | *%* | *RMB* | *%* |
| | *(in thousands, except for percentages)* | | | | | |
| Impairment losses, net of reversal | | | | | | |
| – Inventories | 814 | 8.8 | 1,743 | 19.6 | 1,755 | 7.8 |
| – Financial assets under ECL model | 5,270 | 57.0 | 3,466 | 39.0 | 6,943 | 31.0 |
| Bank charges | 1,487 | 16.1 | 1,713 | 19.3 | 1,580 | 7.1 |
| Purchases of reagents relating to COVID-19 | – | – | – | – | 7,868 | 35.2 |
| Foreign exchange losses/(gains), net | 40 | 0.4 | 12 | 0.1 | 125 | 0.6 |
| Losses on disposal of property, plant and equipment and other intangible assets | 122 | 1.3 | 47 | 0.5 | 231 | 1.0 |
| Others | 1,515 | 16.4 | 1,908 | 21.5 | 3,880 | 17.3 |
| **Total** | **9,248** | **100.0** | **8,889** | **100.0** | **22,382** | **100.0** |

**[REDACTED] expenses**

Our **[REDACTED]** expenses mainly consist of expenses incurred in connection with the **[REDACTED]**. For the years ended December 31, 2018, 2019 and 2020, we recorded **[REDACTED]** expenses of RMB**[REDACTED]**, RMB**[REDACTED]** and RMB**[REDACTED]**, respectively.

**Finance Costs**

Our finance costs mainly consist of interest expenses on bank loans and lease liabilities. For the years ended December 31, 2018, 2019 and 2020, we recorded finance costs of RMB4.2 million, RMB3.5 million and RMB2.3 million, respectively.

| | For the year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2018 | | 2019 | | 2020 | |
| | *RMB* | *%* | *RMB* | *%* | *RMB* | *%* |
| | *(in thousands, except for percentages)* | | | | | |
| **Interest expenses on:** | | | | | | |
| Bank borrowings and other loans | 1,940 | 46.3 | 1,663 | 47.0 | 734 | 31.5 |
| Lease liabilities | 2,249 | 53.7 | 1,873 | 53.0 | 1,593 | 68.5 |
| | **4,189** | **100.0** | **3,536** | **100.0** | **2,327** | **100.0** |

**Fair Value Change of Financial Liabilities at FVTPL**

Our fair value loss of financial liabilities at FVTPL were RMB73.2 million, RMB222.9 million, and 1,046.6 million for the year ended December 31, 2018, 2019 and 2020, respectively. Our fair value change of financial liabilities at FVTPL consist of losses from convertible redeemable preferred shares and convertible bonds.

**Income Tax Credit/(Expense)**

Our income tax credit/(expense) primarily consists of the current income tax at the statutory rates applicable to our assessable profit before tax as determined under relevant laws and regulations in China. For 2018, our income tax credit was RMB5.1 million. For 2019 and 2020, our income tax expense was RMB1.0 million and RMB7.8 million, respectively.

**Loss for the Year**

We recorded net loss of RMB54.3 million, RMB169.6 million and RMB970.1 million for the years ended December 31, 2018, 2019 and 2020, respectively.

**Taxation**

***Cayman Islands***

We are incorporated in the Cayman Islands as a company with limited liability under the Cayman Companies Act and accordingly, is not subject to income tax in the Cayman Islands.

***Hong Kong***

Hong Kong profits tax rate is 8.25% for the first HK$2 million of profits and 16.5% for profits above HK$2 million in 2018, 2019 and 2020. The profits of our entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. No provision for Hong Kong profits tax was made as we had no estimated assessable profit that was subject to Hong Kong profits tax during the years ended December 31, 2018, 2019 and 2020.

***PRC***

Our subsidiaries in China are subject to Enterprise Income Tax ("EIT") on the taxable income as reported in their respective statutory financial statements adjusted in accordance with the Enterprise Income Tax Law ("**EIT Law**"). Our subsidiaries in China are generally subject to EIT at the statutory rate of 25% pursuant to the EIT Law. As of December 31, 2020, six of our subsidiaries were considered to be qualified as small enterprises which are entitled to enjoy a preferential EIT rate of 20%, three of our subsidiaries were high and new technology enterprises which is entitled to enjoy a preferential EIT rate of 15%, and two of our subsidiaries were considered to be qualified enterprises registered in western regions which are entitled to a preferential EIT rate of 15%.

## DISCUSSION OF RESULTS OF OPERATIONS

### Year Ended December 31, 2020 Compared with the Year Ended December 31, 2019

***Revenue***

Our total revenue increased by 7.0% from RMB832.8 million for the year ended December, 2019 to RMB891.4 million for the year ended December 31, 2020, which was primarily attributable to the new COVID-19-related testing service for COVID-19 testing we started to provide in early 2020, partially offset by the decrease in revenue of other specialty areas due to the COVID-19 pandemic. COVID-19-related testing service generated RMB117.9 million revenue in the year ended December 31, 2020, compared with nil in the year ended December 31, 2019.

***Cost of Sales***

Our cost of sales increased by 13.1% from RMB380.6 million for the year ended December 31, 2019 to RMB430.4 million for the year ended December 31, 2020, primarily due to an increase in the purchase of reagents and personnel cost associated with the increased COVID-19 testing in 2020.

***Gross Profit and Gross Profit Margin***

As a result of the foregoing, our gross profit increased by 1.9% from RMB452.2 million for the year ended December 31, 2019 to RMB461.0 million for the year ended December 31, 2020. Our gross profit margin decreased from 54.3% for the year ended December 31, 2019 to 51.7% for the year ended December 31, 2020, which was primarily attributable to the increase in revenue contribution from COVID-19-related testing service, which has a relatively lower gross profit margin because of the relatively standardized nature and the price-cap regulations imposed by PRC authorities and the decreased economies of scale for testing in other specialty areas due to COVID-19.

***Other Income and Gains***

Our other income and gains increased by 134.7% from RMB16.9 million for the year ended December 31, 2019 to RMB39.6 million for the year ended December 31, 2020. The increase was primarily due to the increasing COVID-19 testing kits we purchased in bulk and sold to third parties.

***Selling and Marketing Expenses***

Our selling and marketing expenses decreased by 9.5% from RMB274.6 million for the year ended December 31, 2019 to RMB248.5 million for the year ended December 31, 2020. The decrease was primarily due to the COVID-19 pandemic which caused a decrease in marketing activities.

***Administrative Expenses***

Our administrative expenses increased by 7.4% from RMB48.7 million for the year ended December 31, 2019 to RMB52.3 million for the year ended December 31, 2020, primarily due to an increase in the depreciation and amortization as well as rental expenses as a result of the acquisition of Tianjin Kindstar, Shanghai Xinuo and Guangzhou Xinuo and consolidation of Chengdu Shengyuan under the contractual arrangements.

***Research and Development Costs***

Our research and development costs decreased by 4.7% from RMB79.0 million for the year ended December 31, 2019 to RMB75.3 million for the year ended December 31, 2020, primarily due to a decrease in our staff costs from RMB44.1 million to RMB38.8 million mainly because of favorable social security policy and the decreased business and R&D activities due to COVID-19 pandemic.

***Other Expenses***

Our other expenses increased by 151.8% from RMB8.9 million for the year ended December 31, 2019 to RMB22.4 million for the year ended December 31, 2020, primarily due to the increase in the cost associated with the sale of reagents relating to COVID-19 which increased to RMB7.9 million in line with the sales growth.

***Finance Costs***

Our finance costs remained relatively insignificant and decreased from RMB3.5 million for the year ended December 31, 2019 to RMB2.3 million for the year ended December 31, 2020 due to the decrease of interest expenses on bank borrowings and other loans.

***Fair Value Change of Financial Liabilities at FVTPL***

Our fair value loss of financial liabilities at FVTPL increased by 369.5% from RMB222.9 million for the year ended December 31, 2019 to RMB1,046.6 million for the year ended December 31, 2020, primarily due to the increase in our company's valuation and the additional Series D+ and Series E convertible redeemable preferred shares issued in 2020.

***Income Tax Credit/(Expense)***

Our income tax expense remained insignificant and increased from RMB1.0 million for the year ended December 31, 2019 to RMB7.8 million for the year ended December 31, 2020.

***Loss for the Year***

As the result of the foregoing reasons, our loss for the year increased by 472.1% from RMB169.6 million for the year ended December 31, 2019 to RMB970.1 million for the year ended December 31, 2020.

**Year Ended December 31, 2019 Compared with the Year Ended December 31, 2018**

***Revenue***

Our total revenue increased by 17.9% from RMB706.2 million in 2018 to RMB832.8 million in 2019, which was attributable to increases across our different business lines and mainly from the increase in our hematology testing business. Our revenue generated from hematology testing service increased from RMB406.7 million to RMB482.8 million as we served more hospitals and the number of tests conducted increased from 688.1 thousand in 2018 to 870.1 thousand tests in 2019 in hematology.

***Cost of Sales***

Our cost of sales increased by 16.1% from RMB327.8 million in 2018 to RMB380.6 million in 2019, generally in line with the increase in revenue.

***Gross Profit and Gross Profit Margin***

Our gross profit increased by 19.5% from RMB378.4 million for the year ended December 31, 2018 to RMB452.2 million for the year ended December 31, 2019, which was primarily attributable to an increase in our revenue. Our gross profit margin increased from 53.6% for the year ended December 31, 2018 to 54.3% for the year ended December 31, 2019, which was primarily attributable to the overall gross margin improvement across the majority of our segments due to economies of scale, including higher laboratory management efficiency and stronger bargaining power with our suppliers.

***Other Income and Gains***

Our other income and gains increased by 22.0% from RMB13.8 million for the year ended December 31, 2018 to RMB16.9 million for the year ended December 31, 2019. The increase was primarily due to (i) an increase in government grants from RMB4.5 million for the year ended December 31, 2018 to RMB5.8 million for the year ended December 31, 2019, and (ii) an increase in consulting service income from RMB1.6 million for the year ended December 31, 2018 to RMB2.1 million for the year ended December 31, 2019.

***Selling and Marketing Expenses***

Our selling and marketing expenses increased by 10.0% from RMB249.5 million for the year ended December 31, 2018 to RMB274.6 million for the year ended December 31, 2019. The increase was primarily due to (i) an increase in our staff costs from RMB74.5 million to RMB92.9 million mainly because of an increase in the headcount of our sales staff from 528 as of December 31, 2018 to 585 as of December 31, 2019 and the increased compensation paid to our sells and marketing staff due to an increased merit pay as a result of the increased revenue in 2019 and (ii) an increase in our marketing and development expenses from RMB117.3 million to RMB136.6 million mainly because of our increased marketing activities.

***Administrative Expenses***

Our administrative expenses increased by 16.3% from RMB41.9 million for the year ended December 31, 2018 to RMB48.7 million for the year ended December 31, 2019, primarily due to an increase in our staff costs from RMB21.4 million to RMB26.1 million attributable to an increase in the headcount of our administrative staff from 217 as of December 31, 2018 to 259 as of December 31, 2019, the establishment of internal departments in 2019, including our business development department and safety and health department, and an increase in average compensation per person.

***Research and Development Costs***

Our research and development costs increased by 7.4% from RMB73.6 million for the year ended December 31, 2018 to RMB79.0 million for the year ended December 31, 2019, primarily due to an

increase in our staff costs from RMB39.1 million to RMB44.1 million attributable to an increase in the time invested by our research and development staff, the involvement of more senior researchers as the research projects advanced and an increase in the research and development activities.

***Other Expenses***

Our other expenses remained relatively stable and slightly decreased from RMB9.2 million in 2018 to RMB8.9 million in 2019.

***Finance Costs***

Our finance costs decreased by 15.6% from RMB4.2 million for the year ended December 31, 2018 to RMB3.5 million for the year ended December 31, 2019, primarily due to (i) a decrease in our interest expenses on bank borrowings and other loans from RMB1.9 million for the year ended December 31, 2018 to RMB1.7 million for the year ended December 31, 2019, and (ii) a decrease in our lease liabilities from RMB2.3 million for the year ended December 31, 2018 to RMB1.9 million for the year ended December 31, 2019.

***Fair Value Change of Financial Liabilities at FVTPL***

Our fair value loss of financial liabilities at FVTPL increased by 204.5% from RMB73.2 million for the year ended December 31, 2018 to RMB222.9 million for the year ended December 31, 2019, primarily due to the increase in our company's valuation.

***Income Tax Credit/(Expense)***

Our income tax credit was RMB5.1 million for the year ended December 31, 2018, and our income tax expense was RMB1.0 million for the year ended December 31, 2019. Such change was primarily due to (i) an increase in our current income tax from RMB1.8 million for the year ended December 31, 2018 to RMB3.0 million for the year ended December 31, 2019, and (ii) a decrease in our deferred income tax from RMB6.4 million for the year ended December 31, 2018 to RMB2.0 million for the year ended December 31, 2019.

***Loss for the Year***

As the result of the foregoing reasons, our loss for the year increased by 212.0% from RMB54.3 million for the year ended December 31, 2018 to RMB169.6 million for the year ended December 31, 2019.

## DISCUSSION OF SELECTED ITEMS FROM THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The table below sets forth selected information from our consolidated statements of financial position as of the dates indicated, which have been extracted from the Accountants' Report included in Appendix I to this Document:

| | As of December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *(RMB in thousands)* | | |
| Total non-current assets | 262,859 | 218,296 | 221,724 |
| Total current assets | 313,678 | 446,127 | 1,355,235 |
| **Total assets** | **576,537** | **664,423** | **1,576,959** |
| Total current liabilities | 1,153,861 | 1,434,900 | 530,661 |
| **Net current (liabilities)/assets** | **(840,183)** | **(988,773)** | **824,574** |
| **Total assets less current liabilities** | **(577,324)** | **(770,477)** | **1,046,298** |
| Total non-current liabilities | 40,600 | 28,944 | 2,880,713 |
| **Total liabilities** | **1,194,461** | **1,463,844** | **3,411,374** |
| **Net liabilities** | **(617,924)** | **(799,421)** | **(1,834,415)** |
| Share capital | 178 | 178 | 242 |
| Reserves | (622,280) | (804,303) | (1,844,044) |
| Non-controlling interests | 4,178 | 4,704 | 9,387 |
| **Total deficit** | **(617,924)** | **(799,421)** | **(1,834,415)** |

## NET CURRENT ASSETS/LIABILITIES

The following table sets forth our current assets and current liabilities as of the dates indicated:

| | As of December 31, | | | As of April 30, |
|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 |
| | | | | *(unaudited)* |
| | *(RMB in thousands)* | | | |
| **Current assets** | | | | |
| Inventories | 31,041 | 41,173 | 44,977 | 46,064 |
| Trade and bills receivables | 201,303 | 237,790 | 310,385 | 320,117 |
| Prepayments, deposits and other receivables | 39,315 | 30,444 | 99,078 | 161,087 |
| Amount due from related parties | 486 | 65,296 | 2,162 | 744 |
| Financial assets at FVTPL | 14,513 | 11,594 | 55,000 | 40,000 |
| Pledged deposits | 400 | 320 | 1,808 | – |
| Profit tax receivables | – | – | 598 | 1,208 |
| Cash and cash equivalents | 26,620 | 59,510 | 841,227 | 693,412 |
| **Total current assets** | 313,678 | 446,127 | 1,355,235 | 1,262,632 |
| **Current liabilities** | | | | |
| Trade and bills payables | 98,482 | 117,347 | 131,785 | 122,710 |
| Other payables and accruals | 186,925 | 217,455 | 257,424 | 273,757 |
| Contract liabilities | 5,252 | 6,204 | 5,240 | 6,102 |
| Interest-bearing bank borrowings | – | – | 40,000 | 20,000 |
| Profit tax payable | 4,205 | 1,367 | – | – |
| Amounts due to related parties | 2,322 | 1,785 | 74,575 | 5,222 |
| Lease liabilities | 19,314 | 18,083 | 21,637 | 19,136 |
| Convertible redeemable preferred shares | 615,672 | 807,528 | – | – |
| Convertible bonds | 221,689 | 265,131 | – | – |
| **Total current liabilities** | 1,153,861 | 1,434,900 | 530,661 | 446,927 |
| **Net current (liabilities)/assets** | (840,183) | (988,773) | 824,574 | 815,705 |

We recorded net current liabilities position of RMB840.2 million and RMB988.8 million and net current asset position of RMB824.6 million and RMB815.7 million as of December 31, 2018, 2019 and 2020 and April 30, 2021. The increase in our net current liabilities position from 2018 to 2019 was primarily due to an increase in our valuation which resulted an increase in financial liabilities at FVTPL. Our net current liabilities position as of December 31, 2019 turned into a net asset position as of December 31, 2020 primarily due to the reclassification of our financial liabilities at FVTPL from being current liabilities to non-current liabilities because of redemption rights change as part of the Series D financing in 2020. Among the amounts due from related parties classified as current assets, RMBNil,

RMB64.2 million and RMB1.4 million in the year ended December 31, 2018, 2019 and 2020 were non-trade in nature. Among the amounts due to related parties classified as current liabilities, RMBNil, RMBNil and RMB66.6 million in the year ended December 31, 2018, 2019 and 2020 were non-trade in nature. For amounts due from related parties classified as non-current assets, RMB33.1 million, RMBNil and RMBNil were non-trade in nature in the year ended December 31, 2018, 2019 and 2020. There were no amounts due to related parties which were classified as non-current liabilities. Our directors confirm that all the non-trade balance will be fully settled prior to the **[REDACTED]**. For more information, please see note 32, note 33 and note 40 of the accountants' report set out in Appendix I to this Document. All of the convertible bonds we issued have been converted into convertible redeemable preferred shares in 2020. Upon the completion of the **[REDACTED]**, all of our convertible redeemable preferred shares will be automatically converted into ordinary shares and the carrying amount of the financial liabilities at that time will be transferred to equity, which will result in the change from a net liability position to a net asset position on our statement of financial position.

**Inventories**

Our inventories consist of raw materials and consumables and work in progress. The tables below set forth our inventory balances as of the dates indicated:

| | As of December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *(RMB in thousands)* | | |
| Raw materials and consumables | 29,463 | 39,791 | 41,902 |
| Work in progress | 1,578 | 1,382 | 3,075 |
| **Total** | **31,041** | **41,173** | **44,977** |

Our inventory balance increased by 32.6% from RMB31.0 million as of December 31, 2018 to RMB41.2 million as of December 31, 2019, and further increased by 9.2% to RMB45.0 million as of December 31, 2020, primarily due to continued increase in our raw materials and consumables due to our business growth.

The table below sets forth our inventory and finished goods turnover days for the years indicated:

| | For the year ended December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| Inventory turnover days *(note)* | 33 | 35 | 37 |

*Note:* Inventory turnover days for a year is the arithmetic mean of the beginning and ending balances of inventory for the relevant year divided by cost of sales for the relevant year and multiplied by 365 days.

For the years ended December 31, 2018, 2019 and 2020, our inventory turnover days were 33 days, 35 days and 37 days, respectively. As of April 30, 2021, RMB32 million or 67% of our inventories as of

December 31, 2020 has subsequently been utilized. Some of our consumable inventories, including blood collection tubes, gloves and pipet, are purchased in relatively large quantities at a time due to the lower costs associated with the larger purchasing volume, which drove our inventory days longer. In addition, some of our reagents used in certain testing services with lower testing volume have longer turnover days than our average turnover days because of the minimum purchase amount during procurement process and the lower volume utilized in our testing process, which is offset by the lower turnover period attributable to the reagents in testing services with larger testing volume. This resulted in a relatively short inventory turnover days overall during our Track Record Period as well as the 67% utilization rate as of April 30, 2021.

**Trade and Bills Receivables**

Our trade receivables primarily represent the balances due from certain customers. We generally allow for a credit period from three months to nine months. We consider a number of factors in determining the credit term of a customer, including its payment schedules and creditworthiness as well as the local medical care policy and market environment. We do not hold any collateral or other credit enhancements over our trade receivables balance and such receivables are non-interest bearing.

The table below sets forth our trade and bill receivables as of the dates indicated:

| | As of December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *(RMB in thousands)* | | |
| Trade and bills receivables | 221,026 | 260,979 | 340,517 |
| Less: allowance for expected credit losses | (19,723) | (23,189) | (30,132) |
| **Total** | **201,303** | **237,790** | **310,385** |

Our trade and bills receivables increased by 18.1% from RMB221.0 million as of December 31, 2018 to RMB261.0 million as of December 31, 2019, and further increased by 30.4% to RMB340.5 million as of December 31, 2020. Other than the increase from 2019 to 2020, which was mainly resulted from city lock-down, suspension of operation and business disruptions caused by the COVID-19 pandemic, the continued increase in our trade and bills receivables in line with our revenue increase.

We uses a provision matrix to calculate ECLs for trade and bills receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is initially based on the our historical observed default rates. We will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the healthcare service sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The expected loss rate for trade and bill receivables aged within one year increased from 2.75% as of December 31, 2018 to 3.64% as of December 31, 2019, the increase in 2019 was primarily due to the deterioration of internal credit rating of certain of our clients due to delay in payment

and the decrease in 2020 was primarily due to the decrease in transactions with certain customers after its credit risk went worse. The expected loss rate for trade and bill receivables aged within one to two years decreased from 12.50% as of December 31, 2019 to 12.23% as of December 31, 2020 mainly due to improved collection of receivables with certain major customer. The expected loss rate for trade and bill receivables aged within two to three years decreased from 35.84% as of December 31, 2018 to 25.27% as of December 31, 2019, primarily due to the improved historical credit loss experiences associated with timely collection of such trade and bill receivables in 2019. The expected loss rate for trade and bill receivables aged within four to five years increased from 55.95% as of December 31, 2018 to 70.64% as of December 31, 2019, and further increased to 90.86% as of December 31, 2020, primarily due to delayed payments by certain public hospital clients in 2019 and 2020. As of December 31, 2018, 2019 and 2020, we recorded allowances for expected credit losses in trade and bills receivables of RMB19.7 million, RMB23.2 million and RMB30.1 million, respectively, which is in line with the increase in our trade and bills receivables.

The following table details the risk profile of trade receivables:

| | As at 31 December 2018 | | |
|---|---|---|---|
| | **Amount** | **Expected loss rate** | **Impairment** |
| | *RMB'000* | *%* | *RMB'000* |
| Within 1 year | 174,216 | 2.75% | 4,792 |
| 1 year to 2 years | 27,029 | 13.49% | 3,645 |
| 2 years to 3 years | 9,305 | 35.84% | 3,335 |
| 3 years to 4 years | 3,355 | 56.84% | 1,907 |
| 4 years to 5 years | 1,537 | 55.95% | 860 |
| Over 5 years | 5,208 | 99.54% | 5,184 |
| | 220,650 | | 19,723 |

| | As at 31 December 2019 | | |
|---|---|---|---|
| | **Amount** | **Expected loss rate** | **Impairment** |
| | *RMB'000* | *%* | *RMB'000* |
| Within 1 year | 209,516 | 3.64% | 7,617 |
| 1 year to 2 years | 31,279 | 12.50% | 3,910 |
| 2 years to 3 years | 7,270 | 25.27% | 1,837 |
| 3 years to 4 years | 4,502 | 53.47% | 2,407 |
| 4 years to 5 years | 2,241 | 70.64% | 1,583 |
| Over 5 years | 5,874 | 99.34% | 5,835 |
| | 260,682 | | 23,189 |

| | As at 31 December 2020 | | |
|---|---|---|---|
| | Amount | Expected loss rate | Impairment |
| | *RMB'000* | % | *RMB'000* |
| Within 1 year | 235,723 | 2.53% | 5,971 |
| 1 year to 2 years | 77,219 | 12.23% | 9,447 |
| 2 years to 3 years | 13,134 | 27.98% | 3,675 |
| 3 years to 4 years | 5,004 | 50.88% | 2,546 |
| 4 years to 5 years | 1,849 | 90.86% | 1,680 |
| Over 5 years | 6,911 | 98.58% | 6,813 |
| | 339,840 | | 30,132 |

The table below sets forth our trade and bills receivables turnover days for the years indicated:

| | For the year ended December 31, | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| Trade and bills receivables turnover days *(note)* | 92 | 96 | 112 |

*Note:* Trade and bills receivable turnover days for a year equals the arithmetic mean of the beginning and ending trade and bills receivable balances divided by revenue for that year and multiplied by 365 days.

For the years ended December 31, 2018, 2019 and 2020, our average trade and bills receivables turnover days were 92 days, 96 days and 112 days, respectively. The increase in average trade and bills receivables turnover days in 2020 was primarily because many hospital clients were facing temporary financial stress during the COVID-19 outbreak.

The following table sets forth an aging analysis based on the invoice date of our net trade and bills receivables as of the dates indicated:

| | As of December 31, | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| | *(RMB in thousands)* | | |
| Within 1 year | 169,800 | 202,196 | 230,429 |
| 1 year to 2 years | 23,384 | 27,369 | 67,772 |
| 2 years to 3 years | 5,970 | 5,433 | 9,459 |
| 3 years to 4 years | 1,448 | 2,095 | 2,457 |
| 4 years to 5 years | 677 | 658 | 169 |
| Over 5 years | 24 | 39 | 99 |
| **Total** | **201,303** | **237,790** | **310,385** |

For the years ended December 31, 2018, 2019 and 2020, our trade and bills receivables with an ageing within 1 year were RMB169.8 million, RMB202.2 million and RMB230.4 million, respectively. Our trade and bills receivables with an ageing from 1 year to 2 years were RMB23.4 million, RMB27.4 million, and RMB67.8 million, respectively. Our trade and bills receivables with an ageing from 2 years to 3 years were RMB6.0 million, RMB5.4 million, and RMB9.5 million, respectively. Our trade and bills receivables with an ageing 3 years to 4 years were RMB1.4 million, RMB2.1 million and RMB2.5 million, respectively. Our trade and bills receivables with an ageing from 4 years to 5 years were RMB0.7 million, RMB0.7 million and RMB0.2 million, respectively. Our trade and bills receivables with an ageing over 5 years were RMB24 thousand, RMB39 thousand and RMB0.1 million, respectively. The increase in trade and bills receivables in each date range was in line with our revenue growth. In the four months ended April 30, 2021, we had collected a total of RMB119.1 million of gross trade and bills receivable as of April 30, 2021, of which RMB89.4 million were aged within one year, RMB23.0 million were aged within one to two years, RMB5.2 million were aged within two to three years, RMB0.3 million were aged within three to four years, RMB0.1 million were aged within four to five years and RMB1.0 million were aged over five years. Our trade and bills receivables aging is longer than our credit terms primarily for two reasons: First, our customers are mainly large public hospitals, which generally have good credit standing and higher recovery rate of trade and bills receivables, yet longer settlement period, which is in line with the industry norm, resulting in a longer aging of our trade and bills receivable than our credit terms. Second, as a result of COVID-19 pandemic on hospitals, the settlement period of large public hospitals are further prolonged, resulting in an even longer aging of our trade and bills receivables. Our Directors are of the view that the trade and bill receivables are recoverable and the relevant impairment provision is adequate, after taking into account the increase in receivables in the year ended December 31, 2020.

We closely monitor the recoverability of our trade and bill receivables. Our sales department is responsible for following up with our customers periodically regarding receivables, and our independent business operations department closely monitors the progress and outcome of such follow-ups. Our accounting department also periodically reviews the age of receivables and requires our sales department to follow up with our hospital customers from time to time. We also improved our credit risk management measures pursuant to the internal control report by consolidating the credit risk management policies of different departments and formulating a uniform credit risk management policy which we strictly enforce.

With respect to the adequacy of impairment provision, each year our accounting department conducts a detailed recoverability analysis on the level of recoverability of its receivables related to each testing item, and makes impairment provisions for those which we deem unable to recover. As such, the Directors are of the view that the recoverability of trade and bill receivables is reasonably assured, and the relevant impairment provision adequate. In 2020, around RMB80 million of receivables were aged over one year, primarily due to the impact of the COVID-19 pandemic on the ordinary course of business of our public hospital customers and the temporary impact on the cash flow of such customers. As such, our Directors are of the view that the RMB80 million receivables aged over one year as of December 31, 2020 were the result of unexpected events, and do not affect the recoverability of our trade and bill receivables or the adequacy of impairment provisions going forward.

In addition to the information provided by the Directors, the Joint Sponsors have, among others: (i) discussed with the Company on the reasons for the increase in trade and bills receivables in 2020 especially the increase in the receivables aged over one year; (ii) reviewed the Group's customer credit risk

control, receivables collection and provision policies, and discussed with the Company and the internal control consultant of the Company on the sufficiency of such policies; (iii) discussed with the reporting accountants and were advised that no material concerns were identified based on the procedures they had performed; (iv) discussed with the industry consultant of the Company and were advised that it is an industry norm that the aging of trade and bills receivables of hospitals can be relatively longer but the default risks of such customers is relatively low; and (v) discussed with the Company on the settlement progress and plans on the trade and bills receivables as of December 31, 2020. Based on the above due diligence and having considered the work performed and confirmation made by the Directors, nothing has come to the Joint Sponsors' attention for them to cast doubt on the recoverability of trade and bill receivables and adequacy of relevant impairment provision.

***Prepayments, Deposits and Other Receivables***

Our prepayments, deposits and other receivables include deposits and other receivables, prepayments, loans to employees, wealth management product, value-added tax recoverable, prepaid expenses, prepayment and remuneration to key management and employee, and prepaid **[REDACTED]** expense. Deposits and other receivables include our employee reserved funds, department reserved funds and deposits for our lease agreements. Prepayments primarily include our prepayments for reagents and equipment. Loans to employees refer to certain loans provided to and employee. Wealth management products mainly include principle-guaranteed wealth management products from commercial banks. Value-added tax recoverable represents our non-deducted input value-added tax. Prepaid expenses represent prepaid operating expense. Prepaid **[REDACTED]** expense represents the issue cost that are attributable to the proposed issue of new shares. The table below sets forth our prepayments, deposits and other receivables as of the dates indicated:

| | As of December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *(RMB in thousands)* | | |
| Deposits and other receivables (current) | 5,971 | 10,966 | 21,770 |
| Prepayments | | | |
| – current | 2,160 | 3,719 | 4,106 |
| – non current | 3,106 | 2,208 | 6,711 |
| Loans to employees | | | |
| – current | – | 1,365 | – |
| – non current | 1,304 | – | – |
| Wealth management product (current) | 27,057 | 8,024 | 60,059 |
| Value-added tax recoverable (current) | 1,130 | 1,041 | 476 |
| Prepaid expenses (current) | 2,997 | 3,504 | 6,459 |
| Prepayment and remuneration to key management and employee | | | |
| – current | – | 1,825 | – |
| – non current | 2,159 | – | – |
| Prepaid **[REDACTED]** expense (current) | **[REDACTED]** | **[REDACTED]** | **[REDACTED]** |
| **Total** | **45,884** | **32,652** | **105,789** |

Our prepayments, deposits and other receivables decreased from RMB45.9 million as of December 31, 2018 to RMB32.7 million as of December 31, 2019, primarily due to a decrease in our wealth management product from RMB27.1 million as of December 31, 2018 to RMB8.0 million as of December 31, 2019, partially offset by an increase in our deposits and other receivables from RMB6.0 million as of December 31, 2018 to RMB11.0 million as of December 31, 2019. Our prepayments, deposits and other receivables increased by 224.0% from RMB32.7 million as of December 31, 2019 to RMB105.8 million as of December 31, 2020, primarily attributable to an increase from RMB11.0 million to RMB21.8 million in deposits and other receivables, an increase from RMB5.9 million to RMB10.8 million in prepayments and an increase from RMB8.0 million to RMB60.1 million in wealth management products.

During the Track Record Period, we used surplus capital to purchase wealth management products from domestic commercial banks, which preserved capital and liquidity. The returns on all of these financial products are fixed. Those financial assets with cash flows that are SPPI are classified and measured at amortized cost.

***Financial Assets at FVTPL***

Our financial assets at FVTPL were RMB14.5 million, RMB11.6 million and RMB55.0 million for the year ended December 31, 2018, 2019 and 2020, respectively. Our financial assets at FVTPL consists of the balance of our wealth management products for which the returns are not guaranteed. The changes reflect our sale and purchase activities in managing such assets.

***Other intangible assets***

**Impairment testing of the development costs**

The other intangible assets are composed of (1) acquired software with useful life of 2 to 5 years and (2) the development costs for an internal-used laboratory market information system (the "MIS") which had not been yet available for use as at December 31, 2020.

As the MIS contributes to the entire cash generating units ("CGUs"), we performed the annual impairment test for the MIS not yet available for use together with other assets of the CGUs at the group level during the Track Record Period.

The recoverable amount of the CGUs at the group level has been determined based on a value in use calculation. The calculation uses cash flow projections based on financial budgets approved by our management covering a 5-year period.

Key assumptions used in the calculation are as follows:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| Revenue (% compound growth rate) | 10%-27% | 10%-27% | 10%-38% |
| Gross margin (% of revenue) | 55%-60% | 55%-60% | 59%-61% |
| Terminal growth rate | 3% | 3% | 3% |
| Pre-tax discount rate | 17% | 16% | 15% |

Assumptions were used in the value-in-use calculation of the CGUs at the group level as at December 31, 2018, 2019 and 2020. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of the development cost:

Revenue – The basis used to determine the budgeted revenue is based on the management's expectation of market development.

Gross margin – The basis used to determine the value assigned to the budgeted gross margin is the average gross margin expected to achieve.

Terminal growth rate – The forecasted terminal growth rate is based on management's expectations and does not exceed the long-term average growth rate for the industry relevant to the CGUs.

The pre-tax discount rate used is before tax and reflects specific risks relating to the CGUs.

Based on the result of impairment assessment, there was no impairment as at December 31, 2018, 2019 and 2020.

Sensitivity to changes in key assumptions:

Our management has performed sensitivity test by decreasing 5% of expected revenue, decreasing 1% of gross margin, decreasing 1% of terminal growth rate or increasing 1% of pre-tax discount rate, which are the key assumptions for determine the recoverable amount of the CGUs, with all other variables held constant. The impacts on the amount by which the CGU's recoverable amount above its carrying amount (headroom) are as below:

| | Year ended December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Headroom | 1,290,890 | 1,757,350 | 3,465,029 |
| Impact by decreasing expected revenue | (600,279) | (752,862) | (1,080,061) |
| Impact by decreasing gross margin | (120,401) | (151,109) | (216,933) |
| Impact by decreasing terminal growth rate | (63,211) | (91,218) | (198,618) |
| Impact by increasing pre-tax discount rates | (145,395) | (187,861) | (348,636) |

Considering there was still sufficient headroom based on the assessment, our management believes that a reasonably possible change in the above key parameters would not cause the carrying amount of the CGUs to exceed its recoverable amount.

**Impairment assessment for goodwill**

We had provided full impairment in related to goodwill resulted from the acquisition of Shanghai SimpleGene in 2012 prior to the Relevant Periods.

Goodwill of RMB920,000 and RMB942,000 is resulted from the acquisition of Chengdu Shengyuan in January 2020 and Tianjin Kindstar in September 2020 to further expand our market share of clinical testing services.

The cash flows generated from each subsidiary acquired are independent from those of our other subsidiaries. Therefore, Goodwill is monitored by our management at the level of the CGU of Chengdu Shengyuan and Tianjin Kindstar.

The recoverable amounts of each CGU have been determined based on value-in-use calculations using pre-tax cash flow projections, which is based on financial budgets approved by our management covering a 5-year period.

| | Chengdu Shengyuan CGU | Tianjin Kindstar CGU |
|---|---|---|
| Revenue (% compound growth rate) | 9%-43% | 10%-181% |
| Terminal growth rate | 3% | 3% |
| Pre-tax discount rate | 20% | 20% |

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill for Chengdu Shengyuan CGU and Tianjin Kindstar CGU as at December 31, 2020.

Revenue – The basis used to determine the budgeted revenue is based on the management's expectation of market development.

Terminal Growth rate – The forecasted terminal growth rate is based on management's expectations and does not exceed the long-term average growth rate for the industry relevant to the CGUs.

The pre-tax discount rate used is before tax and reflects specific risks relating to the CGUs.

Based on the result of impairment assessment, there was no impairment as at December 31, 2020.

*Sensitivity to changes in key assumptions:*

Our management has performed sensitivity test by decreasing 5% of expected revenue, decreasing 1% of terminal growth rate or increasing 1% of pre-tax discount rate, with all other assumptions held constant. The impacts on the amount by which each CGU's recoverable amount above its carrying amount (headroom) are as below:

| | Chengdu Shengyuan CGU | Tianjin Kindstar CGU |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| *At December 31, 2020* | | |
| Headroom | 6,007 | 866 |
| Impact by decreasing expected revenue | (2,306) | (330) |
| Impact by decreasing terminal growth rate | (720) | (202) |
| Impact by increasing pre-tax discount rate | (1,271) | (193) |

Considering there was still sufficient headroom based on the assessment, our management believes that a reasonably possible change in the above key parameters would not cause the carrying amount of the CGUs to exceed its recoverable amount.

***Trade and Bills Payables***

Our trade and bills payables increased from RMB98.4 million as of December 31, 2018 to RMB117.0 million as of December 31, 2019, and further increased to RMB131.8 million as of December 31, 2020, in line with the continued increase in our revenue.

The table below sets forth our trade and bills payables as of the dates indicated:

| | As of December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *(RMB in thousands)* | | |
| Bills payables | 2,376 | 1,600 | 9,042 |
| Trade payables | 96,106 | 115,747 | 122,743 |
| **Total** | **98,482** | **117,347** | **131,785** |

The table below sets forth our average trade and bills payables turnover days for the years/period indicated:

| | For the year ended December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| Trade and bills payables turnover days *(note)* | 94 | 103 | 106 |

*Note:* Trade and bills payable turnover days for a year equals the arithmetic mean of the beginning and ending trade and bills payable balances divided by cost of sale for that and multiplied by 365 days.

For the years ended December 31, 2018, 2019 and 2020, our average trade and bills payables turnover days were 94 days, 103 days and 106 days, respectively. The increase in average trade and bills payables turnover days was primarily because of longer credit terms granted by our suppliers due to our stronger bargaining power from increased purchase amount.

The following table sets forth an aging analysis based on the invoice date of our net trade and bills payables as of the dates indicated:

| | As of December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *(RMB in thousands)* | | |
| Within 1 year | 86,039 | 99,422 | 113,497 |
| 1 year to 2 years | 7,576 | 10,443 | 8,978 |
| Over 2 years | 4,867 | 7,482 | 9,310 |
| **Total** | **98,482** | **117,347** | **131,785** |

For the years ended December 31, 2018, 2019 and 2020, our trade and bills payables with an ageing within 1 year were RMB86.0 million, RMB99.4 million and RMB113.5 million, respectively. Our trade and

bills payables with an ageing from 1 year to 2 years were RMB7.6 million, RMB10.4 million, and RMB9.0 million, respectively. Our trade and bills payables with an aging over 2 years were RMB4.9 million, RMB7.5 million and RMB9.3 million, respectively. The increase in trade and bills payables in each date range was in line with our business growth.

As of April 30, 2021, RMB74 million or 57% of our trade and bills payable as of December 31, 2020 has subsequently been settled. Our Directors confirm that we had no material defaults in our trade and other payables during the Track Record Period and up to the Latest Practicable Date.

***Other Payables and Accruals***

The following table sets forth other payables and accruals as of the dates indicated.

| | As of December 31, | | |
|---|---|---|---|
| **Other payables and accruals** | **2018** | **2019** | **2020** |
| | *(RMB in thousands)* | | |
| Payables for purchase of equipment | 14,190 | 1,407 | 1,930 |
| Payables for outsourced activities | 2,959 | 3,432 | 3,778 |
| Tax payables other than income tax | 779 | 1,229 | 1,047 |
| Payables for investment activities | 1,200 | – | – |
| Deposits received | 1,142 | 1,064 | 1,143 |
| Others | 2,358 | 5,119 | 20,795 |
| **Total** | **22,628** | **12,251** | **28,693** |

Other payables and accruals include payables for purchase of equipment, payables for outsourced service, tax payable other than income tax, payables for investment activities, deposit received and others. Other payables and accruals increased from RMB12.3 million in 2019 to RMB28.7 million in 2020, primarily due to an advance payment in the amount of RMB11.1 million in connection with the exercise of options in 2020. We recognized RMB11.1 million advances from option holders who exercised their vested share options as other payables, pending completion of SAFE registration contemplated by SAFE Circular 7, which is expected to be completed after the **[REDACTED]**.

***Convertible Redeemable Preferred Shares***

Convertible redeemable preferred shares represented the fair value of our Series A, Series B, Series C, Series D, Series D+ Preference shares, Series E Preference shares. We recorded convertible redeemable preferred shares of RMB615.7 million, RMB807.5 million and RMB2,854.4 million as of December 31, 2018, 2019 and 2020, respectively. For a discussion of our issuance of convertible redeemable preferred shares, please refer to the section headed "History, Reorganization and Corporate Structure" in this Document. For further information regarding our convertible redeemable preferred shares, please see note 32 to the Accountants' Report set out in Appendix I.

***Convertible Bonds***

Convertible bonds represented the fair value of the convertible bonds issued by Kindstar Wuhan, our subsidiary, of RMB221.7 million, RMB265.1 million and nil as of December 31, 2018, 2019 and 2020,

respectively. All convertible bonds we issued were converted into convertible redeemable preferred shares in 2020. For a discussion of our issuance of convertible bonds, please refer to the section headed "History, Reorganization and Corporate Structure" in this Document. For further information regarding our convertible redeemable preferred shares, please see note 33 to the Accountants' Report set out in Appendix I.

## KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates and for the years indicated.

| | As of or for the Year ended December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| Gross margin[1] | 53.6% | 54.3% | 51.7% |
| Current Ratio[2] | 0.3 | 0.3 | 2.6 |

*Notes:*

(1) Gross margin equals gross profit divided by revenue for the year.

(2) Current ratio equals current assets divided by current liabilities as of the end of the year.

## LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period, we funded our working capital and other capital expenditure requirements through a combination of income generated from operations, bank loans and investments received. The following table sets forth a summary of our cash flows for the periods indicated.

| | Year ended December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *(RMB in thousands)* | | |
| Net cash generated from operating activities | 53,895 | 99,448 | 73,462 |
| Net cash used in investing activities | (73,708) | (47,547) | (121,960) |
| Net cash (used in)/generated from financing activities | (3,081) | (18,902) | 851,925 |
| Net (decrease)/increase in cash and cash equivalents | (22,894) | 32,999 | 803,427 |
| Cash and cash equivalents at the beginning of the year | 49,288 | 26,620 | 59,510 |
| Effect of foreign exchange rate changes, net | 226 | (109) | (21,710) |
| **Cash and cash equivalents at the end of the year** | **26,620** | **59,510** | **841,227** |

### Net Cash Generated from Operating Activities

In 2020, our net cash generated from operating activities was RMB73.5 million. The difference between our net cash generated from operating activities and our loss before tax primarily resulted from

(i) positive adjustments for non-cash items mainly including fair value losses on financial liabilities at FVTPL of RMB1,046.6 million mainly due to an increase in our company valuation and depreciation of property, plant and equipment of RMB34.5 million and depreciation of right-of-use assets of RMB15.2 million, and (ii) an increase in trade and bills payables of RMB14.4 miillion and an increase in other payables and accruals of RMB23.7 million in line with our business growth, partially set off by (i) an increase in trade and bills receivables of RMB79.5 million and (ii) an increase in prepayments, deposits and other receivables of RMB9.4 million, both in line with our business growth.

In 2019, our net cash generated from operating activities was RMB99.4 million. The difference between our net cash generated from operating activities and our loss before tax primarily resulted from (i) positive adjustments for non-cash items mainly including fair value change of financial liabilities at FVTPL of RMB222.9 million mainly due to an increase in our company valuation, depreciation of property, plant and equipment of RMB26.1 million and depreciation of right-of-use assets of RMB15.4 million, (ii) an increase in other payables and accruals of RMB43.1 million in line with our business growth and (iii) an increase in trade and bills payables of RMB18.6 million, partially offset by (i) an increase in trade and bills receivables of RMB40.0 million and (ii) an increase in inventories of RMB11.9 million, both in line with our business growth.

In 2018, our net cash generated from operating activities was RMB53.9 million. The difference between our net cash generated from operating activities and our loss before tax primarily resulted from (i) positive adjustments for non-cash items primarily including fair value change of financial liabilities at FVTPL of RMB73.2 million mainly due to an increase in our company valuation, depreciation of property, plant and equipment of RMB22.5 million and depreciation of right-of-use assets of RMB14.5 million, (ii) an increase in other payables and accruals of RMB29.2 million in line with our business growth and (iii) an increase in trade and bills payables of RMB26.4 million, partially offset by an increase in trade and bills receivables of RMB51.8 million, both in line with our business growth.

**Net Cash Used in Investing Activities**

In 2020, our net cash used in investing activities was RMB122.0 million, mainly attributable to purchase of wealth management product of RMB390.5 million and purchase of property, plant and equipment of RMB23.2 million, partially offset by disposal of wealth management product of RMB295.0 million.

In 2019, our net cash used in investing activities was RMB47.5 million, mainly attributable to purchase of wealth management product of RMB163.5 million, purchase of property, plant and equipment of RMB38.4 million and advances loans to related parties of RMB31.0 million, partially offset by disposal of wealth management product of RMB185.6 million.

In 2018, our net cash used in investing activities was RMB73.7 million, mainly attributable to purchase of wealth management product of RMB136.1 million and purchase of property, plant and equipment of RMB58.3 million, partially offset by disposal of wealth management product of RMB114.5 million.

**Net cash (used in)/generated from financing activities**

In 2020, we had RMB851.9 million of net cash flows from financing activities, primarily attributable to proceeds from issue of convertible redeemable preferred shares of RMB858.9 million and new bank

loans and other borrowings of RMB70.0 million, partially offset by repayment of bank loans and other borrowings of RMB30.0 million and lease payments of RMB118.6 million.

In 2019, we had RMB18.9 million of net cash flows used in financing activities, primarily attributable to repayment of bank loans and other borrowings of RMB54.8 million and lease payments of RMB17.6 million, partially offset by new bank loans and other borrowings of RMB54.8 million.

In 2018, we had RMB3.1 million of net cash flows used in financing activities, primarily attributable to repayment of bank loans and other borrowings of RMB20.0 million and lease payments of RMB7.5 million, partially offset by new bank loans and other borrowings of RMB20.0 million.

**Working Capital Confirmation**

The Directors are of the opinion that, taking into account of the following financial resources available to us described below, we have sufficient working capital to cover our operating costs for at least the next 12 months from the expected date of this Document considering our:

- our future operating cash flows in respective years/periods;
- cash and cash equivalent of RMB693.4 million as of April 30, 2021;
- available financing facilities; and
- estimated net **[REDACTED]** from the **[REDACTED]**.

## CAPITAL EXPENDITURES

Our principal capital expenditures relate primarily to the purchase of equipment and the renovation of our laboratories. The following table sets forth our capital expenditures for the years indicated.

| | Year ended December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *(RMB in thousands)* | | |
| Purchases of property, plant and equipment | 58,260 | 38,351 | 23,200 |
| Purchases of other intangible assets | 2,196 | 3,405 | 3,585 |
| **Total** | **60,456** | **41,756** | **26,785** |

We expect to fund such capital expenditures through cash generated from operations, our existing bank borrowings and the net **[REDACTED]** from the **[REDACTED]**. Our current capital expenditure plans for any future period are subject to change, and we may adjust our capital expenditures according to our future cash flows, results of operations and financial condition, our business plans, market conditions and various other factors. See also "Future Plans and Use of **[REDACTED]** – Use of **[REDACTED]**."

## INDEBTEDNESS

| | As of December 31, | | | As of April 30, |
|---|---|---|---|---|
| | 2018 | 2019 | 2020 | 2021 |
| | | | | *(unaudited)* |
| | | *(RMB in thousands)* | | |
| Current portion: | | | | |
| Interest-bearing bank borrowings | – | – | 40,000 | 20,000 |
| Leases liabilities | 19,314 | 18,083 | 21,637 | 19,136 |
| Financial liabilities at FVTPL | 837,361 | 1,072,659 | – | – |
| Non-current portion: | | | | |
| Leases liabilities | 36,836 | 26,169 | 23,750 | 22,858 |
| Financial liabilities at FVTPL | – | – | 2,854,390 | 3,015,774 |
| **Total** | **893,511** | **1,116,911** | **2,939,777** | **3,077,768** |

***Unsecured and Guaranteed Bank Loans***

We obtained financing from banks which carry interests at the fixed rate ranging from 2.5% to 3.05% per annum, with an aggregate amount of RMB40 million in 2020 and as of April 30, 2021, we had utilized RMB20 million from our unsecured and guaranteed banking facilities. As of April 30, 2021, our unutilized banking facilities are RMB172.8 million.

**Lease Liabilities**

As of December 31, 2018, 2019 and 2020 and April 30, 2021, we have outstanding aggregate unpaid contractual lease payments (present value of lease payments for the remainder of relevant lease terms) of RMB56.2 million, RMB44.3 million, RMB45.4 million and RMB42.0 million in relation to the corresponding lease liabilities.

***Financial Liabilities at FVTPL***

As of December 31, 2018, 2019 and 2020 and April 30, 2021, financial liabilities at FVTPL relating to our various rounds of convertible redeemable preferred shares and convertible bond financing had fair value of RMB837.4 million, RMB1,072.7 million, RMB2,854.4 million and RMB3,015.8 million.

**Indebtedness Statement**

Our Directors confirm that as of the Latest Practicable Date, the agreements under our borrowings did not contain any covenant that would have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. Our Directors further confirm that we had no material defaults in bank and other borrowings, nor did we breach any covenants (that were not waived) during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that during the Track Record Period and up to the Latest Practicable Date, we did not experience any material difficulties in obtaining credit facilities, or withdrawal of facilities or requests for early repayment.

Save as otherwise disclosed under sections headed "–Indebtedness" and "–Contractual Obligations", we did not have any outstanding loan, capital issued or agreed to be issued, debt securities, mortgages, charges, debentures, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, hire purchase commitments or other contingent liabilities as of April 30, 2021.

Our Directors also confirm that, as of the Latest Practicable Date, there is no material change in our Company's indebtedness since April 30, 2021. Our capital commitments are related to purchase of property and equipment for the construction, expansion and enhancement of our facilities. We expect to satisfy our capital commitments using net **[REDACTED]** to be received from the **[REDACTED]**, cash from operations and bank facilities available to us.

## CONTINGENT LIABILITIES

During the Track Record Period and up to the Latest Practicable Date, we had no contingent liabilities.

## CONTRACTUAL OBLIGATIONS

### Capital Commitments

Our capital commitments are related to our purchase of property and equipment for the construction, expansion and enhancement of our facilities. We expect to satisfy our capital commitments using cash from operations, net **[REDACTED]** to be received from the **[REDACTED]** and bank borrowings available to us.

The following table below sets forth our capital commitments under non-cancellable contracts as of the dates indicated.

| | As of December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *(RMB in thousands)* | | |
| Contracted, but not provided for: | | | |
| Property, plant and equipment | 17,446 | 3,478 | 9,190 |
| Equity investments | 17,850 | 18,850 | 26,492 |
| | 35,296 | 22,328 | 35,682 |

## OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

## RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions are set out in note 40 to "Appendix I – Accountants' Report." Our Directors confirm that these transactions were conducted in the ordinary and usual course of business and on an arm's length basis.

In addition to the transactions detailed elsewhere in the Historical Financial Information, the Group had the following material related party transactions during the Track Record Period:

| | Year ended December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Purchases of services** | | | |
| Wuhan Yite (Note ii) | – | 67 | 5,405 |
| Wuhan Puyun (Note ii) | – | – | 4,314 |
| Kindstar Logistics (Note iv) | – | 328 | 989 |
| | – | 395 | 10,708 |
| **Royalty fees** | | | |
| Mayo Foundation (Note iii) | 4,902 | 3,888 | 2,757 |
| **Purchases of reagents** | | | |
| Haixi Biological Technology (Note v) | – | 475 | 4,094 |
| **Other services** | | | |
| Yousheng Network (Note vi) | 380 | – | – |
| **Borrowings from** | | | |
| Zheng Jianhua (Note i) | – | – | 430 |
| **Loans to** | | | |
| Huang Shi-Ang (Note vii) | – | 30,500 | – |
| Wuhan Puyun (Note viii) | – | – | 2,750 |
| Wuhan Haijie (Note viii) | – | – | 2,260 |
| Kindstar Xinhai (Note viii) | – | – | 1,000 |
| Kindstar Global Tianjin (Note viii) | – | 500 | 851 |
| Kindstar Global Wuhan (Note viii) | 50 | – | – |
| | 50 | 31,000 | 6,861 |
| **Repayments of borrowings from** | | | |
| Kindstar Xinhai (Note viii) | – | – | 1,000 |
| Wuhan Puyun (Note viii) | – | – | 2,750 |
| Wuhan Haijie (Note viii) | – | – | 2,260 |
| Kindstar Global Tianjin (Note viii) | – | – | 851 |

| | Year ended December 31, | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Kindstar Global Wuhan (Note viii) | 50 | – | – |
| | 50 | – | 6,861 |
| **Deemed interest income from loans to key management** | | | |
| Huang Shi-Ang (Note vii) | 978 | 1,486 | 1,668 |
| CHEN Zhong (Note vii) | 92 | 98 | 75 |
| TU Zan-Bing (Note vii) | 55 | 59 | 45 |
| | 1,125 | 1,643 | 1,788 |

*Notes:*

(i) During the Relevant Periods, Xinjiang Kindstar borrow loans from Zheng Jianhua. The loans are unsecured and payable on demand with the interest rate of 6%.

(ii) During Relevant Periods, Wuhan Kindstar purchased labor services from Wuhan Yite and Wuhan Puyun.

(iii) The royalty fees were paid for the know-how provided by Mayo Foundation, which is a shareholder of the Company. The fees were charged pursuant to the terms in the agreement and supplemented agreements signed between the Company and Mayo Foundation on 18 June 2011, 28 February 2013 and 1 June 2015.

(iv) During Relevant Periods, Wuhan Kindstar purchased transportation services from Kindstar Logistics.

(v) During Relevant Periods, Wuhan Kindstar purchased reagents from Haixi Biological Technology

(vi) Other services represents the amount of collection service provided by Yousheng Network.

(vii) The details of loans to Huang Shi-ang and the deemed interest income from loans to key management are set out in note 40(d)(i) to the Historical Financial Information.

(viii) During the Relevant Periods, the Group provided loans to and received payments from certain related parties. The loans are unsecured and payable on demand with interest-free.

During the Track Record Period, we provided interest-free loans in the aggregate of RMB66.2 million to key management and employees for their personal needs. The loan agreements did not specify repayment terms. The loans were repaid on November 24, 2020.

In addition, we also had the following transactions with related parties, which were conducted at normal commercial terms.

(1) We have guaranteed certain bank loan granted to Kindstar Xinhai. The guarantee contract was signed on April 13, 2020, for guarantees given to China Merchants Bank ("招商銀行") in connection with bank loan granted to Kindstar Xinhai. The total amount of bank loan was RMB62,000,000, which was also secured by the equity interest held by Kindstar Xinhai in Kindstar Rui An Medical Technology Company Limited ("Kindstar Rui An"), secured by the

equity interest in the Company held by Gui Guirong, and guaranteed by Kindstar Rui An. Our guarantee was released with the repayment of bank loan by Kindstar Xinhai on December 31, 2020.

(2) On 12 and August 27, 2020. Kindstar Global Wuhan acquired 80% equity interests in Shanghai Xinuo and Guangzhou Xinuo, respectively, from Shanghai Ruoze Medical Technology Co., Ltd. which is ultimately controlled by Huang Shi-Ang. The considerations were nil and RMB1, respectively, which were determined taking into account the fact that no capital had been contributed to Shanghai Xinuo and Guangzhou Xinuo at the time of transfer.

(3) On August 10, 2020, Kindstar Beijing WFOE entered into a series of contractual arrangements with Kindstar Global Wuhan and its equity holders, Huang Shi-Ang and TU Zan-Bing, which give Kindstar Beijing WFOE and the Group control over Kindstar Global Wuhan. The consideration was RMB100,000, which was determined taking into account the fact that RMB100,000 had been contributed to Kindstar Global Wuhan by Huang Shi-Ang and Tu Zan-Bing at the time of transfer.

(4) In October and November 2020, Tu Zan-Bing, the key management member of us, transferred 17,493,027 options of us acquired from the **[REDACTED]** Share Option Scheme to Ever Prospect, which is controlled by Tu Zan-Bing. On November 2, 2020, Ever Prospect exercised 9,656,036 share options.

In November and December 2020, we repurchased 7,836,990 options from Ever Prospect at a total consideration of US$25,000,000 (equivalent to RMB163,521,000) and it was considered as a special dividend declared by the Company pursuant to the board resolutions passed in November and December 2020. After netting off with the loans receivable from key management and employee of US$9,814,706 (equivalent to RMB64,149,900), US$5,185,294 (equivalent to RMB34,124,000) and US$10,000,000 (equivalent to RMB65,249,000) were paid to Ever Prospect on November 24, 2020 and January 4, 2021, respectively and the consideration was fully settled accordingly.

## QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISKS

We are exposed to a variety of market risks, mainly including currency risk, interest rate risk, credit risk and liquidity risk, as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

### Foreign Currency Risk

We have transactional currency exposures. Such exposures arise from financing activities under currencies other than the units' functional currencies. We currently do not have a foreign currency hedging policy. However, our management monitors foreign exchange exposure and will consider appropriate hedging measures in the future should the need arise. For further details, including relevant sensitivity analysis, please see note 43 to the Accountants' Report included in Appendix I to this Document.

### Credit Risks

Our management makes periodic collective assessments for financial assets included in prepayments, deposits and other receivables as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. We recognize allowance for financial assets other than trade receivables based on 12-month ECLs and adjusts for forward-looking macroeconomic data. We assess the impairment of trade receivables based on lifetime ECLs. For further details, please see note 43 to the Accountants' Report included in Appendix I to this Document.

### Liquidity Risks

We manage and maintain our liquidity through the use of internally generated cash flows from operations and bank borrowings. We regularly review our major funding positions to ensure that we have adequate financial resources in meeting our financial obligations. For further details, please see note 43 to the Accountants' Report included in Appendix I to this Document.

## DIVIDEND

Any declaration and payment of dividends will be subject to our constitutional documents and the Cayman Companies Act. The declaration and payment of any dividends in the future will be determined by our Board of Directors, in its discretion. As we are a holding company incorporated under the laws of the Cayman Islands, our Cayman Islands counsel advised that the payment and amount of any future dividends will also depend on the availability of dividends received from our subsidiaries, and will depend on a number of factors, including our earnings, capital requirements, overall financial conditions, contractual and applicable legal restrictions and other factors. Our Cayman Islands counsel also advised that our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board, and under the Cayman Islands law a company may declare and pay a dividend out of either profits or reserves of our Company lawfully available for distribution including share premium.

We declared special dividends in November 2020 and December 2020 in the amount of US$15,000,000 and US$10,000,000, respectively. As of the Latest Practicable Date, we have completed the distribution of such special dividends. Other than the aforementioned special dividend, no dividend has been paid or declared by the Company and its subsidiaries during the years ended December 31, 2018, 2019 and 2020 and as of the Latest Practicable Date. We currently expect to retain all future earnings for use in the operation and expansion of our business and do not anticipate paying cash dividends in the foreseeable future.

## [REDACTED] EXPENSES

**[REDACTED]** expenses mainly comprise legal and other professional fees paid and payable to the professional parties, commissions payable to the **[REDACTED]**, and printing and other expenses for their services rendered in relation to the **[REDACTED]** and the **[REDACTED]**. **[REDACTED]** expenses for the **[REDACTED]** are estimated to be approximately RMB**[REDACTED]** (including **[REDACTED]** commission, assuming an **[REDACTED]** of HK$**[REDACTED]** per Share, being the mid-point of the indicative **[REDACTED]** of

HK$**[REDACTED]** to HK$**[REDACTED]** per Share), which represents approximately **[REDACTED]**% of the gross **[REDACTED]** we expect to receive from this **[REDACTED]** assuming no Shares are issued pursuant to the **[REDACTED]**. No such expenses were recognized and charged to our consolidated statements of profit or loss for the years ended December 31, 2018 and 2019, and RMB15.5 million was recognized and charged to our consolidated statements of profit or loss for the nine months ended December 31, 2020. After December 31, 2020, approximately RMB**[REDACTED]** is expected to be charged to our consolidated statements of profit or loss, and approximately RMB**[REDACTED]** is expected to be charged against equity upon the **[REDACTED]**. The **[REDACTED]** expenses above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate.

## [REDACTED]

### NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, as of the date of this Document, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects since December 31, 2020, the end of the period reported on the Accountants' Report included in Appendix I to this Document.

## DISCLOSURE REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to disclosure required under Rules 13.13 to 13.19 of the Listing Rules.

## FUTURE PLANS

For details of our future plans, see "Business – Our Strategies".

## USE OF [REDACTED]

We estimate that we will receive net **[REDACTED]** of approximately HK$**[REDACTED]** after deducting the **[REDACTED]** fees and expenses payable by us in the **[REDACTED]**, assuming no **[REDACTED]** is exercised and assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]**, being the mid-point of the indicative **[REDACTED]** of HK$**[REDACTED]** to HK$**[REDACTED]** per **[REDACTED]** in this Document. If the **[REDACTED]** is set at HK$**[REDACTED]** per Share, being the high end of the indicative **[REDACTED]**, the net **[REDACTED]** from the **[REDACTED]** will increase by approximately HK$**[REDACTED]** million. If the **[REDACTED]** is set at HK$**[REDACTED]** per Share, being the low end of the indicative **[REDACTED]**, the net **[REDACTED]** from the **[REDACTED]** will decrease by approximately HK$**[REDACTED]**.

We intend to use the net **[REDACTED]** we will receive from this **[REDACTED]** for the following purposes:

(i) Approximately **[REDACTED]**% or HK$**[REDACTED]** will be allocated to the sales and marketing of our existing esoteric testing service lines to cover more hospitals, especially Class III hospitals. In particular, we plan to cover approximately 3,500, 3,800 and 4,000 hospitals as of December 31, 2021, 2022 and 2023, respectively, which cover each province and geographical region in China. Specific sales and marketing activities include (i) conducting marketing and promotional activities, such as (a) carrying out online and offline nationwide marketing events and campaigns for our testing services in China; and (b) sponsoring and hosting medical or academic summits, conferences and seminars; and (ii) the expansion of our sales and marketing team in China. The allocation is expected to be allocated by operating segment as the following:

- Approximately **[REDACTED]**% or HK$**[REDACTED]**, will be allocated to the sales, marketing and expansion of hematology testing business with the goal to further increase the efficiency of our sales and marketing team and cement our leading position in hematology testing market;

- Approximately **[REDACTED]**% or HK$**[REDACTED]**, will be allocated to the sales, marketing and expansion of genetic diseases and rare diseases and maternity-related testing business with the goal to expand our genetic diseases and rare diseases as well as maternity-related testing service to an additional 89 cities over the next few years; and

- Approximately **[REDACTED]**% or HK$**[REDACTED]**, will be allocated to the sales, marketing and expansion of oncology, infectious disease and neurology testing businesses with the goal to expanding our oncology, infectious diseases and neurology testing services to an additional 107, 100 and 120 cities, respectively, over the next few years.

(ii) Approximately **[REDACTED]**% or HK$**[REDACTED]** will be allocated to research and development of our existing esoteric testing service lines to adopt innovative testing technologies and continuously expand our testing portfolio, as follows:

- Approximately **[REDACTED]**% or HK$**[REDACTED]**, will be allocated to the research and development of hematology testing that focus on immunology, spectral flow optometry, pharmacogenomics and transplantation immunity, and we plan to add 20 to 30 related researchers to R&D team over the next few years. Among these researchers, we expect to hire approximately five senior level researchers with rich industry experience and outstanding academic credentials, approximately eight middle level researchers with a number of years of research experience (fewer than senior researchers) and solid academic credentials, and approximately 12 junior level researchers with solid academic credentials and research capabilities. Based on our talent searches and market survey so far, we believe that there is a sufficient supply of researchers with the above qualifications;

- Approximately **[REDACTED]**% or HK$**[REDACTED]**, will be allocated to the research and development of genetic diseases and rare diseases and maternity-related testing that focus on developing comprehensive diagnosis capabilities of genetic diseases, including such as molecular cytogenetics, genetic metabolism and molecular genetics, and we plan to add 10 to 20 related researchers to our R&D team over the next few years; and

- Approximately **[REDACTED]**% or HK$**[REDACTED]**, will be allocated to the research and development of neurology, infectious disease, oncology and routine testing on selected ares such as liquid biopsy, pharmacogenomics and cancer diagnostic gene panel under oncology. We plan to add 30 to 40 researchers to our R&D team in these fields over the next few years.

(iii) Approximately **[REDACTED]**% or HK$**[REDACTED]** will be allocated to the development and commercialization of new lines of esoteric testing services, such as gastroenterology, pulmonology, endocrinology, anesthesiology and rheumatology to further expand our service coverage.

We plan to leverage our existing technological platform, sales and marketing capabilities and channels, and build on our current offering in each of the above fields, to offer one-stop testing services and promote the broader application of our testing services in disease treatments. In particular:

- *Gastroenterology.* Building on our current offering of gastroenterology testing services on digestive infection, gastrointestinal tumors, gastroenterology pathology and gastroenterology genetics, we plan to enrich our testing service portfolio to introduce one-stop gastroenterology testing solutions.

- *Pulmonology*. Building on our current offering of pulmonology testing services such as respiratory system virus testing, germ infection testing, tuberculosis testing, pulmonary heart disease testing and lung cancer testing, we expect to develop testing on further testing services on esoteric pulmonology diseases to offer one-stop pulmonology testing solutions.

- *Endocrinology*. Building on our current offering of diabetes testing and thyroid metabolic abnormality testing, we plan to develop new specialty testing services on precocious puberty and hormone secretion abnormalities.

- *Anesthesiology*. We plan to develop testing services on the indicative dose effect and genetic metabolism characteristics of anesthetics, which is expected to reduce the side effects of anesthetics and antagonism or synergy with other residual medications.

- *Rheumatology*. We plan to introduce testing services covering the full suite of potential rheumatology diseases that arise out of immune disorders to complement our current offerings, such as ankylosing spondylitis testing and systemic lupus erythematosus.

  We plan to (1) develop or acquire approximately 50 gastroenterology-related testing items in areas of infection, immunology, genetic predisposition to diseases and organ transplant, and add 10 to 20 researchers to our R&D team over the next few years, (2) develop or acquire approximately 50 pulmonology-related testing items in areas of infection, immunology, pharmacogenomics, pulmonary function tests and organ transplant, and add 10 to 20 researchers to our R&D team over the next few years, (3) develop or acquire approximately 50 endocrinology-related testing items in areas of metabolism, immunology, organ function tests and organ transplant, and add 10 to 20 researchers to our R&D team over the next few years, (4) develop or acquire approximately 50 anesthesiology-related testing items in areas of drug metabolism, pharmacogenomics and toxicology, and add 10 to 20 researchers to our R&D team over the next few years, and (5) develop or acquire approximately 50 rheumatology-related testing items in areas of immunology, infection, drug metabolism, pharmacogenomics and genetic predisposition to diseaeses, and add 10 to 20 researchers to our R&D team over the next few years

(iv) Approximately **[REDACTED]**% or HK$**[REDACTED]**, will be allocated to fund our expansion across the industry value chain by acquiring attractive technology or testing-related companies that are complementary and synergistic to our existing businesses. In particular, we plan to focus on evaluating whether the potential targets have (i) internationally leading testing technologies; (ii) specialized advanced testing platforms and programs; (iii) solid regional or national sales performance; (iv) established relationships with high-quality suppliers and customers; and (v) technologies and business models that are synergistic to ours.

(v) Approximately **[REDACTED]**% or HK$**[REDACTED]** will be allocated to increase our testing capacity, including the expansion and upgrade of our testing facilities, testing equipment and instrument and recruitment of additional technician in testing and diagnosis. We plan to open 5 to 10 new testing facilities over the next few years and increase the number of technicians in testing and diagnosis by 10% each year in the next three years. In particular, we plan to cooperate with top 100 hospitals in China to establish new testing facilities focusing on various specialty areas. We believe that these new facility openings consolidate quality resources and are beneficial to further technological innovations and the introduction and implementation of new technologies. We plan to primarily focus on the top 10 largest cities in China, such as Beijing, Shanghai and Guangzhou.

(vi) Approximately **[REDACTED]**% or HK$**[REDACTED]** will be allocated to overseas expansion into markets outside of China, with the goal of serving unmet medical needs in developing countries in Southeast Asia and Middle East. In particular, we plan to establish two central laboratories in Singapore and Dubai, which respectively cover the Southeast Asia market and the Middle East market. We also plan to establish specimen processing laboratories in key nations in these regions with large populations. These processing laboratories will cooperate with the two central laboratories to perform analysis and issue reports.

(vii) Approximately **[REDACTED]**% or HK$**[REDACTED]** is expected to be used for working capital and other general corporate purposes.

The above allocation of the **[REDACTED]** will be adjusted on a pro rata basis in the event that the **[REDACTED]** is fixed at a higher or lower level compared to the mid-point of the estimated **[REDACTED]**.

If the **[REDACTED]** is exercised in full, and net **[REDACTED]** that we will receive will be approximately HK$**[REDACTED]**, assuming an **[REDACTED]** of HK$**[REDACTED]** per Share (being the mid-point of the indicative **[REDACTED]**). In the event that the **[REDACTED]** is exercised, we intend to apply the additional net **[REDACTED]** to the above purpose in the proportions stated above.

To the extent that the net **[REDACTED]** are not immediately applied to the above purposes and to the extent permitted by the relevant law and regulations, we intend to deposit the net **[REDACTED]** only into short-term deposits with licensed financial institutions in Hong Kong or the PRC. We will make an appropriate announcement if there is any change to the above proposed use of **[REDACTED]** or if any amount of the **[REDACTED]** will be used for general corporate purpose.

[REDACTED]

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*The following is the text of a report, prepared for inclusion in this document, received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.*

32/F, One Taikoo Place,
979 King's Road,
Quarry Bay, Hong Kong

**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF KINDSTAR GLOBALGENE TECHNOLOGY, INC. AND GOLDMAN SACHS (ASIA) L.L.C AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED AND CREDIT SUISSE (HONG KONG) LIMITED**

**Introduction**

We report on the historical financial information of Kindstar Globalgene Technology, Inc. (the "Company") and its subsidiaries (together, the "Group") set out on pages [I-3] to [I-108], which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended December 31, 2018, 2019 and 2020 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at December 31, 2018, 2019 and 2020 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages [I-3] to [I-108] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [date] (the "Document") in connection with the **[REDACTED]** of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

**Directors' responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

**Reporting accountants' responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 ("HKSIR 200") *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgment, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order

to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at December 31, 2018, 2019 and 2020, and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

**Adjustments**

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

**Dividends**

We refer to note 13 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Relevant Periods.

**No historical financial statements for the Company**

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

*Certified Public Accountants*
Hong Kong

[Date]

## I. HISTORICAL FINANCIAL INFORMATION

### Preparation of the Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

## CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | *Notes* | **2018** | **2019** | **2020** |
|---|---|---|---|---|
| | | *RMB'000* | *RMB'000* | *RMB'000* |
| **REVENUE** | *5* | 706,202 | 832,791 | 891,391 |
| Cost of sales | | (327,806) | (380,577) | (430,410) |
| **Gross profit** | | 378,396 | 452,214 | 460,981 |
| Other income and gains | *6* | 13,829 | 16,870 | 39,598 |
| Selling and marketing expenses | | (249,528) | (274,599) | (248,521) |
| Administrative expenses | | (41,890) | (48,734) | (52,320) |
| Research and development costs | | (73,583) | (79,023) | (75,282) |
| Other expenses | *7* | (9,248) | (8,889) | (22,382) |
| **[REDACTED]** expenses | | – | – | (15,504) |
| Finance costs | *9* | (4,189) | (3,536) | (2,327) |
| **PROFIT BEFORE FAIR VALUE LOSS ON FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL") AND TAX** | | 13,787 | 54,303 | 84,243 |
| Fair value loss on financial liabilities at FVTPL | *32,33* | (73,202) | (222,908) | (1,046,595) |
| **LOSS BEFORE TAX** | *8* | (59,415) | (168,605) | (962,352) |
| Income tax credit/(expense) | *12* | 5,066 | (977) | (7,768) |
| **LOSS FOR THE YEAR** | | (54,349) | (169,582) | (970,120) |
| Attributable to: | | | | |
| Owners of the parent | | (52,674) | (169,788) | (974,020) |
| Non-controlling interests | | (1,675) | 206 | 3,900 |
| | | (54,349) | (169,582) | (970,120) |
| **OTHER COMPREHENSIVE (EXPENSE)/INCOME** | | | | |
| Other comprehensive (expense)/income that may be reclassified to profit or loss in subsequent periods: | | | | |
| Exchange differences on translation of the financial statements of subsidiaries | | (9,695) | (3,527) | 19,660 |
| Other comprehensive (expense)/income that will not be reclassified to profit or loss in subsequent periods: | | | | |
| Exchange differences on translation of the financial statements of the Company | | (18,127) | (8,708) | 82,355 |
| Other comprehensive (expense)/income for the year, net of tax | | (27,822) | (12,235) | 102,015 |
| Total comprehensive expense for the year, net of tax | | (82,171) | (181,817) | (868,105) |
| Attributable to: | | | | |
| Owners of the parent | | (80,496) | (182,023) | (872,005) |
| Non-controlling interests | | (1,675) | 206 | 3,900 |
| | | (82,171) | (181,817) | (868,105) |
| **LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | | | | |
| Basic and diluted | | | | |
| For loss for the year | *14* | [(1.97)] | [(6.36)] | [(34.78)] |

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | *Notes* | **2018** | **2019** | **2020** |
|---|---|---|---|---|
| | | *RMB'000* | *RMB'000* | *RMB'000* |
| **NON-CURRENT ASSETS** | | | | |
| Property, plant and equipment | *15* | 136,179 | 136,298 | 122,200 |
| Right-of-use assets | *31* | 44,166 | 32,522 | 35,420 |
| Prepayments, deposits and other receivables | *23* | 6,569 | 2,208 | 6,711 |
| Other intangible assets | *16* | 5,453 | 7,907 | 10,486 |
| Amounts due from related parties | *40* | 33,131 | – | – |
| Investments in associates | *17* | – | – | 2,312 |
| Deferred tax assets | *30* | 37,361 | 39,361 | 42,733 |
| Goodwill | *18* | – | – | 1,862 |
| **Total non-current assets** | | 262,859 | 218,296 | 221,724 |
| **CURRENT ASSETS** | | | | |
| Inventories | *21* | 31,041 | 41,173 | 44,977 |
| Trade and bills receivables | *22* | 201,303 | 237,790 | 310,385 |
| Prepayments, deposits and other receivables | *23* | 39,315 | 30,444 | 99,078 |
| Amounts due from related parties | *40* | 486 | 65,296 | 2,162 |
| Financial assets at FVTPL | *20* | 14,513 | 11,594 | 55,000 |
| Pledged deposits | *24* | 400 | 320 | 1,808 |
| Profit tax receivables | | – | – | 598 |
| Cash and cash equivalents | *24* | 26,620 | 59,510 | 841,227 |
| **Total current assets** | | 313,678 | 446,127 | 1,355,235 |
| **CURRENT LIABILITIES** | | | | |
| Trade and bills payables | *25* | 98,482 | 117,347 | 131,785 |
| Other payables and accruals | *26* | 186,925 | 217,455 | 257,424 |
| Contract liabilities | *27* | 5,252 | 6,204 | 5,240 |
| Interest-bearing bank borrowings | *28* | – | – | 40,000 |
| Profit tax payable | | 4,205 | 1,367 | – |
| Amounts due to related parties | *40* | 2,322 | 1,785 | 74,575 |
| Lease liabilities | *31* | 19,314 | 18,083 | 21,637 |
| Convertible redeemable preferred shares | *32* | 615,672 | 807,528 | – |
| Convertible bonds | *33* | 221,689 | 265,131 | – |
| **Total current liabilities** | | 1,153,861 | 1,434,900 | 530,661 |
| **NET CURRENT (LIABILITIES)/ASSETS** | | (840,183) | (988,773) | 824,574 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | (577,324) | (770,477) | 1,046,298 |
| **NON-CURRENT LIABILITIES** | | | | |
| Deferred income | *29* | 3,764 | 2,775 | 2,573 |
| Convertible redeemable preferred shares | *32* | – | – | 2,854,390 |
| Lease liabilities | *31* | 36,836 | 26,169 | 23,750 |
| **Total non-current liabilities** | | 40,600 | 28,944 | 2,880,713 |
| **Net liabilities** | | (617,924) | (799,421) | (1,834,415) |
| **DEFICIENCY IN EQUITY** | | | | |
| **Equity attributable to owners of the parent** | | | | |
| Share capital | *34* | 178 | 178 | 242 |
| Reserves | *35* | (622,280) | (804,303) | (1,844,044) |
| | | (622,102) | (804,125) | (1,843,802) |
| Non-controlling interests | | 4,178 | 4,704 | 9,387 |
| **Total deficit** | | (617,924) | (799,421) | (1,834,415) |

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

| | Attributable to owners of the parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Capital reserve | Other capital reserve* | Share option reserve | Exchange fluctuation reserve | Accumulated losses | Total | Non-controlling interests | Total deficit |
| | *RMB'000 (note 34)* | *RMB'000 (note 35)* | *RMB'000 (note 35)* | *RMB'000 (note 35)* | *RMB'000 (note 35)* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At January 1, 2018 | 178 | 8,701 | (32,011) | 195,184 | 13,523 | (727,181) | (541,606) | (467) | (542,073) |
| Loss for the year | – | – | – | – | – | (52,674) | (52,674) | (1,675) | (54,349) |
| Other comprehensive expense for the year: | | | | | | | | | |
| Exchange differences on translation of the financial statements of subsidiaries | – | – | – | – | (9,695) | – | (9,695) | – | (9,695) |
| Exchange differences on translation of the financial statements of the Company | – | – | – | – | (18,127) | – | (18,127) | – | (18,127) |
| Total comprehensive expense for the year | – | – | – | – | (27,822) | (52,674) | (80,496) | (1,675) | (82,171) |
| Capital injection into a subsidiary by non-controlling shareholders | – | – | – | – | – | – | – | 6,320 | 6,320 |
| At December 31, 2018 | 178 | 8,701 | (32,011) | 195,184 | (14,299) | (779,855) | (622,102) | 4,178 | (617,924) |

| | Attributable to owners of the parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Capital reserve | Other capital reserve* | Share option reserve | Exchange fluctuation reserve | Accumulated losses | Total | Non-controlling interests | Total deficit |
| | *RMB'000* (note 34) | *RMB'000* (note 35) | *RMB'000* (note 35) | *RMB'000* (note 35) | *RMB'000* (note 35) | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At January 1, 2019 | 178 | 8,701 | (32,011) | 195,184 | (14,299) | (779,855) | (622,102) | 4,178 | (617,924) |
| Loss for the year | – | – | – | – | – | (169,788) | (169,788) | 206 | (169,582) |
| Other comprehensive expense for the year: | | | | | | | | | |
| Exchange differences on translation of the financial statements of subsidiaries | – | – | – | – | (3,527) | – | (3,527) | – | (3,527) |
| Exchange differences on translation of the financial statements of the Company | – | – | – | – | (8,708) | – | (8,708) | – | (8,708) |
| Total comprehensive (expense)/income for the year | – | – | – | – | (12,235) | (169,788) | (182,023) | 206 | (181,817) |
| Capital injection into a subsidiary by non-controlling shareholders | – | – | – | – | – | – | – | 320 | 320 |
| At December 31, 2019 | 178 | 8,701 | (32,011) | 195,184 | (26,534) | (949,643) | (804,125) | 4,704 | (799,421) |

| | Attributable to owners of the parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital | Capital reserve | Other capital reserve* | Share option reserve | Exchange fluctuation reserve | Accumulated losses | Total | Non-controlling interests | Total deficit |
| | *RMB'000 (note 34)* | *RMB'000 (note 35)* | *RMB'000 (note 35)* | *RMB'000 (note 35)* | *RMB'000 (note 35)* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At January 1, 2020 | 178 | 8,701 | (32,011) | 195,184 | (26,534) | (949,643) | (804,125) | 4,704 | (799,421) |
| Loss for the year | – | – | – | – | – | (974,020) | (974,020) | 3,900 | (970,120) |
| Other comprehensive expense for the period: | | | | | | | | | |
| Exchange differences on translation of the financial statements of subsidiaries | – | – | – | – | 19,660 | – | 19,660 | – | 19,660 |
| Exchange differences on translation of the financial statements of the Company | – | – | – | – | 82,355 | – | 82,355 | – | 82,355 |
| Total comprehensive income/(expense) for the year | – | – | – | – | 102,015 | (974,020) | (872,005) | 3,900 | (868,105) |
| Shares issued upon exercise of share optionsvm | 64 | 45,078 | – | (40,355) | – | – | 4,787 | – | 4,787 |
| Declaration of special dividends (Note 40(c)(iv)) | – | – | (128,231) | (35,290) | – | – | (163,521) | – | (163,521) |
| Acquisition of non-controlling interests | – | – | (8,938) | – | – | – | (8,938) | 193 | (8,745) |
| Acquisition of subsidiaries | – | – | – | – | – | – | – | 590 | 590 |
| At December 31, 2020 | 242 | 53,779 | (169,180) | 119,539 | 75,481 | (1,923,663) | (1,843,802) | 9,387 | (1,834,415) |

* The other capital reserve of the Group represents the difference between the aggregate value of the net assets of the non-controlling interests acquired and the consideration paid by the Group for the acquisition of the non-controlling interests.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | *Notes* | **2018** | **2019** | **2020** |
|---|---|---|---|---|
| | | *RMB'000* | *RMB'000* | *RMB'000* |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | |
| Loss before tax: | | (59,415) | (168,605) | (962,352) |
| Adjustments for: | | | | |
| Bank interest income | *6* | (1,523) | (2,773) | (1,377) |
| Interest income from wealth management assets | *6* | (1,035) | (321) | (278) |
| Foreign exchange losses, net | *7* | 40 | 12 | 125 |
| Finance costs | *9* | 4,189 | 3,536 | 2,327 |
| Share of profits and losses of associates | | – | – | (562) |
| Fair value (losses)/gains on financial assets at FVTPL | *6* | 13 | (81) | 59 |
| Fair value losses on financial liabilities at FVTPL: | | | | |
| - Convertible redeemable preferred shares | *32* | 51,095 | 179,466 | 891,434 |
| - Convertible bonds | *33* | 22,107 | 43,442 | 155,161 |
| Losses on disposal of property, plant and equipment and other intangible assets | *7* | 122 | 47 | 231 |
| Depreciation of property, plant and equipment | *15* | 22,505 | 26,147 | 34,471 |
| Depreciation of right-of-use assets | *31* | 14,484 | 15,432 | 15,243 |
| Amortization of other intangible assets | *16* | 783 | 1,023 | 1,081 |
| Impairment losses, net of reversal: | | | | |
| - Inventories | *7* | 814 | 1,743 | 1,755 |
| - Financial assets under expected credit losses ("ECL") model | *7* | 5,270 | 3,466 | 6,943 |
| | | 59,449 | 102,534 | 144,261 |
| Increase in inventories | | (4,262) | (11,875) | (4,166) |
| Increase in trade and bills receivables | | (51,774) | (39,953) | (79,510) |
| Increase in prepayments, deposits and other receivables | | (1,836) | (7,126) | (9,396) |
| Increase in trade and bills payables | | 26,381 | 18,578 | 14,439 |
| Increase in other payables and accruals | | 29,213 | 43,062 | 23,708 |
| Increase/(decrease) in contract liabilities | | 695 | 952 | (1,079) |
| Decrease in deferred income | | (770) | (989) | (202) |
| (Increase)/decrease in pledged deposits | | (400) | 80 | (1,488) |
| Cash generated from operations | | 56,696 | 105,263 | 86,567 |
| Income tax paid | | (2,801) | (5,815) | (13,105) |
| Net cash flows from operating activities | | 53,895 | 99,448 | 73,462 |

| | *Notes* | **2018** | **2019** | **2020** |
|---|---|---|---|---|
| | | *RMB'000* | *RMB'000* | *RMB'000* |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | |
| Interest received | | 1,524 | 2,756 | 1,342 |
| Interest income from wealth management assets | | 1,035 | 321 | 313 |
| Purchases of property, plant and equipment | | (58,260) | (38,351) | (23,200) |
| Purchases of other intangible assets | | (2,196) | (3,405) | (3,585) |
| Advances loans to related parties | | (50) | (31,000) | (7,291) |
| Repayment from related parties | | 50 | – | 6,861 |
| Purchase of wealth management products | | (136,050) | (163,500) | (390,500) |
| Disposal of wealth management products | | 114,500 | 185,550 | 295,000 |
| Proceeds from disposal of property, plant and equipment | | 3,739 | 82 | 36 |
| Acquisition of subsidiaries | *37* | – | – | 814 |
| Receipt of government grants for property, plant and equipment | | 2,000 | – | - |
| Investment in an associate | *17* | – | – | (1,750) |
| Net cash flows used in investing activities | | (73,708) | (47,547) | (121,960) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | |
| New bank loans and other borrowings | | 20,000 | 54,750 | 70,000 |
| Repayment of bank loans and other borrowings | | (20,000) | (54,750) | (30,000) |
| Proceeds from issue of convertible redeemable preferred shares | *32* | – | – | 858,909 |
| Acquisition of partial interests of subsidiaries from non-controlling shareholders | | – | – | (8,745) |
| Proceeds from exercise of share options | | – | – | 4,787 |
| Advances from employees | | – | – | 11,144 |
| Interest paid | | (1,940) | (1,663) | (734) |
| Issue costs paid | | – | – | (713) |
| Lease payments | | (7,461) | (17,559) | (18,599) |
| Payments of special dividends | *40(c)(iv)* | – | – | (34,124) |
| Contribution from non-controlling shareholders | | 6,320 | 320 | - |
| Net cash flows (used in)/from financing activities | | (3,081) | (18,902) | 851,925 |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | (22,894) | 32,999 | 803,427 |
| Cash and cash equivalents at beginning of year | | 49,288 | 26,620 | 59,510 |
| Effect of foreign exchange rate changes, net | | 226 | (109) | (21,710) |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | | 26,620 | 59,510 | 841,227 |

## STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

| | *Notes* | **2018** | **2019** | **2020** |
|---|---|---|---|---|
| | | *RMB'000* | *RMB'000* | *RMB'000* |
| NON-CURRENT ASSETS | | | | |
| Prepayments, deposits and other receivables | *23* | 2,098 | – | – |
| Amounts due from related parties | *40* | 13,895 | – | – |
| Investments in subsidiaries | *19* | 225,786 | 225,786 | 456,078 |
| Total non-current assets | | 241,779 | 225,786 | 456,078 |
| CURRENT ASSETS | | | | |
| Prepayments, deposits and other receivables | *23* | 19 | 1,737 | 6,307 |
| Amount due from a subsidiary | *40* | 206,893 | 210,277 | 462,864 |
| Amounts due from related parties | *40* | – | 14,541 | 165 |
| Cash and cash equivalents | *24* | 154 | 157 | 738,834 |
| Total current assets | | 207,066 | 226,712 | 1,208,170 |
| CURRENT LIABILITIES | | | | |
| Amount due to a subsidiary | *40* | – | – | 49,002 |
| Other payables and accruals | | – | 8 | 33,941 |
| Amount due to a related party | *40* | – | – | 65,249 |
| Convertible redeemable preferred shares | *32* | 615,672 | 807,528 | – |
| Total current liabilities | | 615,672 | 807,536 | 148,192 |
| NON-CURRENT LIABILITIES | | | | |
| Convertible redeemable preferred shares | *32* | – | – | 2,854,390 |
| Total non-current liabilities | | – | – | 2,854,390 |
| Net liabilities | | (166,827) | (355,038) | (1,338,334) |
| DEFICIENCY IN EQUITY | | | | |
| Share capital | *34* | 178 | 178 | 242 |
| Reserves | *35* | (167,005) | (355,216) | (1,338,576) |
| Total deficit | | (166,827) | (355,038) | (1,338,334) |

## II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

### 1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on August 24, 2007. The registered address of the office of the Company is P.O. Box 472, 2nd Floor, Harbour Place, 103 South Church Street, George Town, Grand Cayman KY1-1106, Grand Cayman.

The Company is an investment holding company. During the Relevant Periods, the major subsidiaries of the Company were principally engaged in the provision of clinical testing services in the People's Republic of China (the "PRC").

As of the date of this report, the Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

| Name | Notes | Date and place of incorporation/ registration and place of operations | Issued ordinary share/registered capital | Percentage of equity attributable to the Company | | Principal activities |
|---|---|---|---|---|---|---|
| | | | | Direct | Indirect | |
| Kindstar Globalgene (HK) Limited | *(a)* | Hong Kong 30-Aug-2007 | HKD10,000 | 100% | – | Investment holding |
| Kindstar Singapore Holdings PTE. Ltd. | *(a)* | Singapore 11-Sep-2019 | US$1 | 100% | – | Investment holding |
| 康聖環球(北京)醫學技術有限公司 Kindstar Global (Beijing) Technology Co., Ltd.* ("Kindstar Beijing WFOE") | *(a)* | PRC/Mainland China 20-Nov-2007 | RMB121,000,000 | – | 100% | Investment holding |
| 武漢康聖達醫學檢驗所有限公司 Wuhan Kindstar Medical Laboratory Co., Ltd. * ("Wuhan Kindstar") | *(a)* | PRC/Mainland China 8-Aug-2003 | RMB6,900,000 | – | 100% | Clinical testing services |
| 北京海思特醫學檢驗實驗室有限公司 Beijing Hightrust Medical Laboratory Co., Ltd.* ("Beijing Hightrust") | *(a)* | PRC/Mainland China 26-Aug-2005 | RMB20,000,000 | – | 100% | Clinical testing services |
| 上海新培晶醫學檢驗所有限公司 Shanghai SimpleGene Medical Laboratory Co., Ltd.* ("Shanghai SimpleGene") | *(a)* | PRC/Mainland China 28-Sep-2004 | RMB20,000,000 | – | 100% | Clinical testing services |
| 新疆康聖達醫嘉利醫學檢驗所(有限公司) Xinjiang Kindstar Yijiali Medical Laboratory Co., Ltd. * ("Xinjiang Kindstar") | *(a)* | PRC/Mainland China 6-Apr-2017 | RMB16,000,000 | – | 57% | Clinical testing services |
| 四川華西康聖達醫學檢驗有限公司 Sichuan Huaxi Kindstar Medical Laboratory Co., Ltd. * ("Huaxi kindstar") | *(b)* | PRC/Mainland China 29-Dec-2017 | RMB10,000,000 | – | 60% | Clinical testing services |
| 成都聖元醫學檢驗實驗室有限公司 Chengdu Shengyuan Medical Laboratory Co., Ltd.* ("Chengdu Shengyuan") | *(a)(c)* | PRC/Mainland China 16-Oct-2018 | RMB5,000,000 | – | 65% | Clinical testing services |
| 康聖環球(武漢)醫學特檢技術有限公司 Kindstar Global (Wuhan) Medical Esoteric Technology Co., Ltd. ("Kindstar Global Wuhan") | *(a)(d)* | PRC/Mainland China 05-Sep-2017 | RMB10,100,000 | – | 100% | Investment holding |
| 天津康聖達醫學檢驗實驗室有限公司 Tianjin Kindstar Medical Laboratory Co., Ltd.* ("Tianjin Kindstar") | *(a)(e)* | PRC/Mainland China 27-Oct-2017 | RMB5,000,000 | – | 90% | Clinical testing services |
| 上海希諾醫學檢驗實驗室有限公司 Shanghai Xinuo Medical Laboratory Co., Ltd. ("Shanghai Xinuo") | *(a)(f)* | PRC/Mainland China 15-Oct-2019 | RMB5,000,000 | – | 80% | Clinical testing services |

| Name | Notes | Date and place of incorporation/ registration and place of operations | Issued ordinary share/registered capital | Percentage of equity attributable to the Company | | Principal activities |
|---|---|---|---|---|---|---|
| | | | | Direct | Indirect | |
| 廣州希諾醫學檢驗實驗室有限公司 Guangzhou Xinuo Medical Laboratory Co., Ltd. ("Guangzhou Xinuo") | *(a)(f)* | PRC/Mainland China 10-Oct-2019 | RMB10,000,000 | – | 80% | Clinical testing services |
| 康聖環球醫學科技(武漢)有限公司 Kindstar Global Medical Technology (Wuhan) Co., Ltd. ("Kindstar Wuhan WFOE") | *(a)(g)* | PRC/Mainland China 11-Sep-2020 | RMB800,000,000 | – | 100% | Investment holding |
| 武漢康聖真源醫學檢驗所有限公司 Wuhan Kindstar Zhenyuan Medical Laboratory Co., Ltd ("Kindstar Zhenyuan") | *(a)(h)* | PRC/Mainland China 3-Feb-2021 | RMB10,000,000 | – | 70% | Clinical testing Service |

* The English names of these subsidiaries registered in the PRC represent the best efforts made by management of the Company to translate their Chinese names as these subsidiaries do not have official English names.

*Notes:*

(a) No audited financial statements have been prepared for this company since its incorporation/registration.

(b) The statutory financial statements of this entity for the years ended December 31, 2018, 2019 and 2020 prepared in accordance with PRC accounting principles and regulations were audited by Chengdu ZhongDa Certified Public Accountants, a certified public accounting firm registered in the PRC.

(c) On January 19, 2020, Kindstar Beijing WFOE entered into a series of contractual arrangements with Chengdu Shengyuan and their equity holders, which gives Kindstar Beijing WFOE and the Group the control over Chengdu Shengyuan. Chengdu Shengyuan are treated as an indirect subsidiary of the Company thereafter for accounting purpose. Further details of the acquisition are included in note 37(1) to the Historical Financial Information.

(d) On August 10, 2020, Kindstar Beijing WFOE entered into a series of contractual arrangements with Kindstar Global Wuhan and their equity holders, which gives Kindstar Beijing WFOE and the Group the control over Kindstar Global Wuhan. Kindstar Global Wuhan are treated as an indirect subsidiary of the Company thereafter for accounting purpose. Further details of the acquisition are included in note 40(c)(iii) to the Historical Financial Information.

(e) During the year ended December 31, 2020, the Group acquired Tianjin Kindstar. Further details of the acquisition are included in note 37(2) to the Historical Financial Information.

(f) During the year ended December 31, 2020, the Group acquired Shanghai Xinuo and Guangzhou Xinuo. Further details of the acquisition are included in note 40(c)(ii) to the Historical Financial Information.

(g) Kindstar Wuhan WFOE is registered as a wholly-owned-foreign enterprise under PRC law.

(h) On February 3, 2021, Kindstar Zhenyuan was established under the laws of the PRC with a registered capital of RMB10 million.

## 2.1 BASIS OF PREPARATION

Notwithstanding that the Group recorded net liabilities of 【RMB1,834,415,000】 as at December 31, 2020 and continually incurred losses from operations, the Historical Financial Information has been prepared on a going concern basis. The directors of the Company are of the opinion that the Group will have sufficient working capital, to meet its financial liabilities and obligations as and when they fall due and to sustain its operations for the next 12 months from December 31, 2020 because the convertible redeemable preferred shares would not be contractually redeemable within the next 12-month period.

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB").

All IFRSs effective for the accounting period commencing on/before January 1, 2020, including IFRS 9 *Financial Instruments*, IFRS 15 *Revenue from Contracts with Customers*, and IFRS 16 *Leases*, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets at FVTPL and financial liabilities at FVTPL which have been measured at fair value.

**Basis of consolidation**

The historical financial information includes the financial statements of the Group for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

**Contractual arrangements**

Wuhan Kindstar and its subsidiaries, Kindstar Global Wuhan and its subsidiaries (collectively, the "PRC Operating Entities") are engaged in the medical esoteric diagnostic testing service. Due to the restrictions imposed by the relevant laws and regulatory regime of the PRC on foreign ownership of companies engaging in the medical esoteric diagnostic testing services carried out by subsidiaries of the Group, Kindstar Beijing WFOE entered into a series of contractual arrangements with Wuhan Kindstar and their equity holders on February 12, 2010 and with Kindstar Global Wuhan and its equity holders on August 10, 2020.

The contractual arrangements enable Kindstar Beijing WFOE to exercise effective control over the PRC Operating Entities and, accordingly, Kindstar Beijing WFOE has rights to variable returns from its involvement with the PRC Operating Entities and has the ability to affect those returns through its power over the PRC Operating Entities. Accordingly, the Company regards the PRC Operating Entities as indirect subsidiaries for the purpose of the Historical Financial Information and the historical financial information of the PRC Operating Entities are combined in the Historical Financial Information for the Relevant Periods. Details of the contractual arrangements are disclosed in the section headed "Contractual Arrangements" in the Document.

## 2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

| | |
|---|---|
| Amendments to IFRS 3 | *Reference to the Conceptual Framework*[6] |
| Amendments to IFRS 4 | *Extension of the Temporary Exemption from Applying IFRS 9*[4] |
| Amendments to IFRS 10 and IAS 28 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[5] |
| IFRS 17 | *Insurance Contracts*[4] |
| Amendment to IFRS 16 | *Accounting for COVID-19 Related Rent Concessions*[1] |
| Amendments to IFRS 17 | *Insurance Contracts*[4,7] |
| Amendments to IAS 1 | *Classification of Liabilities as Current or Non-current*[4] |
| Amendments to IAS 16 | *Property, Plant and Equipment: Proceeds before Intended Use*[3] |
| Amendments to IAS 37 | *Onerous Contracts- Cost of Fulfilling a Contract*[3] |
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. | *Interest Rate Benchmark Reform – Phase 2*[2] |
| Annual Improvements to IFRS Standards 2018-2020 | Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41[3] |

*Notes:*

1 Effective for annual periods beginning on or after June 1, 2020

2 Effective for annual periods beginning on or after January 1, 2021

3 Effective for annual periods beginning on or after January 1, 2022

4 Effective for annual periods beginning on or after January 1, 2023

5 No mandatory effective date yet determined but available for adoption

6 Business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after January 1, 2022.

7 As a consequence of the amendments to IFRS 17 issued in October 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before January 1, 2023

Amendments to IAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after January 1, 2023 and shall be applied retrospectively. Earlier application is permitted. As the convertible redeemable preferred shares will be automatically converted into common shares upon **[REDACTED]** which is expected to be earlier than **[REDACTED]**, the management expects the amendments to IAS 1 will not have a significant effect on the Group's financial performance and financial position.

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application. So far, the Group has expected that these standards will not have a significant effect on the Group's financial performance and financial position.

## 2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognized at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognized in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at December 31. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

**Fair value measurement**

The Group measures certain financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting periods.

**Impairment of non-financial assets**

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined

(net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

**Related parties**

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and 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 of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group 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); and

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

**Property, plant and equipment and depreciation**

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

| | |
|---|---|
| Laboratory equipment | 9.50% – 31.68% |
| Other equipment | 9.50% – 31.68% |
| Transportation equipment | 19.00% |
| Leasehold improvements | 10.00% – 33.33% |

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

**Other intangible assets (other than goodwill)**

Other intangible assets acquired separately are measured on initial recognition at cost. The cost of other intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of other intangible assets are assessed to be either finite or indefinite. Other intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the other intangible assets may be impaired. The amortization period and the amortization method for other intangible assets with a finite useful life are reviewed at least at each financial year end.

Other intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such other intangible assets are not amortized. The useful life of other intangible assets with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

***Computer software***

Acquired and self-developed software is stated at historical cost less amortization. Acquired computer software is capitalized on the basis of the costs incurred to acquire and bring to use the specific software, and is amortized on a straight-line basis over the useful life of 2 to 5 years.

The estimated useful life of other intangible assets is determined by considering the period of the economic benefits to the Group or the periods of validity of intangible assets protected by the relevant laws, as well as by referring to the industry practice.

**Research and development costs**

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalized 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, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the Group's ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortized using the straight-line basis over the commercial lives of the underlying products not exceeding 5 years from the date when the products are put into commercial production.

**Leases**

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

**Group as a lessee**

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

At inception or on reassessment of a contract that contains a lease component and non-lease component(s), the Group adopts the practical expedient not to separate non-lease component(s) and to account for the lease component and the associated non-lease component(s) (e.g., property management services for leases of properties) as a single lease component.

(a) *Right-of-use assets*

The Group recognizes right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated

depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

| | |
|---|---|
| Properties | 2 to 6 years |
| Equipment | 2 to 5 years |

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) *Lease liabilities*

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that is considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

**Financial assets**

***Initial recognition and measurement***

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at FVTPL.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

***Subsequent measurement***

The subsequent measurement of financial assets depends on their classification as follows:

***Financial assets at amortized cost (debt instruments)***

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in profit or loss when the asset is derecognized, modified or impaired.

***Financial assets at* FVTPL**

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognized in profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at FVTPL are also recognized as other income in profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVTPL. Embedded derivatives are measured at fair value with changes in fair value recognized in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the FVTPL category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVTPL.

**Derecognition of financial assets**

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

**Impairment of financial assets**

The Group recognizes an allowance for ECLs for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

***General approach***

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 30 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

***Simplified approach***

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

**Financial liabilities**

***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and bills payables, other payables and accruals, interest-bearing bank borrowings, amounts due to related parties, convertible redeemable preferred shares, convertible bonds and lease liabilities.

***Subsequent measurement***

The subsequent measurement of financial liabilities depends on their classification as follows:

***Financial liabilities at* FVTPL**

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities designated upon initial recognition as at FVTPL are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at FVTPL are recognized in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to profit or loss. The net fair value gain or loss recognized in profit or loss does not include any interest charged on these financial liabilities.

***Financial liabilities at amortized cost (loans and borrowings)***

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in profit or loss.

***Derecognition of financial liabilities***

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in profit or loss.

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

**Derivative financial instruments**

***Initial recognition and subsequent measurement***

The Group uses derivative financial instruments, such as warrants. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss.

**Inventories**

Inventories are stated at the lower of cost and net realizable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labor and an appropriate proportion of overheads. Net realizable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

**Cash and cash equivalents**

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including time deposits, and assets similar in nature to cash, which are not restricted as to use.

**Provisions**

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

**Income tax**

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each reporting period and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

**Government grants**

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received, and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual installments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

**Revenue recognition**

***Revenue from contracts with customers***

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

**Clinical testing service**

The Group earns revenue by providing specialized diagnostic testing to hospitals or, through them, individual patient customers based on a written test requisition form. The services period of each specialized diagnostic testing is generally within two to seven business days.

Revenue from clinical testing service is recognized at a point in time when control of the asset is transferred to the customer, generally on delivery of the testing report.

**Testing services for R&D projects and others**

The Group generally enters into contracts with contract research organizations, sponsors of clinical trials, pharmaceutical and medical device companies and research institutes to provide research and clinical trial services ranging in duration from one month to several years.

Revenue from testing services for R&D projects and others is recognized overtime when the Group has an enforceable right to payment for performance completed to date. The progress of research services is measured based on outputs to the satisfaction of related performance obligation of research services (output method). In an output method, revenue is determined by multiplying that percentage of the actual units of output achieved by the total contract value.

**Other income**

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Other income from the sale of reagents relating to COVID-19 is recognized at the point in time when control of the asset is transferred to the customer, generally on acceptance of the reagents by the customer.

Consulting service income is recognized at the point in time when the service for the transaction is completed under the terms of each contract.

**Contract liabilities**

A contract liability is recognized when a payment is received, or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognized as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

**Share-based payments**

The Company operates share award scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is computed based on their most recent post-money valuations.

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

**Other employee benefits**

***Pension scheme***

The employees of the Group's subsidiaries which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are

required to contribute a certain percentage of its 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.

The Group contributes on a monthly basis to various defined contribution plans organized by the relevant governmental authorities in various areas other than Mainland China. The Group's liability in respect of these plans is limited to the contributions payable at the end of each period. Contributions to these plans are expensed as incurred.

***Housing fund – Mainland China***

The Group contributes on a monthly basis to a defined contribution housing fund plan operated by the local municipal government. Contributions to this plan by the Group are expensed as incurred.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

**Foreign currencies**

The Historical Financial Information is presented in RMB, which is different from the Company's functional currency, United States dollar ("US$"). As the major revenues and assets of the Group are derived from operations in Mainland China, RMB is chosen as the presentation currency to present the Historical Financial Information. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each reporting period. Differences arising on settlement or translation of monetary items are recognized in profit or loss

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognized in other comprehensive income or profit or loss is also recognized in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of each reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year or period.

The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

**Investments in an associate**

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in an associate are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of an associate is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and its an associate are eliminated to the extent of the Group's investments in the an associate, except where unrealized losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of an associate is included as part of the Group's investments in an associate.

Upon loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in profit or loss.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

## 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

**Estimation uncertainty**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

***Provision for expected credit losses of trade and bills receivables***

The Group uses a provision matrix to calculate ECLs for trade and bills receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic products) are expected to deteriorate over the next year which can lead to an increased number of defaults in the healthcare service sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade and bills receivables is disclosed in notes 22 and 43 to the Historical Financial Information, respectively.

***Deferred tax assets***

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying values of deferred tax assets relating to recognized tax losses at December 31, 2018, 2019 and 2020 were RMB5,000,000, RMB3,348,000 and RMB2,086,000, respectively. Further details are given in note 30 to the Historical Financial Information.

***Fair value of financial instruments***

The convertible redeemable preferred shares and convertible bonds issued by the Group are not traded in an active market and the respective fair values are determined by using valuation techniques, including Black-Scholes option pricing model.

The fair values of convertible redeemable preferred shares at December 31, 2018, 2019 and 2020 were RMB615,672,000, RMB807,528,000 and RMB2,854,390,000 respectively. Further details are set out in note 32 to the Historical Financial Information.

The fair values of convertible bonds at December 31, 2018, 2019 and 2020 were RMB221,689,000, RMB265,131,000 and Nil respectively. Further details are set out in note 33 to the Historical Financial Information.

## 4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organized into business units based on their products and services and has nine reportable operating segments as follows:

(a) Hematology testing segment includes testing services related to blood diseases.

(b) Genetic diseases and rare diseases segment includes testing services from the rare disease.

(c) Infectious diseases segment includes testing services from the infection department.

(d) Oncology segment includes testing related to oncology diseases.

(e) Neurology segment includes testing services related to neurological diseases undertaken by the Group.

(f) Maternity-related diseases segment includes testing services related to maternity.

(g) COVID-19 related testing segment includes testing services related to COVID-19.

(h) Routine testing segment conducts routine tests for the doctors' daily diagnoses.

(i) The "others" segment includes testing services for R&D projects and others and miscellaneous services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from continuing operations. The adjusted profit/loss before tax from continuing operations is measured consistently with the Group's profit before tax except that other income and gains, administrative expenses, research and development costs, other expenses, finance costs, **[REDACTED]** expenses and fair value loss on

financial liabilities at FVTPL are excluded from such measurement. No analysis of segment assets and liabilities is presented as management does not regularly review such information for the purposes of resource allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

**For the year ended December 31, 2018**

| Segments | Hematology Testing | Genetic diseases and rare diseases | Infectious diseases | Oncology | Neurology | Maternity-related diseases | Routine testing | Others | Total |
|---|---|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Segment revenue:** | | | | | | | | | |
| Sales to external customers | 406,692 | 32,492 | 53,708 | 7,204 | 60,217 | 62,204 | 78,925 | 4,760 | 706,202 |
| **Segment results :** | 103,039 | (1,165) | 7,284 | 121 | 3,038 | 3,843 | 13,516 | (808) | 128,868 |
| ***Reconciliation:*** | | | | | | | | | |
| Other income and gains | | | | | | | | | 13,829 |
| Administrative expenses | | | | | | | | | (41,890) |
| Research and development costs | | | | | | | | | (73,583) |
| Other expenses | | | | | | | | | (9,248) |
| Finance costs | | | | | | | | | (4,189) |
| Fair value loss on financial liabilities at FVTPL | | | | | | | | | (73,202) |
| **Group's loss before tax** | | | | | | | | | (59,415) |

**For the year ended December 31, 2019**

| Segments | Hematology Testing | Genetic diseases and rare diseases | Infectious diseases | Oncology | Neurology | Maternity-related diseases | Routine testing | Others | Total |
|---|---|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Segment revenue:** | | | | | | | | | |
| Sales to external customers | 482,833 | 41,610 | 64,422 | 6,786 | 81,196 | 64,122 | 82,438 | 9,384 | 832,791 |
| **Segment results :** | 136,991 | 1,551 | 12,427 | 271 | 10,569 | 5,362 | 8,387 | 2,057 | 177,615 |
| ***Reconciliation:*** | | | | | | | | | |
| Other income and gains | | | | | | | | | 16,870 |
| Administrative expenses | | | | | | | | | (48,734) |
| Research and development costs | | | | | | | | | (79,023) |
| Other expenses | | | | | | | | | (8,889) |
| Finance costs | | | | | | | | | (3,536) |
| Fair value loss on financial liabilities at FVTPL | | | | | | | | | (222,908) |
| **Group's loss before tax** | | | | | | | | | (168,605) |

**For the year ended December 31, 2020**

| Segments | Hematology Testing | Genetic diseases and rare diseases | Infectious diseases | Oncology | Neurology | Maternity-related diseases | COVID-19 related testing | Routine testing | Others | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Segment revenue:** | | | | | | | | | | |
| Sales to external customers | 469,329 | 36,177 | 50,441 | 7,597 | 76,042 | 52,119 | 117,851 | 67,540 | 14,295 | 891,391 |
| **Segment results:** | 131,894 | 2,398 | 7,343 | 456 | 12,597 | 3,536 | 44,608 | 5,196 | 4,432 | 212,460 |
| ***Reconciliation:*** | | | | | | | | | | |
| Other income and gains | | | | | | | | | | 39,598 |
| Administrative expenses | | | | | | | | | | (52,320) |
| Research and development costs | | | | | | | | | | (75,282) |
| Other expenses | | | | | | | | | | (22,382) |
| Finance costs | | | | | | | | | | (2,327) |
| **[REDACTED]** expenses | | | | | | | | | | (15,504) |
| Fair value loss on financial liabilities at FVTPL | | | | | | | | | | (1,046,595) |
| **Group's loss before tax** | | | | | | | | | | (962,352) |

**Geographical information**

Since nearly all of the Group's non-current assets were located in Mainland China, no geographical segment information is presented in accordance with IFRS 8 *Operating Segments*.

**Information about major customers**

No information about major customers is presented as there was no single customer from which over 10% or more of the Group's revenue was derived during the Relevant Periods.

## 5. REVENUE

An analysis of revenue is as follows:

**Revenue from contracts with customers**

**(i) Disaggregated revenue information**

| | Year ended December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Types of services | | | |
| Clinical testing service – at a point in time | 704,315 | 826,996 | 882,962 |
| Testing services for R&D projects and others – over time | 1,887 | 5,795 | 8,429 |
| Total revenue from contracts with customers | 706,202 | 832,791 | 891,391 |

The following table shows the amounts of revenue recognized during the Relevant Periods that were included in the contract liabilities at the beginning of each reporting period and recognized from performance obligations satisfied in previous periods:

| | Year ended December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Revenue recognized that was included in the contract liabilities balance at the beginning of year: | | | |
| Clinical testing service | 571 | 491 | 577 |
| Testing services for R&D projects and others | 277 | 634 | 3,076 |
| | 848 | 1,125 | 3,653 |

**(ii) Performance obligations**

***Clinical testing service***

The performance obligation is satisfied upon delivery of the testing report and the payment is generally due within 30 days from the date of billing, except for individual customers, where payment in advance is normally required.

***Testing services for R&D projects and others***

Under testing services for R&D projects and others, revenue is recognized at the amount to which the Group has the right to invoice for services performed. Therefore, under practical expedient allowed by IFRS 15, the Group does not disclose the value of unsatisfied performance obligation.

## 6. OTHER INCOME AND GAINS

| | | Year ended December 31, | | |
|---|---|---|---|---|
| | | **2018** | **2019** | **2020** |
| | | *RMB'000* | *RMB'000* | *RMB'000* |
| **Other income and gains** | | | | |
| Bank interest income | | 1,523 | 2,773 | 1,377 |
| Other interest income from loans to key management and employee | *40* | 1,161 | 1,682 | 1,826 |
| Government grants related to | | | | |
| - Assets* | | 589 | 989 | 3,346 |
| - Income** | | 3,903 | 4,815 | 15,392 |
| Revenue from sale of reagents relating to COVID-19 | | – | – | 11,902 |
| Consulting service income | | 1,578 | 2,135 | 900 |
| Interest income from wealth management assets | | 1,035 | 321 | 278 |
| Fair value (losses)/gains on financial assets at FVTPL | | (13) | 81 | (59) |
| Share of profits and losses of associates | | – | – | 562 |
| Others | | 4,053 | 4,074 | 4,074 |
| | | 13,829 | 16,870 | 39,598 |

* The Group has received certain government grants related to assets to invest in laboratory equipment. The grants related to assets were recognized in profit or loss over the useful lives of the relevant assets.

** The government grants and subsidies related to income have been received to compensate for the Group's costs. Certain of the grants related to income have future related costs expected to be incurred and require the Group to comply with conditions attached to the grants and the government to acknowledge the compliance of these conditions. These grants related to income are recognized in profit or loss on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. Other government grants related to income that are received as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs recognized in profit or loss in the period in which they become receivable. There are no unfulfilled conditions or contingencies relating to these government grants.

## 7. OTHER EXPENSE

| | Year ended December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Other expense** | | | |
| Impairment losses, net of reversal | | | |
| - Inventories | 814 | 1,743 | 1,755 |
| - Financial assets under ECL model | 5,270 | 3,466 | 6,943 |
| Bank charges | 1,487 | 1,713 | 1,580 |
| Purchases of reagents relating to COVID-19 | — | — | 7,868 |
| Foreign exchange losses, net | 40 | 12 | 125 |
| Losses on disposal of property, plant and equipment and other intangible assets | 122 | 47 | 231 |
| Others | 1,515 | 1,908 | 3,880 |
| | 9,248 | 8,889 | 22,382 |

## 8. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

| | | Year ended December 31, | | |
|---|---|---|---|---|
| | *Notes* | **2018** | **2019** | **2020** |
| | | *RMB'000* | *RMB'000* | *RMB'000* |
| Cost of inventories sold | | – | – | 7,868 |
| Cost of services provided | | 327,806 | 380,577 | 430,410 |
| Depreciation of property, plant and equipment | *15* | 22,556 | 26,219 | 34,546 |
| Less: Amount capitalized | | (51) | (72) | (75) |
| | | 22,505 | 26,147 | 34,471 |
| Depreciation of right-of-use assets | *31* | 14,484 | 15,432 | 15,243 |
| Amortization of other intangible assets | *16* | 783 | 1,023 | 1,081 |
| Research and development costs | | 73,583 | 79,023 | 75,282 |
| Auditor's remuneration | | 383 | 329 | 329 |
| **[REDACTED]** expenses | | – | – | 15,504 |
| Employee benefit expense (including director's benefit) | | | | |
| Salaries and other benefits | | 175,489 | 219,502 | 235,870 |
| Less: Amount capitalized | | (2,083) | (2,562) | (1,280) |

| | Notes | Year ended December 31, 2018 | 2019 | 2020 |
|---|---|---|---|---|
| | | *RMB'000* | *RMB'000* | *RMB'000* |
| | | 173,406 | 216,940 | 234,590 |
| Pension scheme contributions, social welfare and other welfare | | 35,083 | 40,273 | 28,957 |
| Less: Amount capitalized | | (150) | (200) | (147) |
| | | 34,933 | 40,073 | 28,810 |
| Lease payments not included in the measurement of lease liabilities | *31(c)* | 5,363 | 4,775 | 8,710 |
| Bank interest income | *6* | (1,523) | (2,773) | (1,377) |
| Finance costs | *9* | 4,189 | 3,536 | 2,327 |
| Foreign exchange losses/(gains), net | *7* | 40 | 12 | 125 |
| Fair value losses on convertible redeemable preferred shares | *32* | 51,095 | 179,466 | 891,434 |
| Fair value losses on convertible bonds | *33* | 22,107 | 43,442 | 155,161 |
| Interest income from wealth management assets | *6* | 1,035 | 321 | 278 |
| Fair value (losses)/gains on financial assets at FVTPL | *6* | (13) | 81 | (59) |
| Losses on disposal of items of property, plant and equipment and other intangible assets | *7* | 122 | 47 | 231 |
| Impairment losses on financial assets under ECL model | *7* | 5,270 | 3,466 | 6,943 |
| Write-down of inventories to net realizable value | *7* | 814 | 1,743 | 1,755 |

## 9. FINANCE COSTS

An analysis of finance costs is as follows:

| | Year ended December 31, 2018 | 2019 | 2020 |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Interest expenses on: | | | |
| Bank borrowings and other loans | 1,940 | 1,663 | 734 |
| Lease liabilities | 2,249 | 1,873 | 1,593 |
| | 4,189 | 3,536 | 2,327 |

## 10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

The remuneration of directors' and chief executive's remuneration for the Relevant Periods is set out below:

| | Year ended December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Fees | – | – | – |
| Other emoluments: | | | |
| Salaries, allowances and benefits in kind | 605 | 711 | 834 |
| Performance related bonuses | 50 | 61 | 107 |
| | *655* | *772* | *941* |

| **Year ended December 31, 2018** | **Salaries, allowances and benefits in kind** | **Performance related bonuses** | **Total remuneration** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Directors | | | |
| Mr. Huang Shi-ang(Note (g)) | 605 | 50 | 655 |
| Mr. Chang Ka Ki (Note (a)) | – | – | – |
| Mr. Tang Long Sing (Note (b)) | – | – | – |
| Mr. Tucker Barrett Harrington (Note (c)) | – | – | – |
| Mr. Lu Changchi (Note (d)) | – | – | – |
| Mr. Huang Zuie-Chin (Note (e)) | – | – | – |
| | *605* | *50* | *655* |

| **Year ended December 31, 2019** | **Salaries, allowances and benefits in kind** | **Performance related bonuses** | **Total remuneration** |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Directors | | | |
| Mr. Huang Shi-ang(Note (g)) | 711 | 61 | 772 |
| Mr. Chang Ka Ki (Note (a)) | – | – | – |
| Mr. Tang Long Sing (Note (b)) | – | – | – |
| Mr. Tucker Barrett Harrington (Note (c)) | – | – | – |
| Mr. Lu Changchi (Note (d)) | – | – | – |
| Mr. Huang Zuie-Chin (Note (e)) | – | – | – |
| | 711 | 61 | 772 |

| Year ended December 31, 2020 | Salaries, allowances and benefits in kind | Performance related bonuses | Total remuneration |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Directors | | | |
| Mr. Huang Shi-ang(Note (h)) | 732 | 67 | 799 |
| Mr. Tu Zanbing(Note (i)) | 62 | – | 62 |
| Ms. Chai Haijie(Note (j)) | 40 | 40 | 80 |
| Mr. Peng Wei(Note (k)) | – | – | – |
| Ms. Huang Lu(Note (f)) | – | – | – |
| Mr. Huang Zuie-Chin (Note (e)) | – | – | – |
| Ms. Lu Jiawei (Note (g)) | – | – | – |
| | 834 | 107 | 941 |

*Notes:*

(a) Mr. Chang Ka Ki was appointed as a director of the Company with effect from August 24, 2007 and resigned on September 9, 2020.

(b) Mr. Tang Long Sing was appointed as a director of the Company with effect from August 24, 2007 and resigned on September 9, 2020.

(c) Mr. Tucker Barrett Harrington was appointed as a director of the Company with effect from February 25, 2011 and resigned on September 8, 2020.

(d) Mr. Lu Changchi was appointed as a director of the Company with effect from January 16, 2012 and resigned on December 13, 2020.

(e) Mr. Huang Zuie-Chin was appointed as a director of the Company with effect from January 30, 2012.

(f) Ms. Huang Lu was appointed as a director of the Company with effect from September 9, 2020 .

(g) Ms. Lu Jiawei was appointed as a director of the Company with effect from September 9, 2020 and resigned on December 4, 2020.

(h) Mr. Huang Shi-ang was appointed as a director of the Company with effect from February 22, 2011. Mr.Huang Shi-ang is also the chief executive officer of the Company and his remuneration disclosed above included the services rendered by him as the chief executive

(i) Mr. Tu Zanbing was appointed as a director of the Company with effect from December 4, 2020

(j) Ms. Chai Haijie was appointed as a director of the Company with effect from December 4, 2020

(k) Mr. Peng Wei was appointed as a director of the Company with effect from October 27, 2020

In addition to the emoluments shown above, Mr. Huang Shi-ang was granted certain management loans with maximum carrying amounts of RMB29,522,000 ,RMB60,169,000 and RMB59,953,000 as at

31 December 2018, 2019 and 2020, respectively. During the years ended 31 December 2018,2019 and 2020, deemed interest income of RMB978,000 and RMB1,486,000 and RMB1,668,000 were recognised as management compensation in the respective consolidated statements of profit or loss and other comprehensive income. The loan has been fully repaid by the end of 2020. Further details are set out in note 40(c)(iv) to the Historical Financial Information.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

## 11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group were neither a director nor chief executive of the Company during the Relevant Periods. Details of the remuneration of the five highest paid employees are as follows:

| | Year ended December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Salaries, allowances and benefits in kind | 2,792 | 2,789 | 2,914 |
| Performance related bonuses | 2,137 | 2,555 | 2,380 |
| Pension scheme contributions | 408 | 403 | 195 |
| | *5,337* | *5,747* | *5,489* |

The number of the five highest paid employees whose remuneration fell within the following bands is as follows:

| | Year ended December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| Nil to HKD1,000,000 | 3 | 2 | 1 |
| HKD1,000,001 to HKD1,500,000 | – | 2 | 3 |
| HKD1,500,001 to HKD2,000,000 | 2 | 1 | 1 |
| | 5 | 5 | 5 |

During the Relevant Periods, no highest paid employees waived or agreed to waive any remuneration and no remuneration was paid by the Group to any of the five highest paid employees as an inducement to join or upon joining the Group or as compensation for loss of office.

In prior years, share options were granted to a non-director and non-chief executive highest paid employee in respect his services to the Group, further details of which are included in the disclosures in note

36 to the financial statements. The fair value of such options, which has been recognized in profit or loss over the vesting period, was determined as at the date of grant.

## 12. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

**Cayman Islands**

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains.

**Singapore**

No provision for Singapore profits tax has been made as the Group had no operating activity in Singapore during Relevant Periods. The subsidiary incorporated in Singapore was subject to income tax at the rate of 17% on the estimated assessable profits arising in Singapore during the Relevant Periods.

**Hong Kong**

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Relevant Periods. The subsidiary which operates in Hong Kong at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year.

***Mainland China***

Pursuant to the Corporate Income Tax Law of the PRC and the respective regulations (the "CIT Law"), the subsidiaries which operate in Mainland China are subject to CIT at a rate of 25% on the taxable income except those which are subject to tax concession as set out below:

| Entity | | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Wuhan Kindstar | *1* | 15% | 15% | 15% |
| Beijing Hightrust | *2* | 15% | 15% | 15% |
| Shanghai SimpleGene | *3* | 25% | 15% | 15% |
| Xinjiang Kindstar | *4,5* | 15% | *note5* | *note5* |
| Huaxi kindstar | *4,5* | 15% | *note5* | *note5* |
| Chengdu Shengyuan | *4,5* | 15% | *note5* | *note5* |

*Notes:*

(1) In 2016, Wuhan Kindstar was accredited as a "High and New Technology Enterprise"("HNTE") for a period of three years from 2016 to November 2018. Wuhan Kindstar subsequently renewed its HNTE qualification in 2019, and is entitled to a preferential CIT rate of 15% from 2019 to 2021. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

(2) In 2014, Beijing Hightrust was accredited as a HNTE for a period of three years from 2014 to 2016. Beijing Hightrust subsequently renewed its HNTE qualification in 2017 and 2020, and was entitled to a preferential CIT rate of 15% from 2017 to 2019 and 2020 to 2022, respectively. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

(3) Shanghai SimpleGene was accredited as a HNTE in 2019 and therefore Shanghai SimpleGene was entitled to a preferential CIT rate of 15% from Year 2019 to 2021. This qualification is subject to review by the relevant tax authority in the PRC for every three years.

(4) Under the policies for the Grand Western Development Program, the Group's subsidiaries incorporated in Western China (Xinjiang Kindstar, Huaxi kindstar and Chengdu Shengyuan) were subject to corporate tax at 15% in the year 2018. The rate applied to companies located in Western China which engaged in the encouraged industries listed in the Grand Western Development Program. The policies were available during 2018 to 2030.

(5) Xinjiang Kindstar, Huaxi kindstar and Chengdu Shengyuan are qualified as small-scaled minimal profit enterprises. Pursuant to Caishui [2019] circular No.13, the first RMB1,000,000 of assessable profits of these subsidiaries may be calculated as 25% and be taxed at the preferential CIT rate of 20%. The assessable profits between RMB1,000,000 and RMB 3,000,000 may be calculated as 50% and be taxed at the preferential CIT rate of 20%. The policy is available during 2019 to 2021.

The income tax expense of the Group for the Relevant Periods is analyzed as follows:

| | Year ended December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Current income tax | 1,814 | 2,966 | 10,794 |
| (Overprovision)/underprovision in prior years | (539) | 11 | 346 |
| Deferred income tax | (6,341) | (2,000) | (3,372) |
| Total tax (credit)/charge for the year | (5,066) | 977 | 7,768 |

A reconciliation of the tax expense applicable to loss before tax at the statutory rate for the countries in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Loss before tax | (59,415) | (168,605) | (962,352) |
| Tax at the statutory tax rate (25%) | (14,854) | (42,151) | (240,588) |
| Lower tax rates for specific provinces or enacted by local authority | 2,266 | (302) | (5,363) |
| Adjustments in respect of current tax of previous periods | (539) | 11 | 346 |
| Effect on opening deferred tax assets or liabilities resulting from change in applicable tax rate | 297 | 860 | (1,540) |
| Income not subject to tax | (301) | (466) | (394) |
| Expenses not deductible for tax | 21,627 | 57,811 | 268,738 |
| Additional deductible allowance for qualified research and development costs | (13,562) | (14,786) | (13,431) |
| Tax (credit)/charge at the Group's effective rate | (5,066) | 977 | 7,768 |

The Group has accumulated tax losses arising in Mainland China of RMB33,333,000, RMB22,320,000 and RMB13,907,000 accumulated as at December 31, 2018, 2019 and 2020, respectively, that will expire in one to ten years for offsetting against future taxable profits of the subsidiaries in which the losses arose. The tax losses had been fully recognized in deferred tax assets as at the end of each Relevant Periods.

## 13. DIVIDENDS

In December 2020, the board of the Company passed a board resolution to distribute special dividends of US$25,000,000 (equivalent to RMB163,521,000) to Ever Prospect Global Limited("Ever Prospect"), a company incorporated in BVI and ultimately controlled by Mr. Tu Zanbing. Further details are set out in note 40(c)(iv) to the Historical Financial Information.

No dividend has been paid or declared by the Company during the years ended December 31, 2018 and 2019.

## 14. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the Relevant Periods.

No adjustment has been made to the basic loss per share amounts presented for the Relevant Periods in respect of a dilution as the impact of convertible redeemable preferred shares, Convertible bonds and **[REDACTED]** share options had an anti-dilutive effect on the basic loss per share amounts presented.

The calculation of basic loss per share is based on:

| | Year ended December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| **Loss** | | | |
| Loss attributable to ordinary equity holders of the parent (RMB'000) | (52,674) | (169,788) | (974,020) |
| **Ordinary shares** | | | |
| Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation | [26,684,806] | [26,684,806] | [28,007,551] |
| Loss per share (RMB per share) | [(1.97)] | [(6.36)] | [(34.78)] |

## 15. PROPERTY, PLANT AND EQUIPMENT

| | Laboratory equipment | Transportation equipment | Other equipment | Leasehold improvements | Construction in progress | Total |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **December 31, 2018** | | | | | | |
| At January 1, 2018: | | | | | | |
| Cost | 124,424 | 3,936 | 22,157 | 80,884 | 3,382 | 234,783 |
| Accumulated depreciation | (89,500) | (3,066) | (8,683) | (13,249) | — | (114,498) |
| Net carrying amount | 34,924 | 870 | 13,474 | 67,635 | 3,382 | 120,285 |
| At January 1, 2018, net of accumulated depreciation | 34,924 | 870 | 13,474 | 67,635 | 3,382 | 120,285 |
| Additions | 34,308 | 416 | 3,359 | 3,515 | 713 | 42,311 |
| Disposals | (3,631) | (5) | (225) | – | – | (3,861) |
| Transfer | 1,022 | – | 2,360 | – | (3,382) | – |
| Depreciation provided during the year | (11,229) | (208) | (2,891) | (8,228) | – | (22,556) |
| At December 31, 2018, net of accumulated depreciation | 55,394 | 1,073 | 16,077 | 62,922 | 713 | 136,179 |
| At December 31, 2018: | | | | | | |
| Cost | 152,840 | 4,269 | 27,126 | 84,399 | 713 | 269,347 |
| Accumulated depreciation | (97,446) | (3,196) | (11,049) | (21,477) | — | (133,168) |
| Net carrying amount | 55,394 | 1,073 | 16,077 | 62,922 | 713 | 136,179 |

| | Laboratory equipment | Transportation equipment | Other equipment | Leasehold improvements | Construction in progress | Total |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **December 31, 2019** | | | | | | |
| At January 1, 2019: | | | | | | |
| Cost | 152,840 | 4,269 | 27,126 | 84,399 | 713 | 269,347 |
| Accumulated depreciation | (97,446) | (3,196) | (11,049) | (21,477) | — | (133,168) |
| Net carrying amount | 55,394 | 1,073 | 16,077 | 62,922 | 713 | 136,179 |
| At January 1, 2019, net of accumulated depreciation | 55,394 | 1,073 | 16,077 | 62,922 | 713 | 136,179 |
| Additions | 18,198 | 229 | 4,074 | 1,846 | 2,120 | 26,467 |
| Disposals | (104) | 2 | (27) | – | – | (129) |
| Transfers | – | – | – | 2,425 | (2,425) | – |
| Depreciation provided during the year | (13,379) | (231) | (3,809) | (8,800) | – | (26,219) |
| At December 31, 2019, net of accumulated depreciation | 60,109 | 1,073 | 16,315 | 58,393 | 408 | 136,298 |
| At December 31, 2019: | | | | | | |
| Cost | 170,506 | 4,151 | 30,936 | 88,670 | 408 | 294,671 |
| Accumulated depreciation | (110,397) | (3,078) | (14,621) | (30,277) | — | (158,373) |
| Net carrying amount | 60,109 | 1,073 | 16,315 | 58,393 | 408 | 136,298 |

| | Laboratory equipment | Transportation equipment | Other equipment | Leasehold improvements | Construction in progress | Total |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **December 31, 2020** | | | | | | |
| At January 1, 2020: | | | | | | |
| Cost | 170,506 | 4,151 | 30,936 | 88,670 | 408 | 294,671 |
| Accumulated depreciation | (110,397) | (3,078) | (14,621) | (30,277) | – | (158,373) |
| Net carrying amount | 60,109 | 1,073 | 16,315 | 58,393 | 408 | 136,298 |
| At January 1, 2020, net of accumulated depreciation | 60,109 | 1,073 | 16,315 | 58,393 | 408 | 136,298 |
| Additions | 14,062 | 207 | 2,065 | 314 | 862 | 17,510 |
| Transfer | 276 | (100) | (136) | 1,259 | (1,299) | – |
| Disposals | (168) | (5) | (94) | – | – | (267) |
| Acquisition of a subsidiary (note 37) | 845 | – | 373 | 1,596 | 391 | 3,205 |
| Depreciation provided during the year | (20,263) | (299) | (4,972) | (9,012) | – | (34,546) |
| At December 31, 2020, net of accumulated depreciation | 54,861 | 876 | 13,551 | 52,550 | 362 | 122,200 |
| At December 31, 2020: | | | | | | |
| Cost | 183,494 | 4,165 | 31,149 | 91,871 | 362 | 311,041 |
| Accumulated depreciation | (128,633) | (3,289) | (17,598) | (39,321) | – | (188,841) |
| Net carrying amount | 54,861 | 876 | 13,551 | 52,550 | 362 | 122,200 |

## 16. OTHER INTANGIBLE ASSETS

| | Software | Development costs | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **December 31, 2018** | | | |
| Cost at January 1, 2018, net of accumulated amortization | 1,593 | 2,396 | 3,989 |
| Additions – internal development | – | 1,352 | 1,352 |
| Additions – acquired | 213 | 682 | 895 |
| Transfer | 2,333 | (2,333) | – |
| Amortization provided during the year | (783) | – | (783) |
| At December 31, 2018 | 3,356 | 2,097 | 5,453 |
| At December 31, 2018: | | | |
| Cost | 8,546 | 2,097 | 10,643 |
| Accumulated amortization | (5,190) | – | (5,190) |
| Net carrying amount | 3,356 | 2,097 | 5,453 |

| | Software | Development costs | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **December 31, 2019** | | | |
| Cost at January 1, 2019, net of accumulated amortization | 3,356 | 2,097 | 5,453 |
| Additions – internal development | – | 1,569 | 1,569 |
| Additions – acquired | – | 1,908 | 1,908 |
| Transfer | 845 | (845) | – |
| Amortization provided during the year | (1,023) | – | (1,023) |
| At December 31, 2019 | 3,178 | 4,729 | 7,907 |
| At December 31, 2019: | | | |
| Cost | 9,391 | 4,729 | 14,120 |
| Accumulated amortization | (6,213) | – | (6,213) |
| Net carrying amount | 3,178 | 4,729 | 7,907 |

| | Software | Development costs | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **December 31, 2020** | | | |
| Cost at January 1, 2020, net of accumulated amortization | 3,178 | 4,729 | 7,907 |
| Additions – internal development | – | 1,724 | 1,724 |
| Additions – acquired | 1,007 | 929 | 1,936 |
| Transfer | 1,251 | (1,251) | – |
| Amortization provided during the year | (1,081) | – | (1,081) |
| At December 31, 2020 | 4,355 | 6,131 | 10,486 |
| At December 31, 2020: | | | |
| Cost | 11,649 | 6,131 | 17,780 |
| Accumulated amortization | (7,294) | – | (7,294) |
| Net carrying amount | 4,355 | 6,131 | 10,486 |

**Impairment testing of the development costs**

The other intangible assets are composed of (1) acquired software with useful life of 2 to 5 years and (2) the development costs for an internal-used laboratory market information system (the "MIS") which had not been yet available for use as at December 31, 2020.

As the MIS contributes to entire cash generating units ("CGUs") of the Group, the management of the Group performed the annual impairment test for the MIS not yet available for use together with other assets of the CGUs at the group level during the Relevant Periods.

The recoverable amount of the CGUs at the group level has been determined based on a value in use calculation. The calculation uses cash flow projections based on financial budgets approved by the management of the Company covering a 5-year period.

Key assumptions used in the calculation are as follows:

| | Year ended December 31, | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| Revenue (% compound growth rate) | 10%-27% | 10%-27% | 10%-38% |
| Gross margin (% of revenue) | 55%-60% | 55%-60% | 59%-61% |
| Terminal growth rate | 3% | 3% | 3% |
| Pre-tax discount rate | 17% | 16% | 15% |

Assumptions were used in the value-in-use calculation of the CGUs at the group level as at December 31, 2018, 2019 and 2020. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of the development cost:

Revenue – The basis used to determine the budgeted revenue is based on the management's expectation of market development.

Gross margin – The basis used to determine the value assigned to the budgeted gross margin is the average gross margin expected to achieve.

Terminal growth rate – The forecasted terminal growth rate is based on management's expectations and does not exceed the long-term average growth rate for the industry relevant to the CGUs.

The pre-tax discount rate used is before tax and reflects specific risks relating to the CGUs.

Based on the result of impairment assessment, there was no impairment as at December 31, 2018, 2019 and 2020.

Sensitivity to changes in key assumptions:

The management of the Company has performed sensitivity test by decreasing 5% of expected revenue, decreasing 1% of gross margin, decreasing 1% of terminal growth rate or increasing 1% of pre-tax discount rate , which are the key assumptions for determine the recoverable amount of the CGUs, with all other variables held constant. The impacts on the amount by which the CGU's recoverable amount above its carrying amount (headroom) are as below:

| | Year ended December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Headroom | 1,290,890 | 1,757,350 | 3,465,029 |
| Impact by decreasing expected revenue | (600,279) | (752,862) | (1,080,061) |
| Impact by decreasing gross margin | (120,401) | (151,109) | (216,933) |
| Impact by decreasing terminal growth rate | (63,211) | (91,218) | (198,618) |
| Impact by increasing pre-tax discount rates | (145,395) | (187,861) | (348,636) |

Considering there was still sufficient headroom based on the assessment, the management of the Company believes that a reasonably possible change in the above key parameters would not cause the carrying amount of the CGUs to exceed its recoverable amount.

## 17. INVESTMENTS IN ASSOCIATES

| | As at 31 December | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Share of net assets | – | – | 2,312 |

Particulars of the associate are as follows:

| Name | Particulars of issued shares held | Place of incorporation/ registration and business | Percentage of ownership interest attributable to the Group | | | Principal activity |
|---|---|---|---|---|---|---|
| | | | At December 31, | | | |
| | | | 2018 | 2019 | 2020 | |
| Wuhan Degu Medical Laboratory Co., Ltd. ("Wuhan Degu") | Ordinary shares | PRC | – | – | 25% | Clinical testing service |
| Wuhan Yijianyun Information Technology Co., Ltd. ("Wuhan Yijianyun") | Ordinary shares | PRC | – | – | 25% | Clinical Testing Service |
| Wuhan Puyun Medical Laboratory Co., Ltd. ("Wuhan Puyun") | Ordinary shares | PRC | – | – | 25% | Clinical Testing Service |
| Wuhan Haixi Life Technology Co., Ltd. (" Haixi Life Technology") | Ordinary shares | PRC | – | – | 30% | Clinical Testing Service |

The investment in Wuhan Degu was acquired in September 2020 at a consideration of RMB359,000 which was determined with reference to the paid-up capital in Wuhan Degu of the transferor. Immediately after the completion of acquisition, capital of RMB891,000 was injected by Kindstar Global Wuhan and pick up the loss of RMB83,000.

The investment in Wuhan Yijianyun was acquired in September 2020 at a consideration of RMB294,000 which was determined with reference to the paid-up capital in Wuhan Yijianyun of the transferor. Immediately after the completion of acquisition, capital of RMB206,000 was injected by Kindstar Global Wuhan and pick up the loss of RMB43,000.

The investment in Wuhan Puyun was acquired in September 2020 at a consideration of RMB1 which was determined with reference to the paid-up capital in Wuhan Puyun of the transferor. Immediately after the completion of acquisition, the group pick up the profit of RMB249,000.

The investment in Wuhan Haixi was set up in September 2020 at a consideration of RMB3,000. The group pick up the profit of RMB439,000.

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

| | As at 31 December | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Share of the associates' profit for the year | – | – | 562 |
| Aggregate carrying amount of the Group's investments in the associates | – | – | 1,750 |
| | – | – | 2,312 |

## 18. GOODWILL

| | As at December 31, | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Cost** | | | |
| At the beginning of year | 16,224 | 16,224 | 16,224 |
| Acquisition of subsidiaries | – | – | 1,862 |
| Disposal of subsidiaries | – | – | – |
| At the end of year | 16,224 | 16,224 | 18,086 |
| **Impairment** | | | |
| At the beginning of year | (16,224) | (16,224) | (16,224) |
| Disposal of subsidiaries | – | – | – |
| At the end of year | (16,224) | (16,224) | (16,224) |
| **Carrying value** | | | |
| At the end of year | – | – | 1,862 |

**Impairment assessment for goodwill**

The Group had provided full impairment in related to goodwill resulted from the acquisition of Shanghai SimpleGene in 2012 prior to the Relevant Periods.

Goodwill of RMB920,000 and RMB942,000 is resulted from the acquisition of Chengdu Shengyuan in January 2020 and Tianjin Kindstar in September 2020 to further expand the Group's market share of clinical testing services.

The cash flows generated from each subsidiary acquired are independent from those of the other subsidiaries of the Company. Therefore, Goodwill is monitored by the management of the Company at the level of the CGU of Chengdu Shengyuan and Tianjin Kindstar.

The recoverable amounts of each CGU have been determined based on value-in-use calculations using pre-tax cash flow projections, which is based on financial budgets approved by the management of the Company covering a 5-year period.

| | **Chengdu Shengyuan CGU** | **Tianjin Kindstar CGU** |
|---|---|---|
| Revenue (% compound growth rate) | 9%-43% | 10%-181% |
| Terminal growth rate | 3% | 3% |
| Pre-tax discount rate | 20% | 20% |

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill for Chengdu Shengyuan CGU and Tianjin Kindstar CGU as at December 31, 2020.

Revenue – The basis used to determine the budgeted revenue is based on the management's expectation of market development.

Terminal Growth rate – The forecasted terminal growth rate is based on management's expectations and does not exceed the long-term average growth rate for the industry relevant to the CGUs.

The pre-tax discount rate used is before tax and reflects specific risks relating to the CGUs.

Based on the result of impairment assessment, there was no impairment as at December 31, 2020.

*Sensitivity to changes in key assumptions:*

The management of the Company has performed sensitivity test by decreasing 5% of expected revenue, decreasing 1% of terminal growth rate or increasing 1% of pre-tax discount rate, with all other assumptions held constant. The impacts on the amount by which each CGU's recoverable amount above its carrying amount (headroom) are as below:

| | **Chengdu Shengyuan CGU** | **Tianjin Kindstar CGU** |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| *At December 31, 2020* | | |
| Headroom | 6,007 | 866 |
| Impact by decreasing expected revenue | (2,306) | (330) |
| Impact by decreasing terminal growth rate | (720) | (202) |
| Impact by increasing pre-tax discount rate | (1,271) | (193) |

Considering there was still sufficient headroom based on the assessment, our management believes that a reasonably possible change in the above key parameters would not cause the carrying amount of the CGUs to exceed its recoverable amount.

## 19. INVESTMENTS IN SUBSIDIARIES

**Company**

| | As at December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Investment cost | 225,786 | 225,786 | 456,078 |

The investment cost in subsidiaries includes the equity-settled share-based compensation in respect of the shares and share options granted by the Company to certain employees of the subsidiaries for employees' service rendered to the subsidiaries under the Company's **[REDACTED]** Share Option Schemes as disclosed in Note 36. Since the subsidiaries have no obligation to reimburse such expense, the amounts paid are treated as deemed capital contribution by the Company to the subsidiaries and included in the Company's cost of investments in subsidiaries.

## 20. FINANCIAL ASSETS AT FVTPL

| | As at December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Current | | | |
| Wealth management products | 14,513 | 11,594 | 55,000 |

During the Relevant Periods, the Group used surplus capital to purchase structured deposits and money market funds mainly from CITIC bank, SPD Bank and China Merchants Bank, which preserved capital and liquidity. The expected rates of return ranged from 2.0% to 3.7% per annum. For wealth management products, the Group purchased RMB84 million, RMB70.5 and RMB257.5 and disposed RMB89.5 million, RMB73.5 million and RMB214 million, respectively, for the year ended December 31, 2018, 2019 and 2020. The Group recorded an investment income of RMB1.0 million, RMB0.3 million and RMB0.2 million for the year ended December 31, 2018, 2019 and 2020. The returns on all of these financial products are not guaranteed. Those wealth management products are accounted at fair value through profit or loss.

The fair values are based on cash flow discounted using the expected return based on management judgment and the fair value of structured deposits and money market funds are level 2 of the fair value hierarchy.

As at December 31, 2018, 2019 and 2020, the wealth management products amounting to RMB2,050,000, nil and nil were pledged as security for the Group's credit bills facilities of RMB1,976,000, nil and nil. None of these wealth management products were either past due or impaired. The wealth management products were released upon the repayment of relevant bills payable.

## 21. INVENTORIES

| | As at December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Raw materials and consumables | 29,463 | 39,791 | 41,902 |
| Work in progress | 1,578 | 1,382 | 3,075 |
| | 31,041 | 41,173 | 44,977 |

## 22. TRADE AND BILLS RECEIVABLES

| | As at December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Trade receivables | 220,650 | 260,682 | 339,840 |
| Bills receivable | 376 | 297 | 677 |
| | 221,026 | 260,979 | 340,517 |
| Allowance for expected credit losses | (19,723) | (23,189) | (30,132) |
| | 201,303 | 237,790 | 310,385 |

The Group's trading terms with its customers are mainly on credit, except for individual customers, where payment in advance is normally required. The credit period is generally from three months to nine months. The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. The balances of trade receivables are non-interest-bearing.

An aging analysis of the trade and bills receivables as at the end of each of the Relevant Periods, based on the billing date and net of allowance for expected credit losses, is as follows:

| | As at December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 1 year | 169,800 | 202,196 | 230,429 |
| 1 year to 2 years | 23,384 | 27,369 | 67,772 |
| 2 years to 3 years | 5,970 | 5,433 | 9,459 |
| 3 years to 4 years | 1,448 | 2,095 | 2,457 |
| 4 years to 5 years | 677 | 658 | 169 |
| Over 5 years | 24 | 39 | 99 |
| | 201,303 | 237,790 | 310,385 |

The movements in the allowance for expected credit losses of trade receivables are as follows:

| | As at December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| At beginning of year | 14,453 | 19,723 | 23,189 |
| Impairment losses, net | 5,270 | 3,466 | 6,943 |
| At end of year | 19,723 | 23,189 | 30,132 |

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix, estimated based on the financial quality of debtors and historical credit loss experience based on the aging of the trade receivables, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. The following table details the risk profile of trade receivables:

| | As at December 31, 2018 | | |
|---|---|---|---|
| | **Amount** | **Expected loss rate** | **Impairment** |
| | *RMB'000* | *%* | *RMB'000* |
| Within 1 year | 174,216 | 2.75% | 4,792 |
| 1 year to 2 years | 27,029 | 13.49% | 3,645 |
| 2 years to 3 years | 9,305 | 35.84% | 3,335 |
| 3 years to 4 years | 3,355 | 56.84% | 1,907 |
| 4 years to 5 years | 1,537 | 55.95% | 860 |
| Over 5 years | 5,208 | 99.54% | 5,184 |
| | 220,650 | | 19,723 |

| | As at December 31, 2019 | | |
|---|---|---|---|
| | **Amount** | **Expected loss rate** | **Impairment** |
| | *RMB'000* | *%* | *RMB'000* |
| Within 1 year | 209,516 | 3.64% | 7,617 |
| 1 year to 2 years | 31,279 | 12.50% | 3,910 |
| 2 years to 3 years | 7,270 | 25.27% | 1,837 |
| 3 years to 4 years | 4,502 | 53.47% | 2,407 |
| 4 years to 5 years | 2,241 | 70.64% | 1,583 |
| Over 5 years | 5,874 | 99.34% | 5,835 |
| | 260,682 | | 23,189 |

| | As at December 31, 2020 | | |
|---|---|---|---|
| | Amount | Expected loss rate | Impairment |
| | *RMB'000* | *%* | *RMB'000* |
| Within 1 year | 235,723 | 2.53% | 5,971 |
| 1 year to 2 years | 77,219 | 12.23% | 9,447 |
| 2 years to 3 years | 13,134 | 27.98% | 3,675 |
| 3 years to 4 years | 5,004 | 50.88% | 2,546 |
| 4 years to 5 years | 1,849 | 90.86% | 1,680 |
| Over 5 years | 6,911 | 98.58% | 6,813 |
| | 339,840 | | 30,132 |

## 23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

**Group**

| | As at December 31, | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Deposits and other receivables (current) | 5,971 | 10,966 | 21,770 |
| Prepayments | | | |
| – current | 2,160 | 3,719 | 4,106 |
| – non-current* | 3,106 | 2,208 | 6,711 |
| Loans to employees** | | | |
| – current | – | 1,365 | – |
| – non-current | 1,304 | – | – |
| Wealth management products (current)*** | 27,057 | 8,024 | 60,059 |
| Value-added tax recoverable (current) | 1,130 | 1,041 | 476 |
| Prepaid expenses (current) | 2,997 | 3,504 | 6,459 |
| Prepaid remuneration to key management and employees** | | | |
| – current | – | 1,825 | – |
| – non-current | 2,159 | – | – |
| Prepaid **[REDACTED]** expenses (current) | – | – | 6,208 |
| | 45,884 | 32,652 | 105,789 |

**Analysed into:**

| | As at December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Current portion | 39,315 | 30,444 | 99,078 |
| Non-current portion | 6,569 | 2,208 | 6,711 |
| | 45,884 | 32,652 | 105,789 |

**Company**

| | As at December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Loans to employees** | | | |
| – current | – | 1,365 | – |
| – non-current | 1,304 | – | – |
| Prepaid expenses (current) | 19 | 21 | 99 |
| Prepaid remuneration to key management and employees** | | | |
| – current | – | 351 | – |
| – non-current | 794 | – | – |
| Prepaid **[REDACTED]** expenses (current) | – | – | 6,208 |
| | 2,117 | 1,737 | 6,307 |

**Analyzed into:**

| | As at December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Current portion | 19 | 1,737 | 6,307 |
| Non-current portion | 2,098 | – | – |
| | 2,117 | 1,737 | 6,307 |

*Notes:*

* The amount represents prepayments for construction in progress and acquisition of property, plant and equipment.

** The Group provided loans to key management and employees, which were paid on November 24, 2020, loans amounting to US$9,814,706 (equivalent to RMB66,236,000). On initial recognition, the receivables were measured at fair value, which in this case were equal to the loan amount given discounted to the present value using effective interest rates. The difference between the loan amounts and their fair value was treated as prepaid remuneration to key management and employees and were amortized through the expected loan terms.

*** During the Relevant Periods, the Group used surplus capital to purchase wealth management products from domestic commercial banks, which preserved capital and liquidity. The returns on all of these financial products are fixed. Those financial assets with cash flows that are SPPI are classified and measured at amortized cost.

The balances are not secured by collateral.

Other receivables had no historical default. The financial assets included in the above balances relate to receivables were categorized in stage 1 at the end of each of the Relevant Periods. In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward-looking macroeconomic data. During the Relevant Periods, the Group estimated that the expected credit loss rate for other receivables and deposits was minimal.

The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Long aging balances are reviewed regularly by senior management. In view of the fact that the Group's deposits and other receivables relate to a large number of diversified counterparties, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its deposits and other receivable balances.

## 24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

**Group**

| | As at December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Cash and bank balances | 27,020 | 25,830 | 839,035 |
| Time deposits | – | 34,000 | 4,000 |
| Less: | 27,020 | 59,830 | 843,035 |
| Pledged deposits (note) | (400) | (320) | (1,808) |
| Cash and cash equivalents | 26,620 | 59,510 | 841,227 |

| | As at December 31, | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Denominated in | | | |
| – RMB | 24,482 | 57,531 | 97,324 |
| – US$ | 2,138 | 1,967 | 743,843 |
| – HKD | – | 12 | 60 |
| | 26,620 | 59,510 | 841,227 |

*Note:*

It represents pledged deposits in commercial banks to secure bills payable. None of these deposits are either past due or impaired. The pledged bank deposits will be released upon the repayment of relevant bills payable.

The RMB is not freely convertible into other currencies, however, under the PRC Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between one day and three years depending on the immediate cash requirements of the Group and earn interest at the respective time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

**Company**

| | As at December 31, | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Cash and cash equivalents | 154 | 157 | 738,834 |

| | As at December 31, | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Denominated in | | | |
| – US$ | 154 | 157 | 738,834 |

## 25. TRADE AND BILLS PAYABLES

| | As at December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Bills payable | 2,376 | 1,600 | 9,042 |
| Trade payables | 96,106 | 115,747 | 122,743 |
| | 98,482 | 117,347 | 131,785 |

An aging analysis of the trade and bill payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

| | As at December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Within 1 year | 86,039 | 99,422 | 113,497 |
| 1 year to 2 years | 7,576 | 10,443 | 8,978 |
| Over 2 years | 4,867 | 7,482 | 9,310 |
| | 98,482 | 117,347 | 131,785 |

The trade payables are non-interest-bearing and are normally settled on terms of 90 days.

## 26. OTHER PAYABLES AND ACCRUALS

| | As at December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Other payables* | 22,629 | 12,251 | 28,693 |
| Accruals | 97,198 | 123,201 | 133,830 |
| Payroll payable | 67,098 | 82,003 | 94,901 |
| | 186,925 | 217,455 | 257,424 |

*Note:*

* Other payables are unsecured, non-interest-bearing and repayable on demand. The fair values of other payables at the end of each of the Relevant Periods approximated to their corresponding carrying amounts.

## 27. CONTRACT LIABILITIES

The Group recognized the following revenue-related contract liabilities:

| | As at December 31, | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Testing services for R&D projects and others | 4,548 | 5,314 | 3,742 |
| Clinical testing service | 704 | 890 | 1,498 |
| | 5,252 | 6,204 | 5,240 |

Contract liabilities include advances received to provide testing services for R&D projects and others and clinical testing service.

## 28. INTEREST-BEARING BANK BORROWINGS

| | As at December 31, 2020 | | |
|---|---|---|---|
| | Effective interest rate per annum % | Maturity | RMB'000 |
| **Current** | | | |
| Bank loans – unsecured and guaranteed | 2.50-3.05 | 2021 | 40,000 |

**Analyzed into:**

| | As at December 31, | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Repayable:** | | | |
| Within one year | – | – | 40,000 |

On March 1, 2020 and May 28, 2020, Wuhan Kindstar, a subsidiary of the Company, entered into one-year bank loans agreements of RMB20,000,000 and RMB20,000,000, respectively, with Hankou Bank Co., Ltd., which were unsecured and guaranteed by Shanghai SimpleGene and Mr. Huang Shi-ang, director of the company. On March 1, 2021, Wuhan Kindstar repaid one of the loans amounted to RMB20,000,000 and Hankou Bank Co., Ltd. has released the responsibility of guarantee.

## 29. DEFERRED INCOME

| | As at December 31, | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Government grants | 3,764 | 2,775 | 2,573 |

Government grants received to compensate for the Group's cost of sales and operating expense which has not yet been undertaken are included in deferred income and recognized as income on a systematic basis of over the periods that the cost, for which it is intended to compensate, are expensed. Government grants received relates to assets invested in laboratory equipment were credited to deferred income and are recognized as income over the expected useful lives of the relevant assets.

## 30. DEFERRED TAX

The movements in deferred tax assets during the Relevant Periods are as follows:

| | Impairment of assets | Accrued expenses | Accrued bonus | Accrued pension | Tax losses | Accrued income | Others | Total |
|---|---|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At December 31, 2017 | 3,532 | 14,445 | 223 | 4,290 | 5,324 | 2,026 | 1,180 | 31,020 |
| Deferred tax credited/ (charged) to profit or loss during the year | (78) | 6,976 | 555 | 568 | (324) | (964) | (392) | 6,341 |
| At December 31, 2018 | 3,454 | 21,421 | 778 | 4,858 | 5,000 | 1,062 | 788 | 37,361 |
| Deferred tax credited/ (charged) to profit or loss during the year | 526 | 2,119 | (81) | 806 | (1,652) | 382 | (100) | 2,000 |
| At December 31, 2019 | 3,980 | 23,540 | 697 | 5,664 | 3,348 | 1,444 | 688 | 39,361 |
| Deferred tax credited/ (charged) to profit or loss during the year | 1,043 | 2,924 | 228 | (52) | (1,262) | 651 | (160) | 3,372 |
| At December 31, 2020 | 5,023 | 26,464 | 925 | 5,612 | 2,086 | 2,095 | 528 | 42,733 |

## 31. LEASES

### The Group as a lessee

The Group has lease contracts for various items of properties and equipment used in its operations. Leases of properties generally have lease terms between 2 and 6 years, while equipment generally has lease terms between 2 and 5 years. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

**(a) Right-of-use assets**

The carrying amounts of the Group's right-of-use assets and the movements during the Relevant Periods are as follows:

| | Properties | Equipment | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **December 31, 2018** | | | |
| At January 1, 2018: | | | |
| Cost | 57,610 | 1,559 | 59,169 |
| Accumulated depreciation | (10,282) | (317) | (10,599) |
| Net carrying amount | 47,328 | 1,242 | 48,570 |
| At January 1, 2018, net of accumulated depreciation | 47,328 | 1,242 | 48,570 |
| Additions | 10,080 | – | 10,080 |
| Depreciation provided during the year | (14,222) | (262) | (14,484) |
| At December 31, 2018, net of accumulated depreciation | 43,186 | 980 | 44,166 |
| At December 31, 2018: | | | |
| Cost | 67,690 | 1,559 | 69,249 |
| Accumulated depreciation | (24,504) | (579) | (25,083) |
| Net carrying amount | 43,186 | 980 | 44,166 |

| | Properties | Equipment | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **December 31, 2019** | | | |
| At January 1, 2019: | | | |
| Cost | 67,690 | 1,559 | 69,249 |
| Accumulated depreciation | (24,504) | (579) | (25,083) |
| Net carrying amount | 43,186 | 980 | 44,166 |
| At January 1, 2019, net of accumulated depreciation | 43,186 | 980 | 44,166 |
| Additions | 3,788 | – | 3,788 |
| Depreciation provided during the year | (15,142) | (290) | (15,432) |
| At December 31, 2019, net of accumulated depreciation | 31,832 | 690 | 32,522 |
| At December 31, 2019: | | | |
| Cost | 71,478 | 1,559 | 73,037 |
| Accumulated depreciation | (39,646) | (869) | (40,515) |
| Net carrying amount | 31,832 | 690 | 32,522 |

| | Properties | Equipment | Total |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **December 31, 2020** | | | |
| At January 1, 2020: | | | |
| Cost | 71,478 | 1,559 | 73,037 |
| Accumulated depreciation | (39,646) | (869) | (40,515) |
| Net carrying amount | 31,832 | 690 | 32,522 |
| At January 1, 2020, net of accumulated depreciation | 31,832 | 690 | 32,522 |
| Additions | 18,141 | – | 18,141 |
| Depreciation provided during the period | (14,954) | (289) | (15,243) |
| At December 31, 2020, net of accumulated depreciation | 35,019 | 401 | 35,420 |
| At December 31, 2020: | | | |
| Cost | 89,619 | 1,559 | 91,178 |
| Accumulated depreciation | (54,600) | (1,158) | (55,758) |
| Net carrying amount | 35,019 | 401 | 35,420 |

**(b) Lease liabilities**

The carrying amounts of lease liabilities and the movements during the Relevant Periods are as follows:

| | 2018 | 2019 | 2020 |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Carrying amount at January 1 | 51,282 | 56,150 | 44,252 |
| Additions | 10,080 | 3,788 | 18,141 |
| Interest expenses | 2,249 | 1,873 | 1,593 |
| Payments | (7,461) | (17,559) | (18,599) |
| Carrying amount at December 31 | 56,150 | 44,252 | 45,387 |
| Analyzed into: | | | |
| Current portion | 19,314 | 18,083 | 21,637 |
| Non-current portion | 36,836 | 26,169 | 23,750 |

A maturity analysis of the lease liabilities as at the end of each of the Relevant Periods is as follows:

| | 2018 | 2019 | 2020 |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Less than 3 months | 7,267 | 9,023 | 8,758 |
| 3 to less than 12 months | 12,047 | 9,060 | 12,879 |
| 1 to 3 years | 21,195 | 19,787 | 20,575 |
| Over 3 years | 15,641 | 6,382 | 3,175 |
| | 56,150 | 44,252 | 45,387 |

**(c) The amounts recognized in profit or loss in relation to leases are as follows:**

| | 2018 | 2019 | 2020 |
|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Interest on lease liabilities | 2,249 | 1,873 | 1,593 |
| Depreciation charge of right-of-use assets | 14,484 | 15,432 | 15,243 |
| Expense relating to leases of short-term and low-value assets | 5,363 | 4,775 | 8,710 |
| Total amount recognized in profit or loss | 22,096 | 22,080 | 25,546 |

During the Relevant Periods, the Group entered into certain long-term lease contracts for properties and equipment.

**(d) The following future cash outflows of the Group are potentially exposed to short-term leases:**

| | As at December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Future cash outflows for short-term leases | 1,256 | 2,271 | 2,790 |

## 32. CONVERTIBLE REDEEMABLE PREFERRED SHARES

From 2007 to 2012, the Company entered into share purchase agreements with founders of the Company and several independent investors and issued 18,666,667 Series A convertible redeemable preferred shares ("Series A Preferred Shares"), 20,943,230 Series B convertible redeemable preferred shares ("Series B Preferred Shares"), 6,124,021 Series B1 convertible redeemable preferred shares ("Series B1 Preferred Shares") and 24,198,413 Series C convertible redeemable preferred shares ("Series C Preferred Shares")

Pursuant to the Series D Preference Share Purchase Agreement dated July 14, 2020, the Company agreed to issue and allot 19,868,842 Series D convertible redeemable preferred shares ("Series D Preferred Shares") in aggregate to the holders of convertible bonds issued by Wuhan Kindstar during 2016 and 2017. The details of the issue of these convertible bonds are set out in note 33 to the Historical Financial Information.

Pursuant to the Series D+ Preference Share Purchase Agreement dated September 8, 2020, the Company agreed to issue and allot 9,698,920 Series D+ convertible redeemable preferred shares ("Series D+ Preferred Shares") in aggregate to an investor for a total consideration of US$20,000,000 or US$2.0621 per share.

During the period from October 6, 2020 to December 3, 2020, the Company entered into Series E Preference Share Purchase Agreements with the Series E Investors, who subscribed 33,962,595 Series E preferred shares of the Company at a total consideration of approximately US$108.3 million or US$3.19 per share.

Series A, B, B1, C, D, D+ and E convertible redeemable preferred shares are collectively referred to as "Preferred Shares", all of which are unsecured and interest-free.

Upon completion of Series E financing and according to the Memorandum and Articles of Association of the Company passed in December 2020, the key terms of Preferred Shares are summarized as follows:

**(a) Conversion features**

Each Preferred Share shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share and after such share has been fully paid, into such number of fully paid ordinary

shares as determined by dividing the corresponding issue price by the corresponding Conversion Price (as defined below), determined as hereinafter provided, in effect at the time of the conversion. The price at which the ordinary shares shall be issuable upon conversion of each Preferred Share (the "Conversion Price") shall initially be the corresponding subscription price or deemed subscription price per Preferred Share. Such initial Conversion Price shall be subject to adjustment (including but not limited to share sub-division or splits, share combinations and/or consolidation and/redemption, capitalization of profits or reserves, dividend, capital reorganization or reclassification, and adjustment upon issuance of new securities for consideration per share less than the Conversion Price).

All Preferred Shares shall automatically be converted into ordinary shares at the then respective effective Conversion Price upon (i) the consummation of a Qualified **[REDACTED]**, or (ii) written notice from any holders of the Preferred Shares to the Company together with the certificate for the Preferred Shares to be converted. Qualified **[REDACTED]** means an **[REDACTED]** of the shares or other securities of the Company **[REDACTED]** on an internationally recognized securities exchange in the Hong Kong or other jurisdiction at a total **[REDACTED]** market valuation of not less than US$**[REDACTED]**.

**(b) Redemption features**

In the event that (i) the Company or any other group company fails to consummate a Qualified **[REDACTED]** before **[REDACTED]**, provided that such failure of consummating a Qualified **[REDACTED]** is not due to the exercise of voting rights by the holders of not less than sixty-five percent (65%) of Preferred Shares then issued and outstanding to disapprove such Qualified **[REDACTED]**; or (ii) (A) any group company has committed, or omitted to do, any act or thing in contravention of any legislation, as a result of which the business operation in a major location in the PRC shall have to close or substantially scale down or will be materially adversely impacted, or (B) if due to any change in legislation or official PRC government policy, or in the enforcement of such legislation or policy, or as a result of any necessary license and permit being revoked or not being renewed, the business operation in a major location in the PRC shall have to close or substantially scale down or will be materially adversely impacted, or (iii) the structure or transactions contemplated by the contractual arrangements as defined in note 2.1 to the Historical Financial Information are deemed by the relevant authorities to violate or have violated the PRC regulations, and if so requested by the holders of not less than sixty-five percent (65%) of Preferred Shares then issued and outstanding (voting together as a single class and calculated on an as-converted basis), the Company shall redeem all, but not less than all, of the outstanding Preferred Shares out of funds legally available therefor at a per share price equal to the higher of (a) fair market value (as determined in the manner described below) and (b) the subscription price or deemed subscription price of the respective Preferred Shares, as the case may be (as adjusted for share splits, share dividends, combinations, recapitalisations and similar events with respect to such shares) plus, in each case, a sum equal to any accumulated earnings attributable to such Preferred Shares to be redeemed (whether or not declared or accrued) to be calculated up to and inclusive of the date of redemption.

The fair market value of a Preferred Shares to be redeemed will be such value as is mutually agreed upon by the Company and the holders of not less than sixty-five percent (65%) of Preferred Shares (voting together as a single class and calculated on an as-converted basis). If there is no agreement reached on the fair market value within fourteen (14) days after the date of the holders of Preferred Shares serving the notice of redemption to the Company, then unless the holders of not less than sixty-five percent (65%) of

Preference Shares (voting together as a single class and calculated on an as-converted basis) elect to fix the redemption price based on the subscription price or deemed subscription price, the Company shall appoint an independent appraiser mutually agreed by the Company and the holders of not less than sixty-five percent (65%) of Preferred Shares (voting together as a single class and calculated on an as-converted basis) to determine the fair market value of each class of Preferred Shares, failing which mutual agreement the then auditor of the Company shall be the appraiser.

**(c) Presentation and Classification**

The Group and the Company have designated the Preferred Shares as whole as financial liabilities carried at FVTPL. The change in fair value of the Preferred Shares is charged to profit or loss except for the portion attributable to credit risk change that shall be charged to other comprehensive income. The management considered that the fair value change in the Preferred Shares attributable to changes of own credit risk is not significant.

The movements of the Preferred Shares are set out as follows:

| | Series A | Series B | Series C | Series D | Series D+ | Series E | Total |
|---|---|---|---|---|---|---|---|
| At January 1, 2018 | 127,174 | 201,868 | 206,720 | – | – | – | 535,762 |
| Change in fair value | 14,224 | 20,294 | 16,577 | – | – | – | 51,095 |
| Exchange adjustments (Note i) | 6,915 | 10,894 | 11,006 | – | – | – | 28,815 |
| At December 31, 2018 | 148,313 | 233,056 | 234,303 | – | – | – | 615,672 |
| Change in fair value | 51,294 | 71,279 | 56,893 | – | – | – | 179,466 |
| Exchange adjustments (Note i) | 3,086 | 4,732 | 4,572 | – | – | – | 12,390 |
| At December 31, 2019 | 202,693 | 309,067 | 295,768 | – | – | – | 807,528 |
| Change in fair value | 206,980 | 288,566 | 243,208 | – | 87,123 | 65,557 | 891,434 |
| Additions | – | – | – | – | 136,662 | 722,247 | 858,909 |
| Transfer from convertible bonds | – | – | – | 420,292 | – | – | 420,292 |
| Exchange adjustments (Note i) | (24,730) | (36,190) | (32,786) | | (11,054) | (19,013) | (123,773) |
| At December 31, 2020 | 384,943 | 561,443 | 506,190 | 420,292 | 212,731 | 768,791 | 2,854,390 |

**Analyzed into:**

| | As at December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Current portion (Note ii) | 615,672 | 807,528 | – |
| Non-current portion (Note ii) | – | – | 2,854,390 |
| | 615,672 | 807,528 | 2,854,390 |

*Notes:*

(i) Exchange adjustments presented the effect of exchange on translation from US$balances, which were charged to other comprehensive income.

(ii) Pursuant to the memorandum and articles of association dated January 30, 2012, the holders of Series A, B and C Preferred Shares were entitled to an option to require the Company to early redeem the whole preferred shares when the Company or any other group company fails to consummate a qualified **[REDACTED]** at any time on or before the end of the sixty-month period after the closing date. As such, the series A, B and C Preferred Shares were classified as current liability as at December 31, 2018 and 2019. The memorandum and articles was amended on September 8, 2020, and the date for a Qualified **[REDACTED]** for the Series A, B, C, D and D+ Preferred Shares was postponed to **[REDACTED]**, as such, the Preferred Shares were reclassified to non-current liability as at December 31, 2020.

Key valuation assumptions used to determine the fair value of Preferred Shares as at the end of each Relevant Period are as follows:

| | At December 31, 2018 | At December 31, 2019 | At December 31, 2020 |
|---|---|---|---|
| Risk-free interest rate | 2.5% | 1.6% | 0.1% |
| Discount for lack of marketability ("DLOM") | 14% | 12% | 14% |
| Volatility | 37% | 39% | 44% |

The Group estimated the risk-free interest rate based on the yield of the United States Government Bond with maturity close to the expected exit timing as of the valuation date. The DLOM was estimated based on the option-pricing method. Under the option-pricing method, the cost of a put option, which can hedge the price change before the privately held shares can be sold, was considered as a basis to determine the lack of marketability discount. Volatility was estimated based on annualized standard deviation of daily stock price return of comparable companies for a period from the valuation date and with a similar time span to expiration.

## 33. CONVERTIBLE BONDS

On November 22, 2016, February 16, 2017, February 27, 2017 and May 18, 2017, Wuhan Kindstar, a subsidiary of the Group, issued convertible redeemable bonds for a total principal amounts of

RMB30,000,000, RMB20,000,000, RMB100,000,000 and RMB40,000,000, respectively, to a group of PRC investors (the "PRC Investors"). The major terms and conditions of the convertible bonds are as follows:

**(a) Maturity**

The maturity date for the convertible bonds is 1 year from the date of issuance, which is renewable subject to agreement between Wuhan Kindstar and the PRC investors.

**(b) Interest Rate**

The Company shall pay a non-compound coupon rate at 8% per annum. Interest due and repayable when the convertible bonds are redeemed or at Maturity.

**(c) Conversion price**

At any time after the date of issuance of these bonds and prior to the repayment in full, the PRC Investors are entitled but not obligated to convert these bonds into Series D Preferred Shares to be issued by the Company at an original conversion price based on a pre money valuation of the Group of US$150,000,000, or US$1.37 per share.

**(d) Redemption**

On giving notice of not less than 30 days to Kindstar Wuhan, bondholders are entitled to an option to require the Company to early redeem anytime before the maturity date the whole of the principal outstanding amount of the convertible bonds at principal amount, together with accrued but unpaid interest thereon.

**(e) Pledge**

On November 22, 2016 and February 16, 2017, 14.49% and 9.66% of the shares of Kindstar Wuhan held by Huang Shi-ang were pledged to secure the convertible bonds subscribed by a certain investor.

The Company may also at any time prior to the maturity date redeem in whole the bonds for the time being outstanding at their early redemption amount, together with interest accrued but unpaid to the date fixed for redemption, but maintain the investment right of the bondholders.

The Group have designated the convertible bonds as whole as financial liabilities measured at FVTPL. The change in fair value of the convertible bonds is charged to profit or loss except for the portion attributable to credit risk change that shall be charged to other comprehensive income. Management considered that there is minimal credit risk of the financial liabilities that drives the change of the fair value of the financial liabilities.

The movements of the convertible bonds for the Relevant Periods are set out as below:

| | Fair Value of convertible bonds |
|---|---|
| | *RMB'000* |
| At January 1, 2018 | 199,582 |
| Change in fair value | 22,107 |
| At December 31, 2018 | 221,689 |
| Change in fair value | 43,442 |
| At December 31, 2019 | 265,131 |
| Change in fair value | 155,161 |
| Transfer to Preferred Shares (Note i) | (420,292) |
| At December 31, 2020 | – |

**Analysed into:**

| | As at December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Current portion (Note ii) | 221,689 | 265,131 | – |

*Notes:*

(i) Pursuant to the Series D Preference Share Purchase Agreement dated July 14, 2020, the Company agreed to issue and allot 19,868,842 Series D convertible redeemable preferred shares ("Series D Preferred Shares") in aggregate to the holders of convertible bonds issued by Wuhan Kindstar during 2016 and 2017. One investor completed the conversion on September 28, 2020 while others completed on October 27, 2020. As at December 31, 2020, all convertible bonds the Company issued were converted into convertible redeemable preferred shares.

(ii) Bondholders were entitled to an option to early redeem any time before the maturity date based on the convertible loan agreement, which was replaced and superseded by the Series D Preference Share Purchase Agreement dated July 14, 2020. As such, the convertible bonds were classified as current liabilities as at December 31, 2018 and 2019.

The Group has used the Black-Scholes option pricing model to determine the fair value of the convertible bonds as of the dates of issuance and at the end of each Relevant Period.

Key valuation assumptions used to determine the fair value of convertible bonds as at the end of each Relevant Period are as follows:

| | At December 31, 2018 | At December 31, 2019 | At December 31, 2020 |
|---|---|---|---|
| Risk-free interest rate | 2.5% | 1.6% | N/A |
| Discount for lack of marketability | 14% | 12% | N/A |
| Volatility | 37% | 39% | N/A |

The Group estimated the risk-free interest rate based on the yield of the US Government Bond with maturity close to the expected exit timing as of the valuation date. The DLOM was estimated based on the option-pricing method. Under the option-pricing method, the cost of put option, which can hedge the price change before the privately held share can be sold, was considered as a basis to determine the lack of marketability discount. Volatility was estimated based on annualized standard deviation of daily stock price return of comparable companies for a period from the valuation date and with a similar time span to expiration.

## 34. SHARE CAPITAL

The Company was incorporated on August 24, 2008 with authorized share capital of US$50,000 divided into 50,000,000 ordinary shares ("Ordinary Shares") with a par value of US$0.001 each.

On January 30, 2012, the Company increased its authorized share capital to US$200,000 divided into 130,067,668 Ordinary Shares of a par value of US$0.001 each, 18,666,667 Series A Preferred Shares of a par value US$0.001 each, 20,943,230 Series B Preferred Shares of a par value of US$0.001 each, 6,124,021 Series B1 Preferred Shares of a par value of US$0.001 each and 24,198,413 Series C Preferred Shares of a par value of US$0.001 each.

During the year of 2020, the Company increased its authorized share capital to US$500,000 divided into 500,000,000 shares of a par value of US$0.001 each, divided into 366,537,312 Ordinary Shares of a par value of US$0.001 each, 18,666,667 Series A Preferred Shares of a par value of US$0.001 each, 20,943,230 Series B Preferred Shares of a par value of US$0.001 each, 6,124,021 Series B1 Preferred Shares of a par value of US$0.001 each and 24,198,413 Series C Preferred Shares of a par value of US$0.001 each, 19,868,842 Series D Preferred Shares of a par value US$0.001 each and 9,698,920 Series D+ Preferred Shares of a par value US$0.001 each, 33,962,595 Series E Preferred Shares of a par value US$0.001 each.

**Issued and fully paid**

| | Number of shares in issue | Share Capital |
|---|---|---|
| | | *(RMB'000)* |
| As at January 1, 2018, December 31, 2018, 2019: | | |
| Ordinary shares of US$0.001 each | 26,684,806 | 178 |
| Shares issued upon exercise of share options(Note 36) | 9,656,036 | 64 |
| As at December 31, 2020: | | |
| Ordinary shares of US$0.001 each | 36,340,842 | 242 |

## 35. RESERVES

**Group**

The amounts of the Group's reserves and the movement therein are presented in the consolidated statements of change in equity on pages I-6 to I-9 of the Historical Financial Information.

(i) Capital reserve

The capital reserve represents the difference between the par value of the shares issued and the consideration received.

(ii) Other capital reserve

The other capital reserve of the Group represents the difference between the aggregate of the then net assets of the non-controlling interests acquired and the consideration paid by the Group for the acquisition of non-controlling interests.

(iii) Share option reserve

The share option reverse of the Group represents the fair value of equity-settled share-based payments granted in 2013, 2015 and 2016.

(iv) Exchange fluctuation reserve

The exchange fluctuation reserve represents exchange differences arising from the translation of the financial statement of group companies whose functional currencies are different from the Group's presentation currency.

**Company**

The amounts of the Company's reserve and the movements therein for the Relevant Periods are presented as follows:

| | Share capital | Capital reserve | Share option reserve | Exchange fluctuation reserve | Accumulated losses | Total |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At January 1, 2018 | 178 | 8,701 | 195,184 | 17,243 | (318,885) | (97,579) |
| Loss for the year | – | – | – | – | (51,121) | (51,121) |
| Exchange differences on translation of financial statements | – | – | – | (18,127) | – | (18,127) |
| At December 31, 2018 and January 1, 2019 | 178 | 8,701 | 195,184 | (884) | (370,006) | (166,827) |
| Loss for the year | – | – | – | – | (179,503) | (179,503) |
| Exchange differences on translation of financial statements | – | – | – | (8,708) | – | (8,708) |
| At December 31, 2019 And January 1, 2020 | 178 | 8,701 | 195,184 | (9,592) | (549,509) | (355,038) |
| Loss for the period | – | – | – | – | (906,918) | (906,918) |
| Exchange differences on translation of financial statements | – | – | – | 82,358 | – | 82,358 |
| Shares issued upon exercise of share options | 64 | 45,078 | (40,357) | – | – | 4,785 |
| Declaration of special dividends (Note 40(c)(iv)) | – | (128,229) | (35,290) | (2) | – | (163,521) |
| At December 31, 2020 | 242 | (74,450) | 119,537 | 72,764 | (1,456,427) | (1,338,334) |

## 36. [REDACTED] STOCK INCENTIVE PLANS

**[REDACTED] Stock Incentive Plans**

The Company's **[REDACTED]** Stock Incentive Plans (the "**[REDACTED]** Scheme") were adopted pursuant to resolutions passed on March 14, 2013, December 20, 2015, December 1, 2016, respectively, for the primary purpose of providing incentives to directors of the Company and eligible employees of the Group. Under the **[REDACTED]** Scheme, the Board of Directors of the Company may grant an aggregate of 46,240,340 options to eligible employees, including directors of the Company, to subscribe for shares in the Company.

Each employee share option is convertible into one ordinary share of the Company on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights.

From 2013 to 2017, the Company granted an aggregate of 46,240,340 share options to the directors of the Company and certain employees under the **[REDACTED]** Scheme. These options were vested either immediately upon grant or in four equal installments on the first, second, third and fourth anniversaries of the grant date. The fair value of the share options was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The weighted average fair value of those options was US$0.46 per share. The options outstanding all vested before January 1, 2018, as such no expense was recognized for the years ended 2018, 2019 and 2020.

9,656,036 share options were exercised in 2020 resulting in the issue of 9,656,036 ordinary shares of the Company and new share capital of RMB64,000 (before issue expenses). The proceed from the exercise of share option amounted to RMB4,787,000, as further detailed in note 38 to the financial statements. 7,836,990 share options were repurchased by the Company in 2020, as further detailed in Note 40(c)(iv).

At the date of approval of these financial statements, the Company had 28,747,314 share options outstanding under the Scheme, which represented approximately 79.1% of the Company's shares in issue as at that date.

## 37. BUSINESS COMBINATION

### (1) Chengdu Shengyuan

On January 19, 2020, Kindstar Beijing WFOE entered into contractual arrangements with Wuhan Haijie Technology Co., Ltd.("Wuhan Haijie") which is the shareholders of Chengdu Shengyuan and is also controlled by Huang Shi-Ang. As a result, the Group regards Chengdu Shengyuan as an 65% owned indirect subsidiary for accounting purpose. The Group consolidates the assets, liabilities, income and expenses of Chengdu Shengyuan upon the execution of the contractual arrangements. Details of the contractual arrangements are set out in note 2.1 to the Historical Financial Information. The total purchase consideration of RMB1,950,000 for the acquisition. The first payment of RMB1,000,000 was on December 17, 2020, and the rest was paid subsequently on January 26, 2021.

On August 30, 2020, the contractual arrangements with Wuhan Haijie were terminated and Wuhan Haijie transferred its entire equity interests in Chengdu Shengyuan to Kindstar Global Wuhan.

Chengdu Shengyuan is mainly engaged in medical esoteric testing services. The acquisition was made as part of the Group's strategy to expand its market share of clinical testing service in western region of PRC.

The Group has elected to measure the non-controlling interest in Chengdu Shengyuan at the non-controlling interest's proportionate share of Chengdu Shengyuan's identifiable net assets as at the date

of acquisition. The fair values of the identifiable assets and liabilities of Chengdu Shengyuan as at the date of acquisition were as follows:

| | *RMB'000* |
|---|---|
| Property plant and equipment | 771 |
| Cash and cash equivalents | 306 |
| Prepayments, deposits and other receivables | 920 |
| Inventories | 766 |
| Trade and bills payables | (405) |
| Contract liabilities | (115) |
| Other payables and accruals | (658) |
| Total identifiable net assets at fair value | 1,585 |
| Non-controlling interests | (555) |
| Goodwill on acquisition | 920 |
| Payable | 1,950 |
| Total cash consideration | 1,950 |

An analysis of cash flows in respect of the acquisition of Chengdu Shengyuan is as follows:

| | *RMB'000* *(unaudited)* |
|---|---|
| Cash and cash equivalents | 306 |
| Net inflow of cash and cash equivalents balances included in cash flows from investing activities | 306 |

The combination took place at the beginning of the year. Since the acquisition, Chengdu Shengyuan contributed RMB30,115,000 to the Group's revenue and RMB1,999,000 to the consolidated loss for the year ended December 31, 2020.

**(2) Tianjin Kindstar**

On September 21, 2020, Kindstar Global Wuhan acquired a 90% equity interests in Tianjin Kindstar held by Kindstar Global Tianjin, which is controlled by Huang Shi-Ang and is the related party of the Group, at a consideration of RMB1,260,000. The total purchase consideration was paid subsequently on December 28, 2020.

Henceforth and on December 31, 2020, Tianjin Kindstar was held as to 90% and 10% by Kindstar Global Wuhan and an Independent Third Party, respectively.

Tianjin Kindstar is mainly engaged in medical esoteric testing services. The acquisition was made as part of the Group's strategy to expand its market share of clinical testing service in northern region of PRC.

The Group has elected to measure the non-controlling interest in Tianjin Kindstar at the non-controlling interest's proportionate share of Tianjin Kindstar's identifiable net assets as at the date of acquisition. The fair values of the identifiable assets and liabilities of Tianjin Kindstar as at the date of acquisition were as follows:

| | *RMB'000* *(unaudited)* |
|---|---|
| Property plant and equipment | 2,434 |
| Cash and cash equivalents | 508 |
| Prepayments, deposits and other receivables | 834 |
| Inventories | 627 |
| Trade and bills receivables | 28 |
| Trade and bills payables | (101) |
| Other payables and accruals | (3,977) |
| Total identifiable net assets at fair value | 353 |
| Non-controlling interests | (35) |
| Goodwill on acquisition | 942 |
| Cash consideration to be paid | 1,260 |
| Total cash consideration | 1,260 |

An analysis of cash flows in respect of the acquisition of Tianjin Kindstar is as follows:

| | *RMB'000* *(unaudited)* |
|---|---|
| Cash and cash equivalents | 508 |
| Net inflow of cash and cash equivalents balances included in cash flows from investing activities | 508 |

Since the acquisition, Tianjin Kindstar contributed RMB30,000 to the Group's revenue and RMB468,000 to the consolidated loss for the year ended December 31, 2020.

Had the combination taken place at the beginning of the year, the revenue from operations of the Group and the loss of the Group for the year would have been RMB891,460,000 and RMB961,628,000 respectively.

## 38. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

### (a) Major non-cash transactions

During the Relevant Periods, the fair value loss on convertible redeemable preferred shares were RMB51,095,000, RMB179,466,000 and RMB891,434,000, which were non-cash transactions.

During the Relevant Periods, the fair value loss on convertible redeemable preferred bonds were RMB22,107,000, RMB43,442,000 and RMB155,161,000, which were non-cash transactions.

During the Relevant Periods, the Group had non-cash additions to right-of-use assets of RMB10,080,000, RMB3,788,000 and RMB18,141,000 and non-cash additions to lease liabilities of RMB10,080,000, RMB3,788,000 and RMB18,141,000, respectively, in respect of lease arrangements for properties and equipment.

### (b) Changes in liabilities arising from financing activities

| | Issue costs | Convertible redeemable preferred shares | New bank loans and other borrowings | Dividends payable included in Due to related parties | Advances from employees | Lease liabilities |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| At January 1, 2018 | – | 535,762 | – | – | – | 51,282 |
| Interest expense | – | – | 1,940 | – | – | 2,249 |
| Additions | – | – | 20,000 | – | – | 10,080 |
| Payment | – | – | (20,000) | – | – | (7,461) |
| Interest paid | – | – | (1,940) | – | – | – |
| Change in fair value | – | 51,095 | – | – | – | – |
| Exchange adjustment | – | 28,815 | – | – | – | – |
| At December 31, 2018 | – | 615,672 | – | – | – | 56,150 |
| Interest expense | – | – | 1,663 | – | – | 1,873 |
| Additions | – | – | 54,750 | – | – | 3,788 |
| Payment | – | – | (54,750) | – | – | (17,559) |
| Interest paid | – | – | (1,663) | – | – | – |
| Change in fair value | – | 179,466 | – | – | – | – |
| Exchange adjustment | – | 12,390 | – | – | – | – |
| At December 31, 2019 | – | 807,528 | – | – | – | 44,252 |
| Interest expense | – | – | 734 | – | – | 1,593 |
| Declaration of special dividends | – | – | – | 163,521 | – | – |
| Advances from employees | – | – | – | – | 15,931 | – |

| | Issue costs | Convertible redeemable preferred shares | New bank loans and other borrowings | Dividends payable included in Due to related parties | Advances from employees | Lease liabilities |
|---|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Proceed of exercise share option | – | – | – | – | (4,787) | – |
| **[REDACTED]** expenses | 15,504 | – | – | – | – | – |
| Prepaid **[REDACTED]** expenses | 6,208 | – | – | – | – | – |
| Additions | – | 858,909 | 70,000 | – | – | 18,141 |
| Payment | – | – | – | – | – | – |
| – Financial cashflow | (713) | – | (30,000) | (34,124) | – | (18,599) |
| – Operating cashflow | (2,139) | – | – | – | – | – |
| Interest paid | – | – | (734) | – | – | – |
| Debt restructuring | – | – | – | (64,150) | – | – |
| Transfer from convertible bonds | – | 420,292 | – | – | – | – |
| Change in fair value | – | 891,434 | – | – | – | – |
| Exchange adjustment | – | (123,773) | – | 2 | – | – |
| At December 31, 2020 | 18,860 | 2,854,390 | 40,000 | 65,249 | 11,144 | 45,387 |

## 39. COMMITMENTS

The Group had the following capital commitments at the end of 2020:

| | As at December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Contracted, but not provided for: | | | |
| Property, plant and equipment | 17,446 | 3,478 | 9,190 |
| Equity investments | 17,850 | 18,850 | 26,492 |
| | 35,296 | 22,328 | 35,682 |

## 40. RELATED PARTY TRANSACTIONS

### (a) Name and relationship

| Name of related parties | Relationship with the Group |
|---|---|
| Huang Shi-Ang | Shareholder and executive director |
| GUO Gui-Rong | Shareholder |
| CHEN Zhong | Shareholder |

| Name of related parties | Relationship with the Group |
|---|---|
| TU Zan-Bing | Key management |
| ZHENG Jianhua | Minority shareholder |
| 成都聖元醫學檢驗實驗室有限公司 ("Chengdu Shengyuan") (Note i) | Entity controlled by Huang Shi-Ang |
| Mayo Foundation for Medical Education and Research ("Mayo Foundation") | Shareholder |
| Ever Prospect | Entity controlled by key management |
| 天津康聖達醫學檢驗實驗室有限公司 Tianjin Kindstar Medical Laboratory Co., Ltd. ("Tianjin Kindstar") (Note ii) | Entity controlled by Huang Shi-Ang |
| 康聖環球(武漢)醫學特檢技術有限公司 Kindstar Global (Wuhan) Medical Esoteric Technology Co., Ltd. ("Kindstar Global Wuhan") (Note iii) | Entity controlled by Huang Shi-Ang |
| 武漢海傑科技有限公司 Wuhan Haijie Technology Co., Ltd. ("Wuhan Haijie") | Entity controlled by Huang Shi-Ang |
| 康聖環球(天津)醫學科技有限公司 Kindstar Global (Tianjin) Technology, Inc. ("Kindstar Global Tianjin") | Entity controlled by Huang Shi-Ang |
| 武漢海希生物科技有限公司 Wuhan Haixi Biological Technology Co., Ltd. ("Haixi Biological Technology") | Entity controlled by Huang Shi-Ang |
| 武漢海希生命科技有限公司 Wuhan Haixi Life Science Technology Co., Ltd. ("Haixi Life Science Technology") | Entity controlled by Huang Shi-Ang |
| 武漢康聖冷鏈物流有限公司 Wuhan Kindstar Cold Chain Logistics Co., Ltd. ("Kindstar Logistics") | Entity controlled by Huang Shi-Ang |

| Name of related parties | Relationship with the Group |
|---|---|
| 武漢益特醫療技術諮詢有限公司<br>Wuhan Yite Medical Technology Consulting Co., Ltd. ("Wuhan Yite") | Entity controlled by Huang Shi-Ang |
| 康聖新海(武漢)醫學技術有限公司<br>Kindstar Xinhai (Wuhan) Medical Technology Co., Ltd. ("Kindstar Xinhai") | Entity controlled by Huang Shi-Ang |
| 武漢市康聖優生網絡科技有限公司<br>Wuhan Kindstar Yousheng Network Technology Co., Ltd. ("Yousheng Network") | Entity controlled by Huang Shi-Ang |
| 武漢蒲雲醫學檢驗實驗室有限公司<br>Wuhan Puyun Medical Laboratory Co., Ltd. ("Wuhan Puyun") | Associate |

*Notes:*

(i) Before January 19, 2020, Chengdu Shengyuan was ultimately controlled by Huang Shi-Ang. On January 19, 2020, Kindstar Beijing WFOE entered into contractual arrangements with Chengdu Shengyuan and acquired 65% equity interests in Chengdu Shengyuan. Further details are given in note 37 to the Historical Financial Information. As a result, the Group regards Chengdu Shengyuan as an indirect subsidiary for accounting purpose since then.

(ii) Tianjin Kindstar was acquired by the Group on September 21, 2020, and further details are given in note 37 to the Historical Financial Information.

(iii) Kindstar Global Wuhan was subsequently acquired by the Group and further details are given in note 37 to the Historical Financial Information.

**(b) Significant related party transactions**

In addition to the transactions detailed elsewhere in the Historical Financial Information, the Group had the following material related party transactions during the Relevant Periods:

| | Year ended December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Purchases of services** | | | |
| Wuhan Yite (Note ii) | – | 67 | 5,405 |
| Wuhan Puyun (Note ii) | – | – | 4,314 |
| Kindstar Logistics (Note iv) | – | 328 | 989 |
| | – | 395 | 10,708 |
| **Royalty fees** | | | |
| Mayo Foundation (Note iii) | 4,902 | 3,888 | 2,757 |

| | Year ended December 31, | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| **Purchases of reagents** | | | |
| Haixi Biological Technology (Note v) | – | 475 | 4,094 |
| **Other services** | | | |
| Yousheng Network (Note vi) | 380 | – | – |
| **Borrowings from** | | | |
| Zheng Jianhua (Note i) | – | – | 430 |
| **Loans to** | | | |
| Huang Shi-Ang (Note vii) | – | 30,500 | – |
| Wuhan Puyun (Note viii) | – | – | 2,750 |
| Wuhan Haijie (Note viii) | – | – | 2,260 |
| Kindstar Xinhai (Note viii) | – | – | 1,000 |
| Kindstar Global Tianjin (Note viii) | – | 500 | 851 |
| Kindstar Global Wuhan (Note viii) | 50 | – | – |
| | 50 | 31,000 | 6,861 |
| **Repayments of borrowings from** | | | |
| Kindstar Xinhai (Note viii) | – | – | 1,000 |
| Wuhan Puyun (Note viii) | – | – | 2,750 |
| Wuhan Haijie (Note viii) | – | – | 2,260 |
| Kindstar Global Tianjin (Note viii) | – | – | 851 |
| Kindstar Global Wuhan (Note viii) | 50 | – | – |
| | 50 | – | 6,861 |
| **Deemed interest income from loans to key management** | | | |
| Huang Shi-Ang (Note vii) | 978 | 1,486 | 1,668 |
| CHEN Zhong (Note vii) | 92 | 98 | 75 |
| TU Zan-Bing (Note vii) | 55 | 59 | 45 |
| | 1,125 | 1,643 | 1,788 |

*Notes:*

(i) During the Relevant Periods, Xinjiang Kindstar borrow loans from Zheng Jianhua. The loans are unsecured and payable on demand with the interest rate of 6%.

(ii) During Relevant Periods, Wuhan Kindstar purchased labor services from Wuhan Yite and Wuhan Puyun.

(iii) The royalty fees were paid for the know-how provided by Mayo Foundation, which is a shareholder of the Company. The fees were charged pursuant to the terms in the agreement and supplemented agreements signed between the Company and Mayo Foundation on June 18, 2011, February 28, 2013 and June 1, 2015.

(iv) During Relevant Periods, Wuhan Kindstar purchased transportation services from Kindstar Logistics.

(v) During Relevant Periods, Wuhan Kindstar purchased reagents from Haixi Biological Technology

(vi) Other services represents the amount of collection service provided by Yousheng Network.

(vii) The details of loans to Huang Shi-ang and the deemed interest income from loans to key management are set out in note 40(d)(i) to the Historical Financial Information.

(viii) During the Relevant Periods, the Group provided loans to and received payments from certain related parties. The loans are unsecured and payable on demand with interest-free.

The purchase price was made according to published prices and conditions agreed by the Group and the related parties

**(c) Other transactions with related parties**

(i) The Group has guaranteed certain bank loan granted to Kindstar Xinhai. The guarantee contract was signed on April 13, 2020, for guarantees given to China Merchants Bank ("招商銀行") in connection with bank loan granted to Kindstar Xinhai. The total amount of bank loan was RMB62,000,000, which was also secured by the equity interests held by Kindstar Xinhai in Kindstar Rui An Medical Technology Company Limited ("Kindstar Rui An"), secured by the equity interests in the Company held by Gui Guirong, and guaranteed by Kindstar Rui An. The guarantee made by the Group was released with the repayment of bank loan by Kindstar Xinhai on February 5, 2021.

(ii) On 12 and August 27, 2020. Kindstar Global Wuhan acquired 80% equity interests in Shanghai Xinuo and Guangzhou Xinuo, respectively, from Shanghai Ruoze Medical Technology Co., Ltd., an entity ultimately controlled by Mr. Huang Shi-Ang. The considerations were nil and RMB1, respectively, which were determined taking into account the fact that no capital had been contributed to Shanghai Xinuo and Guangzhou Xinuo at the time of transfer.

(iii) On August 10, 2020, Kindstar Beijing WFOE entered into a series of contractual arrangements with Kindstar Global Wuhan and its equity holders, Mr. Huang Shi-Ang and Mr. Tu Zan-Bing, granting Kindstar Beijing WFOE and the Group controls over Kindstar Global Wuhan. The consideration was RMB100,000, which equaled to RMB100,000 contributed to Kindstar Global Wuhan by Mr. Huang Shi-Ang and Mr. Tu Zan-Bing at the time of transfer.

(iv) In October and November 2020, Tu Zan-Bing, the key management member of the Company, transferred 17,493,027 options of the Company acquired from the **[REDACTED]** Share Option Scheme to Ever Prospect, which is controlled by Tu Zan-Bing. On November 11, 2020, Ever Prospect exercised 9,656,036 share options.

In November and December 2020, the Company repurchased 7,836,990 options from Ever Prospect at a total consideration of US$25,000,000 (equivalent to RMB163,521,000) and it was considered as a special dividend declared by the Company pursuant to the board resolutions passed in November and December 2020. After netting off with the loans receivable from key management and employee of US$9,814,706 (equivalent to RMB64,149,900), US$5,185,294 (equivalent to RMB34,124,000) and US$10,000,000 (equivalent to RMB65,249,000) were paid to Ever Prospect on 24 November 2020 and 4 January 2021, respectively and the consideration was fully settled accordingly.

**(d) Outstanding balances with related parties**

As disclosed in the statements of financial position, the Group had outstanding balances with related parties at December 31, 2018 and 2019 and 2020.

**The Group**

| | As at December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Other receivables (non-trade in nature) | | | |
| Huang Shi-Ang (Note i) | 19,236 | 49,625 | – |
| GUO Gui-Rong (Note i) | 8,473 | 8,871 | – |
| CHEN Zhong (Note i) | 3,259 | 3,412 | – |
| TU Zan-Bing (Note i) | 1,955 | 2,047 | – |
| Other loans to shareholders | 208 | 212 | 165 |
| Wuhan Yite (Note ii) | – | – | 1,200 |
| | 33,131 | 64,167 | 1,365 |
| Other receivables (trade in nature) | | | |
| Yousheng Network (Note ii) | 485 | 595 | 595 |
| Haixi Life Science Technology (Note ii) | – | – | 100 |
| Wuhan Puyun (Note ii) | – | – | 94 |
| Tianjin Kindstar (Note ii) | – | 500 | 8 |
| Kindstar Logistics (Note ii) | – | 29 | – |
| Chengdu Shengyuan (Note ii) | – | 4 | – |
| Kindstar Global Wuhan (Note ii) | 1 | 1 | – |
| | 486 | 1,129 | 797 |
| Total amounts due from related parties | 33,617 | 65,296 | 2,162 |
| Analyzed as: | | | |
| Current | 486 | 65,296 | 2,162 |
| Non-Current | 33,131 | – | – |
| | 33,617 | 65,296 | 2,162 |

| | As at December 31, | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| *Due to related parties* | | | |
| Other payables (non-trade in nature) | | | |
| Ever Prospect (Note ii) | – | – | 65,249 |
| Wuhan Haijie (Note ii) | – | – | 950 |
| Zheng Jianhua (Note ii) | – | – | 430 |
| | – | – | 66,629 |
| Other payables (trade in nature) | | | |
| Wuhan Puyun (Note ii) | – | – | 6,124 |
| Mayo Foundation (Note ii) | 2,322 | 1,785 | 1,435 |
| Haixi Biological Technology (Note ii) | – | – | 331 |
| Wuhan Yite (Note ii) | – | – | 56 |
| | 2,322 | 1,785 | 7,946 |
| Total amounts due to related parties | 2,322 | 1,785 | 74,575 |

The maximum amounts of the non-trade related receivables due from directors during the Relevant Periods are as follows：

| | Year ended December 31, | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Other receivables | | | |
| Huang Shi-Ang | 19,236 | 49,625 | 51,100 |

**The Company**

| | As at December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| Other receivables (non-trade in nature) | | | |
| GUO Gui-Rong (Note i) | 8,473 | 8,871 | – |
| CHEN Zhong (Note i) | 3,259 | 3,412 | – |
| TU Zan-Bing (Note i) | 1,955 | 2,047 | – |
| Other loans to shareholders | 208 | 211 | 165 |
| | 13,895 | 14,541 | 165 |
| Analysed as: | | | |
| Current | – | 14,541 | 165 |
| Non-Current | 13,895 | – | – |
| | 13,895 | 14,541 | 165 |
| Amount due from a subsidiary (non-trade in nature) | | | |
| Kindstar Globalgene (HK) Limited (note iii) | 206,893 | 210,277 | 462,864 |
| Amount due to a related party (non-trade in nature) | | | |
| Ever Promspect Global (Note ii) | – | – | 65,249 |
| Amount due to a subsidiary (non-trade in nature) | | | |
| Wuhan Kindstar (Note iii) | – | – | 49,002 |

The directors of the Company confirm that all the non-trade balance will be fully settled prior to the Company's **[REDACTED]**.

*Notes:*

(i) The Group provided loans to key management and employees. According to the loan agreements, the Group will demand repayment of those loans on **[REDACTED]** of the Group which is expected to be completed within 12 months from December 31, 2020. On November 24, 2020, loans amounted to US$5,185,294 (equivalent to RMB66,236,000) were repaid by the key management and employee subsequently. On initial recognition, the receivable was measured at fair value, which in this case was equal to the cash consideration given discounted to the present value using market rate. The difference between the loan amount and its fair value was treated as prepaid remuneration to key management and employees and was amortized through the expected loan terms.

(ii) The Group's balances due from and due to the related companies are unsecured, interest-free and repayable on demand, except for the loans to key management and employees.

(iii) The Company's balances due from and due to a subsidiary are unsecured, interest-free and repayable on demand.

**(e) Compensation of key management personnel of the Group**

| | As at December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Salaries, allowances and benefits in kind | 1,685 | 1,889 | 1,840 |
| Performance related bonuses | 158 | 115 | 67 |
| Pension scheme contributions | 174 | 180 | 107 |
| | 2,017 | 2,184 | 2,014 |

Further details of directors' and chief executive' emoluments are included in note 10 to the Historical Financial Information.

## 41. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments of the Group as at the end of each of the Relevant Periods are as follows:

| **Financial assets** | **As at December 31,** | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Financial assets at FVTPL: | | | |
| Wealth management products | 14,513 | 11,594 | 55,000 |
| Financial assets at amortized cost: | | | |
| Trade and bills receivables | 201,303 | 237,790 | 310,385 |
| Due from related parties | 33,617 | 65,296 | 2,162 |
| Financial assets included in prepayments, deposits and other receivables | 34,332 | 20,355 | 81,829 |
| Cash and cash equivalents | 27,020 | 59,830 | 843,035 |
| | 296,272 | 383,271 | 1,237,411 |
| **Financial liabilities** | | | |
| Financial liabilities at FVTPL: | | | |
| Convertible redeemable preferred shares | 615,672 | 807,528 | 2,854,390 |
| Convertible bonds | 221,689 | 265,131 | – |
| | 837,361 | 1,072,659 | 2,854,390 |
| Financial liabilities at amortized cost: | | | |
| Trade and bills payables | 98,414 | 117,347 | 131,785 |
| Amount due to related parties | 2,855 | 1,785 | 74,575 |
| Financial liabilities included in other payables and accruals | 119,362 | 134,613 | 151,379 |
| Interest-bearing bank borrowings | – | – | 40,000 |
| Lease liabilities | 56,150 | 44,252 | 45,387 |
| | 276,781 | 298,836 | 443,126 |

## 42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

| | As at December 31, 2018 | | As at December 31, 2019 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| | *RMB'000* | *RMB'000 (Unaudited)* | *RMB'000* | *RMB'000 (Unaudited)* |
| **Financial assets** | | | | |
| Wealth management products | 14,513 | 14,513 | 11,594 | 11,594 |
| **Financial liabilities** | | | | |
| Convertible redeemable preferred shares | 615,672 | 615,672 | 807,528 | 807,528 |
| Convertible bonds | 221,689 | 221,689 | 265,131 | 265,131 |
| | 837,361 | 837,361 | 1,072,659 | 1,072,659 |

| | As at December 31, 2020 | |
|---|---|---|
| | Carrying amount | Fair value |
| | *RMB'000* | *RMB'000 (Unaudited)* |
| **Financial assets** | | |
| Wealth management products | 55,000 | 55,000 |
| **Financial liabilities** | | |
| Convertible redeemable preferred shares | 2,854,390 | 2,854,390 |

Management has assessed that the fair values of cash and cash equivalents , trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to related parties, and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the financial controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each of the Relevant Periods, the finance department analyzes the movements in the values of financial instruments and determines the major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of loans to key management and employees have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

The Group invests in unlisted investments, which represent wealth management products issued by banks in Mainland China. The Group has estimated the fair value of these unlisted investments by using a discounted cash flow valuation model based on the market interest rates of instruments with similar terms and risks.

The fair values of lease liabilities have been calculated by discount the expected future cash flows using rate currently available for instruments with similar terms, credit risk and remaining maturities. The fair values have been assessed to be approximate to their carrying amounts.

The fair values of the convertible redeemable preferred shares and convertible bonds measured at FVTPL are determined using the Black-Scholes option pricing model. Further details are set out in note 32 and note 33 to the Historical Financial Information.

**Fair value hierarchy**

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

*As at December 31, 2020*

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | **Quoted prices in active markets (Level 1)** | **Significant observable inputs (Level 2)** | **Significant unobservable inputs (Level 3)** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Financial assets** | | | | |
| Financial assets at FVTPL | – | 55,000 | – | 55,000 |
| **Financial liabilities** | | | | |
| Convertible redeemable preferred shares | – | – | 2,854,390 | 2,854,390 |

*As at December 31, 2019*

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Financial assets** | | | | |
| Financial assets at FVTPL | – | 11,594 | – | 11,594 |
| **Financial liabilities** | | | | |
| Convertible redeemable preferred shares | – | – | 807,528 | 807,528 |
| Convertible bonds | – | – | 265,131 | 265,131 |
| | – | – | 1,072,659 | 1,072,659 |

*As at December 31, 2018*

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| **Financial assets** | | | | |
| Financial assets at FVTPL | – | 14,513 | – | 14,513 |
| **Financial liablities** | | | | |
| Convertible redeemable preferred shares | – | – | 615,672 | 615,672 |
| Convertible bonds | – | – | 221,689 | 221,689 |
| | – | – | 837,361 | 837,361 |

During the Relevant Periods, there was no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at December 31, 2018, 2019 and 2020:

| | Valuation technique | Significant unobservable inputs | Range | Sensitivity of fair value to the input |
|---|---|---|---|---|
| Convertible redeemable preferred shares | Black-Scholes option pricing model | Risk-free interest rate | 0.1% –2.5% | note i |
| | | DLOM | 12% –14% | note ii |
| | | Volatility | 37% –44% | note iii |
| Convertible bonds | Black-Scholes option pricing model | Risk-free interest rate | 0.1% –2.5% | note i |
| | | DLOM | 12% –14% | note ii |
| | | Volatility | 37% –44% | note iii |

*Notes:*

(i) 1% increase/decrease in risk-free interest rate while with all other variables constant would decrease/increase the fair value of convertible redeemable preferred shares by RMB468,000/RMB533,000, RMB263,000/RMB263,000 and RMB410,000/nil, and decrease/increase the fair value of convertible bonds by RMB2,189,000/RMB1,870,000, RMB1,390,000/RMB942,000 and RMB811,000/nil as at December 31, 2018, 2019 and 2020, respectively. The risk-free interest rate was less 1% as at December 31, 2020. As such the fair value makes a tiny change in case of 1% decrease in risk-free interest rate.

(ii) 1% increase/decrease in DLOM while holding all other variables constant would decrease/increase the fair value of convertible redeemable preferred shares by RMB7,119,000, RMB9,160,000 and RMB30,561,000, and decrease/increase the fair value of convertible bonds by RMB2,440,000, RMB2,915,000 and nil as at December 31, 2018, 2019 and 2020, respectively.

(iii) 1% increase/decrease in volatility while holding all other variables constant would decrease/increase the fair value of convertible redeemable preferred shares by RMB68,000/24,000, RMB17,000/12,000 and RMB13,000/484,000, and decrease/increase the fair value of convertible bonds by RMB316,000/324,000, RMB256,000/256,000 and RMB273,000/(413,000) as at December 31, 2018, 2019 and 2020, respectively.

## 43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, financial liabilities at FVTPL, other interest-bearing loans, and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors review and agree policies for managing each of these risks and they are summarized below.

### Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from financing activities under currencies other than the units' functional currencies.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the RMB and US$ exchange rate, with all other variables held constant, of the Group's loss before tax.

| | Year ended December 31, | | |
|---|---|---|---|
| | **2018** | **2019** | **2020** |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| RMB/US$ | | | |
| Strengthened 5% | 107 | 98 | 4,866 |
| Weakened 5% | (107) | (98) | (4,866) |

**Credit risk**

An impairment analysis was performed at December 31, 2018, 2019 and 2020 using a provision matrix to measure expected credit losses. The provision rates are based on aging for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

*Maximum exposure and year-end staging as at December 31, 2018, 2019 and 2020.*

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on aging information unless other information is available without undue cost or effort, and year-end staging classification as at December 31, 2018 and 2019 and 2020. The amounts presented are gross carrying amounts for financial assets.

**At December 31, 2018**

| | **12-month ECLs** | **Lifetime ECLs** | | | |
|---|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Simplified approach** | **Total** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Financial assets at FVTPL | 14,513 | – | – | – | 14,513 |
| Trade receivables* | – | – | – | 220,650 | 220,650 |
| Bills receivables | 376 | – | – | – | 376 |
| Financial assets included in prepayments, deposits and other receivables | | | | | |
| – Normal** | 34,332 | – | – | – | 34,332 |
| – Doubtful** | – | – | – | – | – |
| Amounts due from related parties | 33,617 | – | – | – | 33,617 |
| Cash and cash equivalents | 27,020 | – | – | – | 27,020 |
| | 109,858 | – | – | 220,650 | 330,508 |

**At December 31, 2019**

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Simplified approach | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Financial assets at FVTPL | 11,594 | – | – | – | 11,594 |
| Trade receivables* | – | – | – | 260,682 | 260,682 |
| Bills receivables | 297 | – | – | – | 297 |
| Financial assets included in prepayments, deposits and other receivables | | | | | |
| – Normal** | 20,355 | – | – | – | 20,355 |
| – Doubtful** | – | – | – | – | – |
| Amounts due from related parties | 65,296 | – | – | – | 65,296 |
| Cash and cash equivalents | 59,830 | – | – | – | 59,830 |
| | 157,372 | – | – | 260,682 | 418,054 |

**At December 31, 2020**

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 | Stage 2 | Stage 3 | Simplified approach | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Financial assets at FVTPL | 55,000 | – | – | – | 55,000 |
| Trade receivables* | – | – | – | 339,840 | 339,840 |
| Bills receivables | 677 | – | – | – | 677 |
| Financial assets included in prepayments, deposits and other receivables | | | | | |
| – Normal** | 81,829 | – | – | – | 81,829 |
| – Doubtful** | – | – | – | – | – |
| Amounts due from related parties | 2,162 | – | – | – | 2,162 |
| Cash and cash equivalents | 843,035 | – | – | – | 843,035 |
| | 982,703 | – | – | 339,840 | 1,322,543 |

* For trade and bills receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 22 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, deposits and other receivables is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the debtor
- a breach of contract such as a default or past due event
- it is probable that the debtor will enter bankruptcy or other financial reorganization

The Group has established a policy to perform an assessment, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Management makes periodic collective assessments for financial assets included in prepayments, deposits and other receivables as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The Group recognized allowance for financial assets other than trade receivables based on 12-month ECLs and adjusts for forward-looking macroeconomic data. Trade receivables to which the Group applies the simplified approach for impairment based on lifetime ECLs.

**Liquidity risk**

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operations and bank borrowings. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, was as follows:

| | As at December 31, 2018 | | | | |
|---|---|---|---|---|---|
| | On demand | Less than 1 year | 1 to 3 years | Over 3 years | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Convertible redeemable preferred shares | 615,672 | – | – | – | 615,672 |
| Convertible bonds | 215,931 | – | – | – | 215,931 |
| Trade and bills payables | – | 98,482 | – | – | 98,482 |
| Financial liabilities included in other payables and accruals | 119,827 | – | – | – | 119,827 |
| Interest-bearing bank borrowings | – | – | – | – | |
| Amounts due to related parties | 2,322 | – | – | – | 2,322 |
| Lease liabilities | – | 17,896 | 23,253 | 16,194 | 57,343 |
| | 953,752 | 116,378 | 23,253 | 16,194 | 1,109,577 |

| | As at December 31, 2019 | | | | |
|---|---|---|---|---|---|
| | On demand | Less than 1 year | 1 to 3 years | Over 3 years | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Convertible redeemable preferred shares | 807,528 | – | – | – | 807,528 |
| Convertible bonds | 231,131 | – | – | – | 231,131 |
| Trade and bills payables | – | 117,347 | – | – | 117,347 |
| Financial liabilities included in other payables and accruals | 135,452 | – | – | – | 135,452 |
| Interest-bearing bank borrowings | – | – | – | – | – |
| Amounts due to related parties | 1,785 | – | – | – | 1,785 |
| Lease liabilities | – | 19,403 | 21,283 | 6,478 | 47,164 |
| | 1,175,896 | 136,750 | 21,283 | 6,478 | 1,340,407 |

| | As at December 31, 2020 | | | | |
|---|---|---|---|---|---|
| | On demand | Less than 1 year | 1 to 3 years | Over 3 years | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Convertible redeemable preferred shares | – | – | 2,854,390 | – | 2,854,390 |
| Trade and bills payables | – | 131,785 | – | – | 131,785 |
| Financial liabilities included in other payables and accruals | 151,379 | – | – | – | 151,379 |
| Interest-bearing bank borrowings | 40,000 | – | – | – | 40,000 |
| Amounts due to related parties | 74,575 | – | – | – | 74,575 |
| Lease liabilities | – | 18,538 | 21,934 | 3,417 | 43,889 |
| | 265,954 | 150,323 | 2,876,324 | 3,417 | 3,296,018 |

**Capital management**

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The asset-liability ratios as at the end of each of the Relevant Periods are as follows:

| | As at December 31, | | |
|---|---|---|---|
| | 2018 | 2019 | 2020 |
| | *RMB'000* | *RMB'000* | *RMB'000* |
| Total assets | 576,537 | 664,423 | 1,576,959 |
| Total liabilities | 1,194,461 | 1,463,844 | 3,411,374 |
| Asset-liability ratio (Note) | 207% | 220% | 216% |

Note: Asset-liability ratio is calculated by dividing total liabilities by total assets and multiplying the product by 100%.

## 44. 【EVENTS AFTER DECEMBER 31, 2020】

Saved as disclosed in elsewhere of the report, the following significant events took place subsequent to December 31, 2020:

Pursuant to a shareholders' resolution passed on [,2021], the authorized share capital of the Company is expected to be subdivided on a 1-to-4 basis and as a result, the par value will be changed from US$0.001 per each share to US$0.00025 per each share and the authorized share capital of the Company of US$500,000 will be subdivided into 2,000,000,000 Shares of US$0.00025 each share (the "Share Subdivision").

## 45. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2020.

# [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

## 1 Memorandum of Association

The Memorandum of Association of our Company was conditionally adopted on [●], 2021 and states, inter alia, that the liability of the members of our Company is limited, that the objects for which our Company is established are unrestricted and our Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix V in the section headed "Documents delivered to the Registrar of Companies in Hong Kong and available for inspection".

## 2 Articles of Association

The Articles of Association of our Company were conditionally adopted on [●], 2021 and include provisions to the following effect:

### *2.1 Classes of Shares*

The share capital of our Company consists of ordinary shares. The capital of our Company at the date of adoption of the Articles is US$[500,000] divided into [2,000,000,000] Shares of US$[0.00025] each.

### *2.2 Directors*

*(a) Power to allot and issue Shares*

Subject to the provisions of the Companies Act and the Memorandum and Articles of Association, the unissued shares in our Company (whether forming part of its original or any increased capital) shall be at the disposal of our Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as our Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by our Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as our Directors may determine. Subject to the Companies Act and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, be issued on terms that it is, or at the option of our Company or the holder thereof, liable to be redeemed on such terms or in such manner, as the Board may deem fit.

*(b) Power to dispose of the assets of our Company or any subsidiary*

The management of the business of our Company shall be vested in our Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all

such powers and do all such acts and things as may be exercised or done or approved by our Company and are not by the Articles of Association or the Companies Act expressly directed or required to be exercised or done by our Company in general meeting, but subject nevertheless to the provisions of the Companies Act and of the Articles of Association and to any regulation from time to time made by our Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of our Directors which would have been valid if such regulation had not been made.

*(c) Compensation or payment for loss of office*

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by our Company in general meeting.

*(d) Loans to Directors*

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance, as well as exceptions to such restrictions.

*(e) Financial assistance to purchase Shares*

Subject to all applicable laws, our Company may give financial assistance to Directors and employees of our Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in our Company or any such subsidiary or holding company. Further, subject to all applicable laws, our Company may give financial assistance to a trustee for the acquisition of shares in our Company or shares in any such subsidiary or holding company to be held for the benefit of employees of our Company, its subsidiaries, any holding company of our Company or any subsidiary of any such holding company (including salaried Directors).

*(f) Disclosure of interest in contracts with our Company or any of its subsidiaries*

No Director or proposed Director shall be disqualified by his office from contracting with our Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of our Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to our Company for any profit so realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by our Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of our Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of our Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of our Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer of shares, debentures or other securities of or by our Company or any other company which our Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the **[REDACTED]** or **[REDACTED]** of the offer;

(iv) any proposal concerning any other company in which the Director or his close associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or his close associates are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his close associates is derived) or of the voting rights;

(v) any proposal or arrangement concerning the benefit of employees of our Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of our Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(vi) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of our Company by virtue only of his/their interest in shares or debentures or other securities of our Company.

*(g) Remuneration*

The Directors shall be entitled to receive by way of ordinary remuneration for their services such sum as shall from time to time be determined by our Directors, or our Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst our Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in our Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of traveling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of our Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services to or at the request of our Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of the managing director, joint managing director, deputy managing director or an executive Director or a Director appointed to any other office in the management of our Company may from time to time be fixed by our Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as our Directors may from time to time decide. Such remuneration shall be in addition to such ordinary remuneration as the recipient may be entitled to receive as a Director.

*(h) Retirement, appointment and removal*

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next annual general meeting of our Company and shall then be eligible for re-election at that meeting, but shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation at such meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between our Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so

appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed.

The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. No person shall, unless recommended by our Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the dispatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of our Company notice in writing by a member of our Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

(i) if he resigns his office by notice in writing to our Company at its registered office or its principal office in Hong Kong;

(ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and our Directors resolve that his office be vacated;

(iii) if, without leave, he is absent from meetings of our Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and our Directors resolve that his office be vacated;

(iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;

(vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of our Directors (including himself) for the time being then in office; or

(vii) if he shall be removed from office by an ordinary resolution of the members of our Company under the Articles of Association.

At every annual general meeting of our Company one-third of our Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term)

shall be subject to retirement by rotation at least once every three years. The Directors to retire in every year will be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

*(i) Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of our Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of our Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

*(j) Proceedings of the Board*

The Directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

***2.3 Alteration to constitutional documents***

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

***2.4 Variation of rights of existing shares or classes of shares***

If at any time the share capital of our Company is divided into different classes of shares, the rights attaching to the shares or any class of shares may (unless otherwise provided by the terms of issue of the shares of that class) be varied or abrogated only with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles of Association relating to general meetings shall mutatis mutandis apply, but so that:

(a) the necessary quorum (other than at an adjourned meeting) shall be two persons (or in the case of a member being a corporation, its duly authorized representative) holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting of such holders, two holders present in person (or in the case of a member being a corporation, its duly authorized representative) or by proxy (whatever the number of shares held by them) shall be a quorum;

(b) every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him; and

(c) any holder of shares of the class present in person or by proxy or authorized representative may demand a poll.

The special rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by or abrogated by the creation or issue of further shares ranking *pari passu* therewith or by the redemption or purchase of shares of any class by our Company.

***2.5 Alteration of capital***

The Company may, from time to time, whether or not all the shares for the time being authorized shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

(a) increase its share capital;

(b) consolidate and divide all or any of its share capital into shares of a larger or smaller amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, our Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by our Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to our Company for our Company's benefit;

(c) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions which in the absence of any such determination by our Company in general meeting, as our Directors may determine;

(d) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so canceled subject to the provisions of the Companies Act;

(e) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Act, and

so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such subdivision, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as our Company has power to attach to unissued or new shares; and

(f) convert all or any of its paid up shares into stock and reconvert that stock its paid up shares of any denomination;

The Company may by special resolutions reduce its share capital or any capital redemption reserve or any other undistributed reserve in any manner authorized and subject to any conditions prescribed by the Companies Act. The Company may apply its share premium account in any manner permitted by the Companies Act.

### *2.6 Special resolution – majority required*

A "special resolution" is defined in the Articles of Association to be a resolution passed by not less than three-fourths of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and where a poll is taken regard shall be had in computing a majority to the number of votes to which each member is entitled. A special resolution includes a resolution approved in writing by all of the members of our Company entitled to vote at a general meeting of our Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of our Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of our Company aforesaid.

### *2.7 Voting rights*

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote for each share registered in his name in the register of members of our Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of our Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorized in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by our Directors, no person other than a member of our Company duly registered and who shall have paid all sums for the time being due from him payable to our Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of our Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless voting by way of a poll is required by the Listing Rules or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded:

(a) by the chairman of such meeting; or

(b) by at least three members present in person or in the case of a member being a corporation by its duly authorized representative or by proxy for the time being entitled to vote at the meeting; or

(c) by a member or members present in person or in the case of a member being a corporation by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all members having the right to vote at the meeting; or

(d) by a member or members present in person or in the case of a member being a corporation by its duly authorized representative or by proxy and holding shares in our Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right; or

(e) if required by the Listing Rules, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. or more of the total voting rights at such meeting.

A demand by a person as proxy for a member or in the case of a member being a corporation by its duly authorized representative shall be deemed to be the same as a demand by a member.

If a recognized clearing house (or its nominee(s)) is a member of our Company it may authorize such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of our

Company or at any general meeting of any class of members of our Company provided that, if more than one person is so authorized, the authorization or proxy form must specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) which he represents as that recognized clearing house (or its nominee(s)) could exercise as if it were an individual member of our Company holding the number and class of shares specified in such authorization, including, where a show of hands is allowed, the right to vote individually on a show of hands.

### *2.8 Annual general meetings and extraordinary general meetings*

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorize). The annual general meeting shall be specified as such in the notices calling it.

The board of Directors may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any two or more members holding together, or any one member of our Company which is a recognized clearing house (or its nominee(s)) holding, as at the date of deposit of the requisition, shares representing not less than one-tenth of the paid up capital of our Company which carry the right of voting at general meetings of our Company. The written requisition shall be deposited at the principal office of our Company in Hong Kong or, in the event our Company ceases to have such a principal office, the registered office of our Company, specifying the objects of the meeting and signed by the requisitionist(s). If our Directors do not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by our Directors provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of our Directors shall be reimbursed to them by our Company.

### *2.9 Accounts and audit*

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of our Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Act. The Directors shall cause all such books of account to be retained for a minimum period of five years from the date of which they are prepared.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of our Company, or any of them, shall be open to the inspection by members of our Company (other than officers of our Company) and no such member shall have any right of inspecting any accounts or books or documents of our Company except as conferred by the Companies Act or any other relevant law or regulation or as authorized by our Directors or by our Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of our Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of our Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of our Company for the period covered by the profit and loss account and the state of our Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of our Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by our Company as provided in the Articles of Association to every member of our Company and every holder of debentures of our Company provided that our Company shall not be required to send copies of those documents to any person of whose address our Company is not aware or to more than one of the joint holders of any shares or debentures.

***2.10 Auditors***

The Company shall at any annual general meeting appoint an auditor or auditors of our Company who shall hold office until the next annual general meeting. The removal of an auditor before the expiration of his period of office shall require the approval of an ordinary resolution of the members in general meeting. The remuneration of the auditors shall be fixed by our Company at the annual general meeting at which they are appointed provided that in respect of any particular year our Company in general meeting may delegate the fixing of such remuneration to our Directors.

***2.11 Notice of meetings and business to be conducted thereat***

An annual general meeting and any extraordinary general meeting called for the passing of Special Resolutions shall be called by not less than 21 days' notice in writing and any other extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of our Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from our Company).

Notwithstanding that a meeting of our Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all members of our Company entitled to attend and vote thereat or their proxies; and

(b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), our Directors, in their absolute discretion, consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, it may change or postpone the meeting to another date, time and place.

The Directors also have the power to provide in every notice calling a general meeting that in the event of a gale warning or a black rainstorm warning is in force at any time on the day of the general meeting (unless such warning is canceled at least a minimum period of time prior to the general meeting as our Directors may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date. Where a general meeting is so postponed, our Company shall endeavor to cause a notice of such postponement to be placed on our Company's website and published on the Stock Exchange's website as soon as practicable, but failure to place or publish such notice shall not affect the automatic postponement of such meeting.

Where a general meeting is postponed:

(a) our Directors shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting; and such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and

(b) notice of the business to be transacted at the reconvened meeting shall not be required, nor shall any accompanying documents be required to be recirculated, provided that the business to be transacted at the reconvened meeting is the same as that set out in the notice of the original meeting circulated to the members of our Company.

### *2.12 Transfer of shares*

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as our Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless our Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of our Company in respect thereof.

Fully paid Shares shall be free from any restriction with respect to the right of the holder thereof to transfer such Shares (except when permitted by the Stock Exchange) and shall also be free from all liens. The Directors may, in its absolute discretion, and without giving any reason therefor, refuse to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve, or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed

thereby still subsists, and it may also, without prejudice to the foregoing generality, refuse to register a transfer of any share to more than four joint holders or a transfer of any share (not being a fully paid up share) on which our Company has a lien.

No transfer shall be made to an infant or to a person of unsound mind or under other legal disability.

The Directors in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the register to any branch register or any share on any branch register to the register or any other branch register. In the event of any such transfer, the shareholder requesting such transfer shall bear the cost of effecting the transfer unless the Board of Directors otherwise determines.

Unless our Directors otherwise agrees (which agreement may be on such terms and subject to such conditions as our Directors in its absolute discretion may from time to time determine, and which agreement our Directors shall, without giving any reason therefor, be entitled in its absolute discretion to give or withhold), no shares upon the register shall be transferred to any branch register nor shall shares on any branch register be transferred to the register or any other branch register and all transfers and other documents of title shall be lodged for registration, and registered, in the case of any shares on a branch register, at the relevant Registration Office, and, in the case of any shares on the register, at the office or such other place at which the register is kept in accordance with the Companies Act.

The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with our Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be canceled) and such other evidence as our Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required); and

(d) a fee of such maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as our Directors may from time to time require) is paid to our Company in respect thereof.

If our Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with our Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by our

Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of our Company closed at such times for such periods as our Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of our Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

***2.13 Power of our Company to purchase its own shares***

The Company is empowered by the Companies Act and the Articles of Association to purchase its own shares subject to certain restrictions and our Directors may only exercise this power on behalf of our Company subject to the authority of its members in general meeting or a resolution of the Director as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as canceled upon the repurchase.

***2.14 Power of any subsidiary of our Company to own shares***

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

***2.15 Dividends and other methods of distribution***

Subject to the Companies Act and the Articles of Association, our Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by our Directors. No dividend may be declared or paid other than out of profits and reserves of our Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of our Company such interim dividends as appear to our Directors to be justified by the profits of our Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be payable at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which our Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of our Company all sums of money (if any) presently payable by him to our Company on account of calls, installments or otherwise.

No dividend shall carry interest against our Company.

Whenever our Directors or our Company in general meeting have resolved that a dividend be paid or declared on the share capital of our Company, our Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of our Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of our Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as our Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of our Directors by ordinary resolution resolve in respect of any one particular dividend of our Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of our Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by check or warrant sent through the post addressed to the registered address of the member of our Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of our Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every check or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of our Company in respect of such shares, and shall be sent at his or their risk and the payment of any such check or warrant by the bank on which it is drawn shall operate as a good discharge to our Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such checks for dividend entitlements or dividend warrants by post if such checks or warrants have been left uncashed on two consecutive occasions. However, our Company may exercise its power to cease sending checks for dividend entitlements or dividend warrants after the first occasion on which such a check or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by our Directors and shall revert to our Company.

The Directors may, with the sanction of the members of our Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution our Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of our Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of our Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to our Directors.

### *2.16 Proxies*

Any member of our Company entitled to attend and vote at a meeting of our Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of our Company. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of our Company or at a class meeting. In addition, a proxy or proxies representing either a member who is an individual or a member which is a corporation shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise.

Instruments of proxy shall be in common form or in such other form as our Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favor of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorized in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

The instrument appointing a proxy and (if required by our Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of our Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of our Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

### *2.17 Calls on shares and forfeiture of shares*

The Directors may from time to time make calls upon the members of our Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of our Company shall (subject to our Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the

time and place so specified the amount called on his shares. A call may be revoked or postponed as our Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by installments and shall be deemed to have been made at the time when the resolution of our Directors authorizing the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and installments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 20% per annum, as our Directors may determine, but our Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or installment of a call remains unpaid on any share after the day appointed for payment thereof, our Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or installment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or installment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or installments and interest due in respect thereof has been made, be forfeited by a resolution of our Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of our Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of our Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to our Company all monies which at the date of forfeiture were payable by him to our Company in respect of the shares, together with (if our Directors shall in their discretion so require) interest thereon at such rate not exceeding 20% per annum as our Directors may prescribe from the date of forfeiture until payment, and our Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

***2.18 Inspection of register of members***

The register of members of our Company shall be kept in such manner as to show at all times the members of our Company for the time being and the shares respectively held by them. The register may, on 10 business days' notice (or on 6 business days' notice in the case of a rights issue) being given by

advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by our Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as our Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of our Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as our Directors may impose) be open to inspection by any member of our Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as our Directors may determine for each inspection.

***2.19 Quorum of meetings***

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of our Company present in person or by proxy shall be a quorum provided always that if our Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of our Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of our Company or at any relevant general meeting of any class of members of our Company.

The quorum for a separate general meeting of the holders of a separate class of shares of our Company is described in paragraph 2.4 above.

***2.20 Rights of minorities in relation to fraud or oppression***

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

***2.21 Procedure on liquidation***

If our Company shall be wound up, and the assets available for distribution amongst the members of our Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of our Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding

up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of our Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of our Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If our Company shall be wound up, the liquidator may with the sanction of a special resolution of our Company and any other sanction required by the Companies Act, divide amongst the members of our Company in specie or kind the whole or any part of the assets of our Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of our Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of our Company as the liquidator, with the like sanction and subject to the Companies Act, shall think fit, but so that no member of our Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

***2.22 Untraceable members***

The Company shall be entitled to sell any shares of a member of our Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all checks or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) our Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, our Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by our Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to our Company and upon receipt by our Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

**Summary of Cayman Islands Companies Act and Taxation**

***1 Introduction***

The Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

### *2 Incorporation*

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 20 July 2016 under the Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorized share capital.

### *3 Share Capital*

The Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account". At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancelation of shares in any other company and issued at a premium. The Companies Act provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid, or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Act, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorized either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

### *4 Dividends and Distributions*

With the exception of section 34 of the Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

### *5 Shareholders' Suits*

The Cayman Islands courts can be expected to follow English case law precedents. The rule in Foss v. Harbottle (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

### *6 Protection of Minorities*

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

***7 Disposal of Assets***

The Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

***8 Accounting and Auditing Requirements***

The Companies Act requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

***9 Register of Members***

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

***10 Inspection of Books and Records***

Members of a company will have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

### *11 Special Resolutions*

The Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorized by the articles of association of the company.

### *12 Subsidiary Owning Shares in Parent*

The Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

### *13 Mergers and Consolidations*

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

### *14 Reconstructions*

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances,

as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

### *15 Take-overs*

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

### *16 Indemnification*

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

### *17 Liquidation*

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

### *18 Stamp Duty on Transfers*

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

### *19 Taxation*

Pursuant to section 6 of the Tax Concessions Act (2018 Revision) of the Cayman Islands, our Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to our Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

    (i) on or in respect of the shares, debentures or other obligations of our Company; or

    (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (2018 Revision).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to our Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to our Company.

### *20 Exchange Control*

There are no exchange control regulations or currency restrictions in the Cayman Islands.

### *21 General*

Travers Thorp Alberga, our Company's legal advisers on Cayman Islands law, have sent to our Company a letter of advice summarizing aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the section headed "Documents delivered to the Registrar of Companies in Hong Kong and available for inspection" in Appendix V to this Document. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

## A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES

### 1. Incorporation

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Cayman Companies Act on August 24, 2007. Our registered office address is at the offices of International Corporation Services Ltd., P.O. Box 472, 2nd Floor, Harbor Place, 103 South Church Street, George Town, Grand Cayman KY1-1106, Cayman Islands. As our Company is incorporated in the Cayman Islands, our operation is subject to the relevant laws and regulations of the Cayman Islands, the Articles and the Memorandum. A summary of the relevant laws and regulations of the Cayman Islands and of our constitution is set out in the section headed "Summary of the Constitution of our Company and Cayman Companies Act" in Appendix III to this Document.

Our principal place of business in Hong Kong is at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on December 9, 2020 with the Registrar of Companies in Hong Kong. Ms. Ho Siu Pik and Ms. Chan Wai Ling have been appointed as the authorized representatives of our Company for the acceptance of service of process in Hong Kong. The address for service of process in Hong Kong is at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

As of the date of this Document, our Company's head office was located at Biolake D2-1, 666 Gaoxin Road, East Lake High Tech Zone, Wuhan, Hubei, the PRC.

### 2. Changes in Share Capital of Our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on August 24, 2007 with an authorized share capital of US$50,000 divided into 50,000,000 ordinary shares of a par value of US$0.001 each as at the date of incorporation. On the same day, one subscriber share was allotted and issued at par value to our initial subscriber, Vistra (Cayman) Limited, which was then transferred to Morningside Venture (I) Investment Limited on the same day.

The following sets out the changes in the share capital of our Company during the two years immediately preceding the date of this Document:

(a) Pursuant to the Series D Preference Share Purchase Agreement dated July 14, 2020, our Company issued and allotted Series D Preference Shares to the Series D Investors with particulars set out below:

| Date of Issue | Name | Number of Series D Preference Shares |
|---|---|---|
| September 28, 2020 | Ningbo Xinyue | 5,228,643 |
| October 27, 2020 | Wuhan Ruifu | 10,457,285 |
| October 27, 2020 | Changzhou Huasheng | 4,182,914 |
| **Total** | | 19,868,842 |

(b) Pursuant to the Series D+ Preference Share Purchase Agreement dated September 8, 2020, our Company issued and allotted 9,698,920 Series D+ Preference Shares to the Series D+ Investor on September 8, 2020.

(c) On October 6, 2020, WI Harper disposed part of their holding of our Preference Shares to our Company pursuant to the Share Repurchase Agreement dated September 30, 2020. The details of the Preference Share disposed as particularized below:

| Date of settlement | Number of Series B Preference Shares | Number of Series B1 Preference Shares | Number of Series C Preference Shares |
|---|---|---|---|
| October 6, 2020 | 2,538,259 | 152,577 | 508,167 |

(d) On October 6, 2020, CK Lab Tech, one of the Series E Investors, agreed to purchase from KPCB China Fund I, our Series C Investors, certain Series C Preference Shares as particularized below:

| Date of settlement | Transferor | Number of Series C Preference Shares |
|---|---|---|
| October 21, 2020 | KPCB China Fund, L.P. | 2,709,566 |
| October 21, 2020 | KPCB China Founders Fund, L.P. | 203,320 |
| **Total** | | 2,912,886 |

(e) Pursuant to the Series E Preference Share Purchase Agreements entered into between October 6, 2020 and December 3, 2020, our Company issued and allotted Preference Shares to the Series E Investors with particulars set out below:

| Date of issue | Name | Number of Series E Preference Shares |
|---|---|---|
| October 27, 2020 | CK Lab Tech | 14,640,021 |
| November 3, 2020 | Giant Hero | 3,134,796 |
| November 5, 2020 | China Healthcare | 4,378,981 |
| | BOCI Financial Products | 3,134,796 |
| November 10, 2020 | China Healthcare | 1,463,970 |
| November 12, 2020 | Golden Talent – Hua Zhi | 2,507,837 |
| | DBR Capital | 1,567,398 |
| December 4, 2020 | Right Goodness | 3,134,796 |
| | CK Lab Tech | – |
| **Total** | | 33,962,595 |

(f) Pursuant to their respective Series E Preference Share Purchase Agreements, certain Series E Investors subscribed for all the Preference Shares repurchased from WI Harper as particularized below:

| Name | Number of Series B Preference Shares | Number of Series B1 Preference Shares | Number of Series C Preference Shares |
|---|---|---|---|
| CK Lab Tech | 1,878,259 | 152,577 | 508,167 |
| China Healthcare | 660,000 | – | – |
| | **2,538,259** | **152,577** | **508,167** |

For details of our Company's authorized and issued share capital, and consideration relating to Preference Shares above, please refer to the sections headed "Share Capital – Authorized and Issued Share Capital", and "History, Development and Corporate Structure – Major Corporate Development and Shareholding Changes of our Group" in this Document.

**3. Changes in share capital of our subsidiaries**

A summary of the corporate information and the particulars of our subsidiaries are set out in Note 1 to the Accountants' Report as set out in Appendix I to this Document.

The following sets out the changes in the share capital of our subsidiaries during the two years immediately preceding the date of this Document:

(a) On June 3, 2019, the registered capital of Kindstar Global Wuhan increased from RMB10 million to RMB10.1 million.

(b) On October 10, 2019, Guangzhou Xinuo was established under the laws of the PRC with a registered capital of RMB10 million.

(c) On October 15, 2019, Shanghai Xinuo was established under the laws of the PRC with a registered capital of RMB5 million.

(d) On September 11, 2020, Kindstar Wuhan WFOE was established under the laws of the PRC with a registered capital of RMB210 million. On November 2, 2020, the registered capital of Kindstar Wuhan WFOE increased from RMB210 million to RMB0.8 billion.

(e) On February 3, 2021, Kindstar Zhenyuan was established under the laws of the PRC with a registered capital of RMB10 million.

Save as disclosed above, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this Document.

**4. Written Resolutions Passed by Our Shareholders on [●], 2021**

Written resolutions of our Shareholders were passed on [●], 2021 pursuant to which, among others:

(a) immediately before the **[REDACTED]** on the **[REDACTED]** Date:

(i) the 18,666,667 Series A Preference Shares, 20,943,230 Series B Preference Shares, 6,124,021 Series B1 Preference Shares, 24,198,413 Series C Preference Shares, 19,868,842 Series D Preference Shares, 9,698,920 Series D+ Preference Shares and 33,962,595 Series E Preference Shares of a nominal or par value of US$0.001 each in our Company be converted into Ordinary Shares with a par value of US$0.001 in the capital of our Company on a one to one basis, such that after the conversion of the Preference Shares, the issued share capital of our Company shall be 169,803,530 shares of US$0.001 each;

(ii) upon completion of the conversion of the Preference Shares, our Directors be authorized to subdivide each of our issued and unissued shares of par value US$0.001 each into four Shares of par value US$[0.00025] each, such that following the Share Subdivision, the authorized share capital of the Company shall be US$[500,000] divided into [2,000,000,000] Shares of par value US$[0.00025] each.

(b) conditional on (1) the Listing Committee granting **[REDACTED]** of, and permission to deal in, the Shares in issue and to be issued as stated in this Document and such **[REDACTED]** and permission not subsequently having been revoked prior to the commencement of dealing in the Shares on the Stock Exchange; (2) the **[REDACTED]** having been determined; (3) the obligations of the **[REDACTED]** under the **[REDACTED]** becoming unconditional and not being terminated in accordance with the terms of the **[REDACTED]** or otherwise, in each case on or before such dates as may be specified in the **[REDACTED]**; and (4) the **[REDACTED]** having been duly executed by the **[REDACTED]** and our Company:

(i) the **[REDACTED]** (including the **[REDACTED]**) was approved, and the **[REDACTED]** and issue of the **[REDACTED]** under the **[REDACTED]** were approved, and the Board was authorized to determine the **[REDACTED]** for, and to allot and issue the **[REDACTED]**;

(ii) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with Shares or securities convertible into Shares and to make or grant offers, agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which might require Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, otherwise than by way of the **[REDACTED]**, rights issue or pursuant to the exercise of any subscription rights attaching to any warrants which may be allotted and issued by our Company from time to time or, pursuant to the exercise of any options which may be granted under the **[REDACTED]** Stock Incentive Plans and

the **[REDACTED]** Share Schemes or allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association on a specific authority granted by our Shareholders in general meeting, shall not exceed 20% of the aggregate nominal value of the Shares in issue immediately following the completion of the **[REDACTED]**, excluding any Shares which may fall to be issued pursuant to the exercise of the **[REDACTED]**, any additional Shares to be issued pursuant to the **[REDACTED]** Stock Incentive Plans or any Shares to be issued pursuant to the **[REDACTED]** Share Schemes;

(iii) a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be **[REDACTED]** and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the **[REDACTED]**, excluding any Shares which may fall to be issued pursuant to the exercise of the **[REDACTED]**, any additional Shares to be issued pursuant to the **[REDACTED]** Stock Incentive Plans or any Shares to be issued pursuant to the **[REDACTED]** Share Schemes;

(iv) the general unconditional mandate as mentioned in paragraph (ii) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to purchase Shares referred to in paragraph (iii) above up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the **[REDACTED]**, excluding any Shares which may fall to be issued pursuant to the exercise of the **[REDACTED]**, any additional Shares to be issued pursuant to the **[REDACTED]** Stock Incentive Plans or any Shares to be issued pursuant to the **[REDACTED]** Share Schemes; and

(v) the acknowledgement by all the holders of Preference Shares of the agreed conversion number as applicable and the resolution not to exercise the right to further adjustment of conversion ratio.

(c) our Company conditionally approved and adopted the Memorandum and Article with effect from the **[REDACTED]**.

Each of the general mandates referred to in paragraphs (b)(ii), (b)(iii) and (b)(iv) above will remain in effect until whichever is the earliest of:

- the conclusion of the next annual general meeting of our Company;
- the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles of Association; or
- the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in a general meeting.

## 5. Repurchase of Our Own Securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this Document concerning the repurchase of our own securities.

(a) Provision of the Listing Rules

The Listing Rules permit companies with a primary **[REDACTED]** on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) Shareholders' Approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary **[REDACTED]** on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on [●], 2021, the Repurchase Mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be **[REDACTED]** and which is recognized by the SFC and the Stock Exchange for this purpose, with a total nominal value up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the **[REDACTED]** and the Share Subdivision (excluding any Shares which may be issued under the **[REDACTED]**, any additional Shares to be issued pursuant to the **[REDACTED]** Stock Incentive Plans or any Shares to be issued pursuant to the **[REDACTED]** Share Schemes), with such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company (unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions), (ii) the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held, and (iii) the date when it is varied or revoked by an ordinary resolution of our Shareholders in general meeting.

(ii) Source of Funds

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the applicable laws and regulations of Hong Kong and the Cayman Islands. A listed company may not purchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. As a matter of Cayman law, any purchases by our Company may be made out of profits or out of the proceeds of a new issue of shares made for the purpose of the purchase or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles of Association and subject to the Cayman Companies Act. Any premium payable on the purchase over the par value of the shares to be purchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles of Association and subject to the Cayman Companies Act.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue.

A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of Repurchased Shares

The **[REDACTED]** of all purchased securities (whether on the Stock Exchange or otherwise) is automatically canceled and the relative certificates must be canceled and destroyed. Under the laws of the Cayman Islands, unless, prior to the purchase our Directors resolve to hold the shares purchased by our Company as treasury shares, shares purchased by our Company shall be treated as canceled and the amount of our Company's issued share capital shall be diminished by the nominal value of those shares. However, the purchase of shares will not be taken as reducing the amount of the authorized share capital under Cayman law.

(v) Suspension of Repurchase

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the

morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) Core Connected Persons

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them (as defined in the Listing Rules) and a core connected person shall not knowingly sell his securities to the company.

(b) Reasons for Repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

(c) Funding of Repurchases

Repurchase of the Shares must be funded out of funds legally available for such purpose in accordance with the Articles and the applicable laws of the Cayman Islands. Our Directors may not repurchase the Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Subject to the foregoing, our Directors may make repurchases with profits of our Company or out of a new issuance of shares made for the purpose of the repurchase or, if authorized by the Articles of Association and subject to the Cayman Companies Act, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorized by the Articles of Association and subject to Cayman Companies Act, out of capital.

However, our Directors do not propose to exercise the general mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(d) General

The exercise in full of the Repurchase Mandate, on the basis of **[REDACTED]** Shares in issue immediately following the completion the **[REDACTED]** and the Share Subdivision, but assuming the **[REDACTED]** is not exercised, could accordingly result in up to approximately **[REDACTED]** Shares being repurchased by our Company during the period prior to the earliest of:

- the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

- the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be granted other than in exceptional circumstances.

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

## B. FURTHER INFORMATION ABOUT OUR BUSINESS

### 1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by members of our Group within two years preceding the date of this Document which are or may be material:

(a) exclusive option agreement entered into by Kindstar Global (Wuhan) Medical Esoteric Technology Co., Ltd. (康聖環球(武漢)醫學特檢技術有限公司), Kindstar Global (Beijing) Technology, Inc. (康聖環球(北京)醫學技術有限公司), Dr. Huang Shiang (黃士昂) and Mr. Tu Zanbing (涂贊兵) on August 10, 2020, pursuant to which, Dr. Huang Shiang and Mr. Tu Zanbing irrevocably agreed to grant Kindstar Global (Beijing) Technology, Inc. an exclusive right to acquire, or designate one or more persons to acquire, from Dr. Huang Shiang and Mr. Tu Zanbing any or all their respective equity interests then held in Kindstar Global (Wuhan) Medical Esoteric Technology Co., Ltd., in whole or in part at any time, for a total consideration equivalent to the paid-up registered capital of Kindstar Global (Wuhan) Medical Esoteric Technology Co., Ltd.;

(b) exclusive option agreement entered into by Wuhan Kindstar Medical Laboratory Co., Ltd. (武漢康聖達醫學檢驗所有限公司), Kindstar Global Medical Technology (Wuhan) Co., Ltd. (康聖環球醫學科技(武漢)有限公司) and Dr. Huang Shiang (黃士昂) on October 16, 2020, pursuant to which, Dr. Huang Shiang irrevocably agreed to grant Kindstar Global Medical Technology (Wuhan) Co., Ltd. an exclusive right to acquire, or designate one or more persons to acquire, from Dr. Huang Shiang any or all his equity interests then held in Wuhan Kindstar Medical Laboratory Co., Ltd. in whole or in part at any time, for a total consideration equivalent to the paid-up registered capital of Wuhan Kindstar Medical Laboratory Co., Ltd.;

(c) exclusive option agreement entered into by Wuhan Kindstar Medical Laboratory Co., Ltd. (武漢康聖達醫學檢驗所有限公司), Kindstar Global Medical Technology (Wuhan) Co., Ltd. (康聖環球醫學科技(武漢)有限公司) and Mr. Tu Zanbing (涂贊兵) on November 24, 2020, pursuant to which, Mr. Tu Zanbing irrevocably agreed to grant Kindstar Global Medical Technology (Wuhan) Co., Ltd. an exclusive right to acquire, or designate one or more persons to acquire, from Mr. Tu Zanbing any or all his equity interests then held in Wuhan Kindstar Medical Laboratory Co., Ltd. in whole or in part at any time, for a total consideration equivalent to the paid-up registered capital of Wuhan Kindstar Medical Laboratory Co., Ltd.;

(d) exclusive business cooperation agreement entered into by Wuhan Kindstar Medical Laboratory Co., Ltd. (武漢康聖達醫學檢驗所有限公司) and Kindstar Global Medical Technology (Wuhan) Co., Ltd. (康聖環球醫學科技(武漢)有限公司) on October 16, 2020, pursuant to which, Kindstar Global Medical Technology (Wuhan) Co., Ltd. agreed to be engaged as the exclusive provider to Wuhan Kindstar Medical Laboratory Co., Ltd. of technical support, consultation and other services for a monthly service fee;

(e) exclusive business cooperation agreement entered into by Kindstar Global (Wuhan) Medical Esoteric Technology Co., Ltd. (康聖環球(武漢)醫學特檢技術有限公司) and Kindstar Global (Beijing) Technology, Inc. (康聖環球(北京)醫學技術有限公司) on August 10, 2020, pursuant to which, Kindstar Global (Beijing) Technology, Inc. agreed to be engaged as the exclusive provider to Kindstar Global (Wuhan) Medical Esoteric Technology Co., Ltd. of technical support, consultation and other services for a monthly service fee;

(f) equity pledge agreement entered into among Kindstar Global (Beijing) Technology, Inc. (康聖環球(北京)醫學技術有限公司), Kindstar Global (Wuhan) Medical Esoteric Technology Co., Ltd. (康聖環球(武漢)醫學特檢技術有限公司) and Dr. Huang Shiang (黃士昂) on August 10, 2020, pursuant to which, Dr. Huang Shiang agreed to pledge all his equity interests in Kindstar Global (Wuhan) Medical Esoteric Technology Co., Ltd. that he owns, including any interest or dividend paid for the shares, to Kindstar Global (Beijing) Technology, Inc., as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts;

(g) equity pledge agreement entered into among Kindstar Global (Beijing) Technology, Inc. (康聖環球(北京)醫學技術有限公司), Kindstar Global (Wuhan) Medical Esoteric Technology Co., Ltd. (康聖環球(武漢)醫學特檢技術有限公司) and Mr. Tu Zanbing (涂贊兵) on August 10, 2020, pursuant to which, Mr. Tu Zanbing agreed to pledge all his equity interests in Kindstar Global (Wuhan) Medical Esoteric Technology Co., Ltd. that he owns, including any interest or dividend

paid for the shares, to Kindstar Global (Beijing) Technology, Inc., as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts;

(h) equity pledge agreement entered into among Kindstar Global Medical Technology (Wuhan) Co., Ltd. (康聖環球醫學科技(武漢)有限公司), Wuhan Kindstar Medical Laboratory Co., Ltd. (武漢康聖達醫學檢驗所有限公司) and Dr. Huang Shiang (黃士昂) on October 16, 2020, pursuant to which, Dr. Huang Shiang agreed to pledge all his equity interest in Wuhan Kindstar Medical Laboratory Co., Ltd. that he owns, including any interest or dividend paid for the shares, to Kindstar Global Medical Technology (Wuhan) Co., Ltd., as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts;

(i) equity pledge agreement entered into among Kindstar Global Medical Technology (Wuhan) Co., Ltd. (康聖環球醫學科技(武漢)有限公司), Wuhan Kindstar Medical Laboratory Co., Ltd. (武漢康聖達醫學檢驗所有限公司) and Mr. Tu Zanbing (涂贊兵) on November 24, 2020, pursuant to which, Mr. Tu Zanbing agreed to pledge all his equity interest in Wuhan Kindstar Medical Laboratory Co., Ltd. that he owns, including any interest or dividend paid for the shares, to Kindstar Global Medical Technology (Wuhan) Co., Ltd., as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts;

(j) powers of attorney executed by Dr. Huang Shiang (黃士昂) on August 10, 2020, pursuant to which, Dr. Huang Shiang irrevocably appointed Kindstar Global (Beijing) Technology, Inc. (康聖環球(北京)醫學技術有限公司) and its designated persons as his attorney-in-fact to exercise on his behalf, and agreed and undertook not to exercise, any and all right that he has in respect of his equity interests in the Kindstar Global (Wuhan) Medical Esoteric Technology Co., Ltd. (康聖環球(武漢)醫學特檢技術有限公司);

(k) powers of attorney executed by Mr. Tu Zanbing (涂贊兵) on August 10, 2020, pursuant to which, Mr. Tu Zanbing irrevocably appointed Kindstar Global (Beijing) Technology, Inc. (康聖環球(北京)醫學技術有限公司) and its designated persons as his attorney-in-fact to exercise on his behalf, and agreed and undertook not to exercise, any and all right that he has in respect of his equity interests in the Kindstar Global (Wuhan) Medical Esoteric Technology Co., Ltd. (康聖環球(武漢)醫學特檢技術有限公司);

(l) power of attorney executed by Dr. Huang Shiang (黃士昂) on October 16, 2020, pursuant to which, Dr. Huang Shiang irrevocably appointed Kindstar Global Medical Technology (Wuhan) Co., Ltd. (康聖環球醫學科技(武漢)有限公司) and its designated persons as his attorney-in-fact to exercise on his behalf, and agreed and undertook not to exercise, any and all right that he has in respect of his equity interests in Wuhan Kindstar Medical Laboratory Co., Ltd. (武漢康聖達醫學檢驗所有限公司);

(m) power of attorney executed by Mr. Tu Zanbing (涂贊兵) on November 24, 2020, pursuant to which, Mr. Tu Zanbing irrevocably appointed Kindstar Global Medical Technology (Wuhan) Co., Ltd. (康聖環球醫學科技(武漢)有限公司) and its designated persons as his attorney-in-fact to exercise on his behalf, and agreed and undertook not to exercise, any and all right that he has in respect of his equity interests in Wuhan Kindstar Medical Laboratory Co., Ltd. (武漢康聖達醫學檢驗所有限公司);

(n) fourth amended and restated shareholders' agreement dated September 8, 2020 entered into among (i) Ms. Guo Gui-Rong; (ii) Dr. Huang Shiang (黃士昂); (iii) Mr. Chen Zhong; (iv) Kindstar Rui An Medical Technology Company Limited (康聖瑞安醫學技術有限公司); (v) HCA Health Investments Inc.; (vi) WI Harper Fund VII LP; (vii) Mayo Clinic and Mayo Foundation for Medical Education and Research; (viii) KPCB China Founders Fund, L.P., KPCB China Fund, L.P. and KPCB China Fund II, L.P.; (ix) Panacea Venture Healthcare Fund I, L.P; (x) Wuhan Ruifu Medical Health Equity Investment Limited Liability Partnership (武漢瑞伏醫療健康股權投資合夥企業(有限合夥)); (xi) Ningbo Meishan Bonded Port Zone Xinyue Kangsheng Equity Investment Limited Liability Partnership (寧波梅山保税港區新岳康聖股權投資合夥企業(有限合夥)); (xii) Changzhou Huasheng Health Investment Limited Liability Partnership (常州市華升健康投資合夥企業(有限合夥)); (xiii) Changjiang Yuantong (Wuhan) NEEQ II Investment Fund Partnership (Limited Partnership) (長江源通(武漢)新三板貳號投資基金合夥企業(有限合夥)); (xiv) Virtuous Profit Limited; (xv) Kindstar Globalgene Technology, Inc.; (xvi) Kindstar Globalgene (HK) Limited (康聖環球基因(香港)有限公司); (xvii) Kindstar Global (Beijing) Technology, Inc. (康聖環球(北京)醫學技術有限公司); (xviii) Wuhan Kindstar Medical Laboratory Co., Ltd. (武漢康聖達醫學檢驗所有限公司); (xix) Beijing Hightrust Medical Laboratory Co., Ltd. (北京海思特醫學檢驗實驗室有限公司); (xx) Shanghai SimpleGene Medical Laboratory Co., Ltd. (上海新培晶醫學檢驗所有限公司); and (xxi) Kindstar Singapore Holdings Pte., pursuant to which, shareholder rights were agreed among the parties;

(o) registration rights agreement dated September 8, 2020 entered into among (i) Kindstar Globalgene Technology, Inc. (康聖環球基因技術有限公司); (ii) KPCB China Founders Fund, L.P. and KPCB China Fund, L.P., KPCB China Fund II, L.P.; (iii) WI Harper Fund VII LP; (iv) Kindstar Rui An Medical Technology Company Limited (康聖瑞安醫學技術有限公司); (v) Mayo Clinic; (vi) Panacea Venture Healthcare Fund I, L.P; (vii) Wuhan Ruifu Medical Health Equity Investment Limited Liability Partnership (武漢瑞伏醫療健康股權投資合夥企業(有限合夥)); (viii) Ningbo Meishan Bonded Port Zone Xinyue Kangsheng Equity Investment Limited Liability Partnership (寧波梅山保税港區新岳康聖股權投資合夥企業(有限合夥)); (viii) Changzhou Huasheng Health Investment Limited Liability Partnership (常州市華升健康投資合夥企業(有限合夥)); (ix) Changjiang Yuantong (Wuhan) NEEQ II Investment Fund Partnership (Limited Partnership) (長江源通(武漢)新三板貳號投資基金合夥企業(有限合夥)) and (x) Forebright Virtuous Profit Limited, pursuant to which, certain arrangements with respect to the registration of shares of Kindstar Globalgene Technology, Inc. under the United States Securities Act of 1933, or such equivalent law in a jurisdiction outside of the United States were made;

(p) sixth amended and restated shareholders agreement dated October 27, 2020 entered into among (i) Kindstar Globalgene Technology, Inc. (康聖環球基因技術有限公司); (ii) Kindstar Globalgene (HK) Limited (康聖環球基因(香港)有限公司); (iii) Kindstar Singapore Holdings Pte. Ltd.; (iv) Kindstar Global (Beijing) Technology, Inc. (康聖環球(北京)醫學技術有限公司); (v) Kindstar Global (Wuhan) Medical Esoteric Technology Co., Ltd. (康聖環球(武漢)醫學特檢技術有限公司), Kindstar Global (Wuhan) Medical Esoteric Technology Co., Ltd. (康聖環球(武漢)醫學特檢技術有限公司), Beijing Hightrust Medical Laboratory Co., Ltd. (北京海思特醫學檢驗實驗室有限公司), Shanghai SimpleGene Medical Laboratory Co., Ltd. (上海新培晶醫學檢驗所有限公司), Xinjiang Kindstar Yijiali Medical Laboratory Co., Ltd. (新疆康聖達醫嘉利醫學檢驗所(有限公

司)), Sichuan Huaxi Kindstar Medical Laboratory Co., Ltd. (四川華西康聖達醫學檢驗有限公司), Chengdu Shengyuan Medical Laboratory Co., Ltd. (成都聖元醫學檢驗實驗室有限公司), Tianjin Kindstar Medical Laboratory Co., Ltd. (天津康聖達醫學檢驗實驗室有限公司), Guangzhou Xinuo Medical Laboratory Co., Ltd. (廣州希諾醫學檢驗實驗室有限公司), Shanghai Xinuo Medical Laboratory Co., Ltd. (上海希諾醫學檢驗實驗室有限公司), Kindstar Global Medical Technology (Wuhan) Co., Ltd.; (vi) Dr. Huang Shiang (黃士昂), Kindstar Rui An Medical Technology Company Limited (康聖瑞安醫學技術有限公司), Ms. Guo Gui-Rong, Mr. Chen Zhong and (vii) HCA Health Investments Inc., WI Harper Fund VII LP, Mayo Clinic, Mayo Foundation for Medical Education and Research, KPCB China Founders Fund, L.P. and KPCB China Fund, L.P., KPCB China Fund II, L.P., Panacea Venture Healthcare Fund I, L.P, Wuhan Ruifu Medical Health Equity Investment Limited Liability Partnership (武漢瑞伏醫療健康股權投資合夥企業(有限合夥)), Ningbo Meishan Bonded Port Zone Xinyue Kangsheng Equity Investment Limited Liability Partnership (寧波梅山保稅港區新岳康聖股權投資合夥企業(有限合夥)), Changzhou Huasheng Health Investment Limited Liability Partnership (常州市華升健康投資合夥企業(有限合夥)), Changjiang Yuantong (Wuhan) NEEQ II Investment Fund Partnership (Limited Partnership) (長江源通(武漢)新三板貳號投資基金合夥企業 (有限合夥)), Forebright Virtuous Profit Limited and CK Lab Tech Investment Limited, pursuant to which, shareholder rights were agreed among the parties;

(q) registration rights agreement dated October 27, 2020 entered into among (i) Kindstar Globalgene Technology, Inc. (康聖環球基因技術有限公司); (ii) HCA Health Investments Inc.; (iii) KPCB China Founders Fund, L.P. and KPCB China Fund, L.P. and KPCB China Fund II, L.P.; (iv) WI Harper Fund VII LP; (v) Mayo Clinic and Mayo Foundation for Medical Education and Research; (vi) Panacea Venture Healthcare Fund I, L.P; (vii) Wuhan Ruifu Medical Health Equity Investment Limited Liability Partnership (武漢瑞伏醫療健康股權投資合夥企業(有限合夥)); (viii) Ningbo Meishan Bonded Port Zone Xinyue Kangsheng Equity Investment Limited Liability Partnership (寧波梅山保稅港區新岳康聖股權投資合夥企業(有限合夥)); (ix) Changzhou Huasheng Health Investment Limited Liability Partnership; (x) Changjiang Yuantong (Wuhan) NEEQ II Investment Fund Partnership (Limited Partnership) (長江源通(武漢)新三板貳號投資基金合夥企業(有限合夥)); (xi) Forebright Virtuous Profit Limited; and (xii) CK Lab Tech Investment Limited, pursuant to which, certain arrangements with respect to the registration of shares of Kindstar Globalgene Technology, Inc. under the United States Securities Act of 1933, or such equivalent law in a jurisdiction outside of the United States were made;

(r) indemnification agreement dated October 27, 2020 entered into among (i) Kindstar Globalgene Technology, Inc. (康聖環球基因技術有限公司); (ii) Mr. Peng Wei; and (iii) CK Lab Tech Investment Limited, pursuant to which, Kindstar Globalgene Technology, Inc. agreed to indemnify Mr. Peng Wei and CK Lab Tech Investment Limited under certain circumstances;

(s) supplemental agreement dated December 4, 2020 to the sixth amended and restated shareholders' agreement entered into among (i) Kindstar Globalgene Technology, Inc. (康聖環球基因技術有限公司); (ii) Kindstar Globalgene (HK) Limited (康聖環球基因(香港)有限公司); (iii) Kindstar Singapore Holdings Pte. Ltd.; (iv) Kindstar Global (Beijing) Technology, Inc. (康聖環球(北京)醫學技術有限公司); (v) Kindstar Global (Wuhan) Medical Esoteric Technology Co., Ltd. (康聖環球(武漢)醫學特檢技術有限公司), Kindstar Global (Wuhan) Medical Esoteric

Technology Co., Ltd. (康聖環球(武漢)醫學特檢技術有限公司), Beijing Hightrust Medical Laboratory Co., Ltd. (北京海思特醫學檢驗實驗室有限公司), Shanghai SimpleGene Medical Laboratory Co., Ltd. (上海新培晶醫學檢驗所有限公司), Xinjiang Kindstar Yijiali Medical Laboratory Co., Ltd. (新疆康聖達醫嘉利醫學檢驗所(有限公司)), Sichuan Huaxi Kindstar Medical Laboratory Co., Ltd. (四川華西康聖達醫學檢驗有限公司), Chengdu Shengyuan Medical Laboratory Co., Ltd. (成都聖元醫學檢驗實驗室有限公司), Tianjin Kindstar Medical Laboratory Co., Ltd. (天津康聖達醫學檢驗實驗室有限公司), Guangzhou Xinuo Medical Laboratory Co., Ltd. (廣州希諾醫學檢驗實驗室有限公司), Shanghai Xinuo Medical Laboratory Co., Ltd. (上海希諾醫學檢驗實驗室有限公司), Kindstar Global Medical Technology (Wuhan) Co., Ltd.; (vi) Dr. Huang Shiang (黃士昂), Kindstar Rui An Medical Technology Company Limited (康聖瑞安醫學技術有限公司), Ms. Guo Gui-Rong, Mr. Chen Zhong, Ever Prospect Global Limited; and (vii) HCA Health Investments Inc., WI Harper Fund VII LP, Mayo Clinical and Mayo Foundation for Medical Education and Research, KPCB China Fund, L.P., KPCB China Fund II, L.P., Panacea Venture Healthcare Fund I, L.P, Wuhan Ruifu Medical Health Equity Investment Limited Liability Partnership (武漢瑞伏醫療健康股權投資合夥企業(有限合夥)), Ningbo Meishan Bonded Port Zone Xinyue Kangsheng Equity Investment Limited Liability Partnership (寧波梅山保税港區新岳康聖股權投資合夥企業(有限合夥)), Changzhou Huasheng Health Investment Limited Liability Partnership (常州市華升健康投資合夥企業(有限合夥)), Changjiang Yuantong (Wuhan) NEEQ II Investment Fund Partnership (Limited Partnership) (長江源通(武漢)新三板貳號投資基金合夥企業 (有限合夥)), Forebright Virtuous Profit Limited, CK Lab Tech Investment Limited, Golden Talent Global Merit Selection Fund Series SPC – Hua Zhi Global Merit Selection Investment Fund SP (華智全球精選投資基金), BOCI Financial Products Limited, Ventures Limited (巨雄創投有限公司), Deep Blue Ridge Capital L.P., China Healthcare Opportunities KS 1 Pte. Ltd., Right Goodness Limited (榮正有限公司), pursuant to which, some provisions of sixth amended and restated shareholders' agreement have been amended or replaced;

(t) share transfer agreement (股權轉讓協議) entered into among Xi'an Kaibaite Biotechnology Co., Ltd. (西安凱百特生物科技有限公司) ("**Xi'an Kaibaite**"), Wuhan Kindstar Medical Laboratory Co., Ltd. (武漢康聖達醫學檢驗所有限公司) and Zheng Jianhua (鄭建華) dated August 31, 2020, pursuant to which, Xi'an Kaibaite agreed to transfer 2% of equity interest of Xinjiang Kindstar Yijiali Medical Laboratory Co., Ltd. (新疆康聖達醫嘉利醫學檢驗所(有限公司)) to Wuhan Kindstar Medical Laboratory Co., Ltd. for a consideration of RMB0.32 million and 2% of equity interest of Xinjiang Kindstar Yijiali Medical Laboratory Co., Ltd. to Zheng Jianhua for a consideration of RMB0.32 million;

(u) share transfer agreement (股權轉讓協議) entered into between Zeng Lingyun (曾淩雲) and Wuhan Kindstar Medical Laboratory Co., Ltd. (武漢康聖達醫學檢驗所有限公司) dated December 14, 2020, pursuant to which, Zeng Lingyun agreed to transfer all his investment in Beijing Hightrust Medical Laboratory Co., Ltd. (北京海思特醫學檢驗實驗室有限公司) (equivalent to a registered capital of RMB0.245 million) to Wuhan Kindstar Medical Laboratory Co., Ltd.;

(v) investment transfer agreement (出資轉讓協議書) entered into between Huang Jie (黃節) and Wuhan Kindstar Medical Laboratory Co., Ltd. (武漢康聖達醫學檢驗所有限公司) dated

October 9, 2020, pursuant to which, Huang Jie agreed to transfer all his investment in Beijing Hightrust Medical Laboratory Co., Ltd. (北京海思特醫學檢驗實驗室有限公司) (equivalent to a registered capital of RMB0.245 million of Beijing Hightrust Medical Laboratory Co., Ltd.) to Wuhan Kindstar Medical Laboratory Co., Ltd.;

(w) share transfer agreement (股權轉讓協議) entered into between Tu Zanbin (涂贊兵) and Kindstar Global (Wuhan) Medical Esoteric Technology Co., Ltd. (康聖環球(武漢)醫學特檢技術有限公司) dated March 24, 2021, pursuant to which, Tu Zanbin agreed to transfer 0.5% of equity interest of Shanghai Xinuo Medical Laboratory Co., Ltd. (上海希諾醫學檢驗實驗室有限公司) to Kindstar Global (Wuhan) Medical Esoteric Technology Co., Ltd. for nil consideration;

(x) share transfer agreement (股權轉讓協議) entered into between Tu Zanbin (涂贊兵) and Kindstar Global (Wuhan) Medical Esoteric Technology Co., Ltd. (康聖環球(武漢)醫學特檢技術有限公司) dated March 19, 2021, pursuant to which, Tu Zanbin agreed to transfer 0.5% of equity interest of Guangzhou Xinuo Medical Laboratory Co., Ltd. (廣州希諾醫學檢驗實驗室有限公司) to Kindstar Global (Wuhan) Medical Esoteric Technology Co., Ltd. for nil consideration; and

(y) **[REDACTED]**.

## 2. Our Intellectual Property Rights

*(a) Trademarks*

As of the Latest Practicable Date, we were the owner of the following material registered trademarks, details of which are as follows:

| No. | Trademark | Registered Owner |
|---|---|---|
| 1. | 康圣达科技 | Wuhan Kindstar |
| 2. | 康圣环球 Kindstar Global | Wuhan Kindstar |
| 3. | | Wuhan Kindstar |
| 4. | 海思特 HIGHTRUST DIAGNOSTICS | Beijing Hightrust |
| 5. | SNYAN | Chengdu Shengyuan |

As of the Latest Practicable Date, we had applied for the registration of the following trademarks in the PRC, which we consider to be material to our business:

| No. | Trademark | Applicant |
|---|---|---|
| 1 | 康圣环球 Kindstar Global | Wuhan Kindstar |

| No. | Trademark | Applicant |
|---|---|---|
| 2 | | Wuhan Kindstar |
| 3 | 康圣环球 | Wuhan Kindstar |
| 4 | Kindstar Global | Wuhan Kindstar |
| 5 | KINDSTAR 康圣达医学检验 | Wuhan Kindstar |
| 6 | 康圣达医学检验 | Wuhan Kindstar |
| 7 | KINDSTAR | Wuhan Kindstar |
| 8 | 康圣环球 Kindstar Global | Wuhan Kindstar |
| 9 | | Wuhan Kindstar |
| 10 | 医路随行 | Shanghai Xinuo |
| 11 | 医检随行 | Shanghai Xinuo |
| 12 | 医信随行 | Shanghai Xinuo |
| 13 | 希诺医学 | Shanghai Xinuo |
| 14 | 医路快报 | Shanghai Xinuo |

As at the Latest Practicable Date, we had applied for the registration of the following trademarks in Hong Kong which we consider to be material to our Group's business:

| No. | Trademark | Applicant |
|---|---|---|
| 1. | Kindstar Global Kindstar Global | Wuhan Kindstar |
| 2. | 康圣环球 康圣环球 | Wuhan Kindstar |
| 3. | 康圣环球 Kindstar Global | Wuhan Kindstar |
| 4. | | Wuhan Kindstar |
| 5. | 康圣环球 Kindstar Global | Wuhan Kindstar |
| 6. | | Wuhan Kindstar |

*(b) Domain Name*

As of the Latest Practicable Date, we had registered the following domain name:

| No. | Domain Name | Registered Owner | Expiry Date |
|---|---|---|---|
| 1. | kindstar.com.cn | Wuhan Kindstar | March 22, 2023 |
| 2. | hightrustcorp.com | Beijing Hightrust | September 9,2021 |
| 3. | kindstarglobal.com | Beijing Hightrust | October 30, 2021 |
| 4. | simplegene.com.cn | Shanghai SimpleGene | November 20, 2022 |
| 5. | tjksd-kg.com | Tianjin Kindstar | November 13, 2025 |
| 6. | cinodx.com | Shanghai Xinuo | October 23, 2021 |

*(c) Patents*

As of the Latest Practicable Date, we had registered the following key patents in relation to the business of our Group as a whole:

| No. | Product/Technology | Type | Date of announcement of patent grant | Patentee |
|---|---|---|---|---|
| 1. | The method of detecting hot spot mutation of PIKC3A gene by primer and primer spectrum (引物及該引物質譜檢測PIKC3A基因熱點突變的方法) | Invention | June 29, 2016 | Wuhan Kindstar |
| 2. | A kind of sub-regional specimen transport box（一種分區域的標本運輸箱） | utility model | November 27, 2013 | Wuhan Kindstar |
| 3. | A kind of specimen transport box (一種標本運輸箱) | utility model | September 11, 2013 | Wuhan Kindstar |
| 4. | Primers, probes and reagent kits for the detection of gene expression, and methods for the usage (檢測基因表達量的引物、探針和試劑盒、及其使用方法) | Invention | November 18, 2015 | Beijing Hightrust |
| 5. | Primers, probes, and reagent kits for the detection of gene locus mutations (用於檢測基因位點突變的引物、探針、試劑盒) | Invention | July 15, 2015 | Beijing Hightrust |

| No. | Product/Technology | Type | Date of announcement of patent grant | Patentee |
|---|---|---|---|---|
| 6. | Reagent kits for the detection of EGFR hotspot mutations T790M (用於檢測EGFR基因熱點突變T790M的試劑盒) | utility model | April 9, 2014 | Beijing Hightrust |
| 7. | Reagent kits for the detection of V617F locus mutations in JAK2 genes (用於檢測JAK2基因V617F位點突變的試劑盒) | utility model | April 9, 2014 | Beijing Hightrust |
| 8. | Reagent kits for the detection of chromosomal instability syndromes (用於檢測染色體不穩定綜合征的試劑盒) | utility model | May 28, 2014 | Beijing Hightrust |
| 9. | Reagent kits for the screening of 31 kinds of blood disease fusion genes (用於篩查31種血液病融合基因的試劑盒) | utility model | April 9, 2014 | Beijing Hightrust |
| 10. | Reagent kits for the detection of viability and activity of NK cells (用於檢測NK細胞活性的試劑盒) | utility model | April 9, 2014 | Beijing Hightrust |
| 11. | Reagent kits for the detection of myelodysplastic syndrome and aplastic anemia (用於檢測骨髓增生異常綜合症和再生障礙性貧血的試劑盒) | utility model | April 9, 2014 | Beijing Hightrust |
| 12. | Reagent kits for the detection of cell-activated antigens (用於檢測細胞活化抗原的試劑盒) | utility model | May 28, 2014 | Beijing Hightrust |
| 13. | Reagent kits for the detection of microscopic residues in neuroblastoma (用於檢測神經母細胞瘤微小殘留的試劑盒) | utility model | April 9, 2014 | Beijing Hightrust |
| 14. | Reagent kits for the detection of V600E mutations in BRAF genes (用於檢測BRAF基因V600E突變的試劑盒) | utility model | April 9, 2014 | Beijing Hightrust |

| No. | Product/Technology | Type | Date of announcement of patent grant | Patentee |
|---|---|---|---|---|
| 15. | Primers and reagent kits for the detection of Y chromosome microdeletions (檢測Y染色體微缺失的引物和試劑盒) | Invention | June 10, 2015 | Shanghai SimpleGene |
| 16. | Reagent kits for the detection of DNA strand breaks using single-cell gel electrophoresis (採用單細胞凝膠電泳檢測DNA鏈斷裂的試劑盒) | utility model | February 4, 2015 | Beijing Hightrust |
| 17. | Reagent kits combining exfoliative cytology and fluorescence in situ hybridization for the detection of lung cancer (結合脱落細胞學形態及螢光原位雜交來檢測肺癌的試劑盒) | utility model | February 4, 2015 | Beijing Hightrust |
| 18. | Reagent kits for the detection of PNH clones (用於檢測PNH克隆的試劑盒) | utility model | December 10, 2014 | Beijing Hightrust |
| 19. | Reagent kits for the detection of residuals of acute B-lymphocytic leukemia (用於檢測急性B淋巴細胞白血病殘留的試劑盒) | utility model | February 4, 2015 | Beijing Hightrust |
| 20. | Reagent kits for the detection of E6 and E7 mRNA production by HPV-infected cells (用於檢測HPV感染細胞產生E6、E7 mRNA的試劑盒) | utility model | December 10, 2014 | Beijing Hightrust |
| 21. | Reagent kits for the detection of tumor cells in peripheral blood circulation (用於檢測外周血循環腫瘤細胞的試劑盒) | utility model | January 7, 2015 | Beijing Hightrust |
| 22. | Reagent kits for the detection of Fanconi anemia (用於檢測範可尼貧血的試劑盒) | utility model | January 7, 2015 | Beijing Hightrust |
| 23. | Reagent kits for the detection of viability and activity of NK cells (用於檢測NK細胞活性的試劑盒) | Invention | June 1, 2016 | Beijing Hightrust |

| No. | Product/Technology | Type | Date of announcement of patent grant | Patentee |
|---|---|---|---|---|
| 24. | Reagent kits for the detection of genes of multiple myeloma (用於檢測多發性骨髓瘤漿細胞基因的試劑盒) | utility model | September 9, 2015 | Beijing Hightrust |
| 25. | Reagent kits for the detection of regulatory T cells (用於檢測調節性T細胞的試劑盒) | utility model | September 16, 2015 | Beijing Hightrust |
| 26. | Reagent kits for the detection of cytokines Th1 and Th2 (用於檢測細胞因子 Th1、Th2的試劑盒) | utility model | September 9, 2015 | Beijing Hightrust |
| 27. | Reagent kits for the detection of immune reconstitution in post-transplant patients (用於檢測移植後患者免疫重建功能的試劑盒) | utility model | September 9, 2015 | Beijing Hightrust |
| 28. | Reagent kits for the detection of progressive familial hepatobiliary cholestasis gene mutations and the detection method (一種檢測進行性家族性肝膽汁淤積症基因突變的試劑盒及其檢測方法) | Invention | February 12, 2019 | Shanghai SimpleGene |
| 29. | Reagent kits for the detection of genotype of three SNP loci of interleukin 28B and the detection method (一種檢測白介素28B三個SNP位點基因型的試劑盒及其檢測方法) | Invention | April 12, 2019 | Shanghai SimpleGene |
| 30. | Chromosome dropper (染色體滴片儀) | utility model | October 12, 2016 | Wuhan Kindstar |
| 31. | The Method of identifying genetic mutation sites of children interstitial lung pneumonia (確定兒童肺間質性肺炎的基因突變位點的方法) | Invention | May 29, 2020 | Wuhan Kindstar |
| 32. | Reagent kits for the detection of progressive familial hepatobiliary cholestasis gene mutations (一種檢測進行性家族性肝膽汁淤積症基因突變的試劑盒) | utility model | July 28, 2017 | Shanghai SimpleGene |

| No. | Product/Technology | Type | Date of announcement of patent grant | Patentee |
|---|---|---|---|---|
| 33. | Reagent kits for the detection of mutations in genes of Dubin-Johnson syndrome （一種用於檢測Dubin-Johnson綜合症基因突變的試劑盒） | utility model | July 28, 2017 | Shanghai SimpleGene |
| 34. | Reagent kits for the detection of IL28B gene polymorphism（一種IL28B基因多態性檢測試劑盒） | utility model | July 28, 2017 | Shanghai SimpleGene |
| 35. | Reagent kits for the detection of GBA gene mutations in Gaucher disease（一種戈謝病GBA基因突變的檢測試劑盒） | utility model | July 28, 2017 | Shanghai SimpleGene |
| 36. | Reagent kits for the detection of expression of drug resistancegene to first-line drugs used in treatment of malignant tumors（一種用於檢測治療惡性腫瘤的一線藥物耐藥基因表達量的試劑盒） | utility model | July 28, 2017 | Shanghai SimpleGene |
| 37. | Specimen boxes（標本箱） | utility model | February 27, 2018 | Shanghai SimpleGene |
| 38. | Integrated racks for dyeing sheets（染色晾片一體架） | utility model | February 27, 2018 | Shanghai SimpleGene |
| 39. | Reagent kits for the detection of progressive familial hepatobiliary cholestasis gene mutations based on Sanger sequencing technology（基於Sanger測序技術檢測進行性家族性肝膽汁淤積症基因突變的試劑盒） | utility model | March 30, 2018 | Shanghai SimpleGene |
| 40. | Antibody storage boxes（抗體收納盒） | utility model | April 3, 2018 | Shanghai SimpleGene |
| 41. | Diagnostic kits for plasma cell clonality in flow cytometry（用於流式細胞術中漿細胞克隆性診斷試劑盒） | utility model | April 3, 2018 | Shanghai SimpleGene |

| No. | Product/Technology | Type | Date of announcement of patent grant | Patentee |
|---|---|---|---|---|
| 42. | Reagent kits for immunofixation electrophoresis of cerebrospinal fluid oligoclonal regions with agarose gels (適用於腦脊液寡克隆區帶瓊脂糖凝膠免疫固定電泳的試劑盒) | utility model | July 27, 2018 | Shanghai SimpleGene |
| 43. | A kind of glass slide bracket (一種載玻片托架) | utility model | February 15, 2019 | Wuhan Kindstar |
| 44. | A type of segregated single cell suspension preparation device (一種分離式單細胞懸液製備裝置) | utility model | May 19, 2020 | Beijing Hightrust |
| 45. | A kind of fluorescence in situ hybridization locator (螢光原位雜交定位器) | utility model | October 2, 2020 | Wuhan Kindstar |
| 46. | Quantitative detection of primer and probes for CCL17 gene expression and its application (定量檢測CCL17基因表達的引物和探針及其應用) | Invention | February 1, 2019 | Wuhan Kindstar |
| 47. | A testing kit for the detection or assisted detection in cellular differentiation stage of myeloid leukemia (一種檢測或輔助檢測髓系白血病細胞分化階段的試劑盒) | Invention | March 4, 2015 | Wuhan Kindstar |

As of the Latest Practicable Date, our Company had filed the following key patent applications in relation to the business of our Group as a whole:

| No. | Product/Technology | Type | Date of Application | Applicant |
|---|---|---|---|---|
| 1. | Handling, decalcification fluid and applications of bone marrow specimen (骨髓標本處理方法、脱鈣液及用途) | Invention | September 5, 2017 | Shanghai SimpleGene |
| 2. | Reagent kits for the detection of rrs mutations in MTB kanamycin-resistant related genes and the method and usage (檢測MTB耐卡那黴素相關基因rrs突變的試劑盒及其方法和用途) | Invention | September 6, 2017 | Shanghai SimpleGene |

| No. | Product/Technology | Type | Date of Application | Applicant |
|---|---|---|---|---|
| 3. | Reagent kits for detection of gyrA mutations in MTB quinolone resistance genes and the methods and usage （檢測MTB喹諾酮類藥物耐藥基因gyrA突變的試劑盒及其方法和用途） | Invention | September 6, 2017 | Shanghai SimpleGene |
| 4. | Bone marrow cell chromosome preparation methods（骨髓細胞染色體制片方法） | Invention | September 28, 2017 | Shanghai SimpleGene |
| 5. | Reagent kits for the detection of prognostic gene mutations in AML patients and the detection method（一種檢測AML患者預後基因突變的試劑盒及其檢測方法） | Invention | December 29, 2017 | Shanghai SimpleGene |
| 6. | A diagnosis system for central nervous system diseases （一種中樞神經系統疾病判斷系統） | Invention | July 12, 2018 | Shanghai SimpleGene |
| 7. | Reagent kits for the detection of relapse of acute lymphocytic leukemia and mutations in drug resistance genes and the application methods（急性淋巴細胞白血病復發、耐藥基因的突變檢測試劑盒及應用方法） | Invention | July 26, 2018 | Beijing Hightrust |
| 8. | A method for detecting mutations in ABL kinase region of BCR-ABL fusion gene（一種檢測BCR-ABL融合基因ABL激酶區突變的方法） | Invention | December 29, 2018 | Wuhan Kindstar |
| 9. | Detection kit for microscopic residues of acute B lymphoblastic leukemia（急性B淋巴細胞白血病微小殘留的檢測試劑盒） | Invention | February 22, 2019 | Wuhan Kindstar |
| 10. | Method and kit for simultaneously detecting multiple fat-soluble vitamins in blood（一種同時檢測血液中多種脂溶性維生素的方法和試劑盒） | Invention | February 27, 2019 | Wuhan Kindstar |
| 11. | ROH data analysis system based on chromosomal microarray （基於染色體微陣列的ROH數據分析系統） | Invention | December 30, 2020 | Wuhan Kindstar |
| 12. | Detection kit for AML prognosis related gene expression （AML預後相關基因表達檢測試劑盒） | Invention | December 30, 2020 | Wuhan Kindstar |
| 13. | Degeneration method for the outputs of Sanger sequencing effect （用於Sanger法的測序反應產物的變性方法） | Invention | December 30, 2020 | Wuhan Kindstar |
| 14. | A method for handling FISH test on bone marrow smear (一種用於骨髓塗片FISH檢測的處理方法) | Invention | December 28, 2020 | Beijing Hightrust |

Save as aforesaid, as at the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our Group's business.

## C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND OUR SUBSTANTIAL SHAREHOLDERS

### 1. Particulars of Directors' Service Contracts and Appointment Letters

*(a) Executive Directors*

Each of our executive Directors has entered into a service contract with our Company on [●], 2021. The initial term of their respective service contract shall commence from the date of their appointment until terminated in accordance with the terms and conditions of the service agreement or by either party giving to the other not less than [three months'] prior notice.

*(b) Non-executive Directors and Independent non-executive Directors*

Each of the non-executive Directors and independent non-executive Directors has entered into an appointment letter with our Company effective from [●], 2021. The initial term for their appointment letters shall commence from the date of their appointment for a period of [three] years, whichever is earlier (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than [one month's] prior notice in writing.

Details of our Company's remuneration policy is described in the section headed "Directors and Senior Management – Remuneration of Directors and Senior Management" in this Document.

### 2. Directors' Remuneration

The aggregate amount of remuneration paid to our Directors in respect of the years ended December 31, 2018, 2019 and 2020 was RMB0.66 million, RMB0.77 million and RMB0.94 million, respectively.

Under the arrangements in force as at the date of this Document, it is estimated that the aggregate amount of remuneration (excluding any discretionary bonus which may be paid) payable by our Company to our Directors for the financial year ending December 31, 2021 is expected to be approximately RMB3.07 million.

The aggregate amount of remuneration of our five highest paid individuals (including both employees and Directors) for the years ended December 31, 2018, 2019 and 2020 were approximately RMB5.34 million, RMB5.75 million and RMB5.49 million, respectively.

None of our Directors or any past directors of any member of our Group has been paid any sum of money for the years ended December 31, 2018, 2019 and 2020 as (a) an inducement to join or upon joining our Company; or (b) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

There were no arrangements under which any Director has waived or agree to waive any emolument during the Track Record Period.

## 3. Disclosure of Interests

### (a) *Interests and Short Positions of Our Directors and the Chief Executive of Our Company in the Share Capital of Our Company and Its Associated Corporations Following Completion of the* **[REDACTED]** *and the Share Subdivision*

Immediately following completion of the **[REDACTED]** and the Share Subdivision (assuming the **[REDACTED]** is not exercised, no additional Shares are issued pursuant to the **[REDACTED]** Stock Incentive Plans and no Shares are issued pursuant to the **[REDACTED]** Share Schemes), the interests or short positions of our Directors and chief executives in the Shares, underlying Shares and debentures of our Company and its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions (as applicable) which he/she is taken or deemed to have taken under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

(i) Long position in our Company

| Name of Director or Chief Executive | Nature of interest | Number of Shares immediately after the completion of the [REDACTED] | Approximate percentage of interest in our Company after completion of the [REDACTED] and the Share Subdivision *(Note 1)* |
|---|---|---|---|
| Dr. Huang *(Note 2&3)* | Settlor of a trust and interest of spouse | [145,363,368] | **[REDACTED]**% |
| Mr. Tu *(Note 4)* | Interest in controlled corporation | [38,624,144] | **[REDACTED]**% |
| | Beneficial interest | [25,737,720] | **[REDACTED]**% |
| Ms. Chai Haijie ("**Ms. Chai**") *(Note 5)* | Beneficial interest | [10,166,456] | **[REDACTED]**% |
| Mr. Huang Zuie-Chin *(Note 6)* | Interest in controlled corporation | [93,927,372] | **[REDACTED]**% |

*Notes:*

1. The calculation is based on the total number of **[REDACTED]** Shares in issue immediately after completion of the **[REDACTED]** and the Share Subdivision (assuming the **[REDACTED]** is not exercised, no additional Shares are issued pursuant to the **[REDACTED]** Stock Incentive Plans and no Shares are issued pursuant to the **[REDACTED]** Share Schemes).

2. Perfect Tactic is a company incorporated in the BVI held as to 99.8% and 0.2% by Infinite Prosperity Holdings LLC ("**Infinite Prosperity**") and Kindstar Rui An, respectively. Infinite Prosperity is wholly-owned by Jackson Hole. Jackson Hole is the trustee to the Shiang Huang Family Trust which was established by Dr. Huang as settlor. Accordingly, Dr. Huang is deemed to be interested in the total number of Shares held by Perfect Tactic. Dr. Huang, being the spouse of Ms. Guo, is deemed to be interested in the total number of Shares Ms. Guo holds or is interested in.

3. According to voting proxy arrangements dated April 28, 2021, January 1, 2017 and November 2, 2020, Ms. Guo has effective control over the voting rights attached the Shares held by each of Perfect Tactic, Mr. Chen Zhong ("**Mr. Chen**") and Ever Prospect. Accordingly, Ms. Guo is deemed to be interested in (i) the [48,361,508] Shares held by Perfect Tactic, (ii) [3,468,800] Shares held by Mr. Chen, and (iii) [38,624,144] Shares held by Ever Prospect. Dr. Huang, being the spouse of Ms. Guo, is deemed to be interested in the total number of Shares Ms. Guo holds or is interested in.

4. Ever Prospect is wholly-owned by Mr. Tu. Accordingly, Mr. Tu is deemed to be interested in the [38,629,144] Shares held by Ever Prospect. Mr. Tu is also interested in [6,434,430] share options granted to him under the **[REDACTED]** Stock Incentive Plans to receive [6,434,430] ordinary shares (to be adjusted to [25,737,720] Shares upon the Share Subdivision). According to a voting proxy arrangement dated November 2, 2020, Ms. Guo has effective control over the voting rights attached the Shares held by Ever Prospect.

5. Ms. Chai is interested in 2,541,614 share options granted to her to receive 2,541,614 ordinary shares (to be adjusted to [10,166,456] Shares upon the Share Subdivision).

6. The general partners of Ningbo Xinyue and Wuhan Ruifu are Ningbo Meishan Bonded Port Zone Ruixi Equity Investment Management Partnership (Limited Partnership) (寧波梅山保税港區瑞羲股權投資管理合夥企業(有限合夥)) ("**Ningbo Ruixi**") and Ningbo Ruifu, respectively. The general partner of Ningbo Ruixi is Ningbo Ruifu. Accordingly, Ningbo Ruifu is deemed to be interested in the [41,829,140] Shares held by Wuhan Ruifu and the [30,710,492] Shares held by Ningbo Xinyue. The general partner of Panacea is Panacea Venture Healthcare Fund GP I, L.P., which is controlled by Panacea Venture Healthcare Fund GP Company, Ltd., its general partner. Each of Ningbo Ruifu and Panacea Venture Healthcare Fund GP Company, Ltd. is ultimately controlled by Mr. Huang Zuie-Chin, one of our non-executive Directors. Accordingly, Mr. Huang Zuie-Chin is deemed to be interested in (i) the [41,829,140] Shares held by Wuhan Ruifu, (ii) the [30,710,492] Shares held by Ningbo Xinyue, and (iii) the [21,387,740] Shares held by Panacea.

(ii) Interests in associated corporations

| Name of Director or Chief Executive | Name of Associated Corporation | Amount of registered capital held (RMB) | Approximate percentage of interest |
|---|---|---|---|
| Dr. Huang | Wuhan Kindstar | 6,644,000 | 96.29% |
| Dr. Huang | Kindstar Global Wuhan | 10,000,000 | 99.01% |
| Mr. Tu | Wuhan Kindstar | 256,000 | 3.71% |
| Mr. Tu | Kindstar Global Wuhan | 100,000 | 0.99% |
| Mr. Tu | Shanghai Xinuo | 475,000 | 9.5% |
| Mr. Tu | Guangzhou Xinuo | 950,000 | 9.5% |
| Mr. Tu | Kindstar Zhenyuan | 1,000,000 | 10% |

*(b) Interests and Short Positions Discloseable under Divisions 2 and 3 of Part XV of the SFO*

For information on the persons who will, immediately following the completion of the **[REDACTED]** and the Share Subdivision and taking no account of any additional Shares which may be issued pursuant to the **[REDACTED]** Stock Incentive Plans and any Shares which may be issued pursuant to the **[REDACTED]** Share Schemes, having or be deemed or taken to have beneficial interests or short position in our Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, see the section headed "Substantial Shareholders" in this Document.

*(c) Interests of substantial shareholders in members of our Group (other than our Company)*

| Our subsidiaries | Registered capital (RMB) | Parties with 10% or more equity interest | Approximately percentage of shareholding (%) |
|---|---|---|---|
| Huaxi Kindstar | 10,000,000 | Sichuan Huaxi Health Technology Co., Ltd. (四川華西健康科技有限公司) | 40% |
| Xinjiang Kindstar | 16,000,000 | Zheng Jianhua (鄭建華) | 27% |
| | | Xinjiang Yijiali Medical Technology Service Co., Ltd. (新疆醫嘉利醫學技術服務股份有限公司) | 16% |
| Tianjin Kindstar | 5,000,000 | Beijing Ou Nuo An Engineering Construction Co., Ltd (北京歐諾安工程建設有限公司) | 10% |
| Chengdu Shengyuan | 5,000,000 | Chengdu Zhongzecheng Business Management Partnership (Limited Partnership) (成都眾澤成企業管理合夥企業(有限合夥)) | 35% |
| Shanghai Xinuo | 5,000,000 | Zhu Xiaoyan (朱曉燕) | 10% |
| Guangzhou Xinuo | 10,000,000 | Zhu Xiaoyan (朱曉燕) | 10% |
| Kindstar Zhenyuan | 10,000,000 | Wuhan Xingfeinuo Enterprise Management Partnership (Limited Partnership) 武漢星菲諾企業管理合夥企業(有限合夥) | 20% |

Save as set out above, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the **[REDACTED]** and the Share Subdivision and taking no account of any additional Shares which may be issued pursuant to the **[REDACTED]** Stock Incentive Plans and any Shares which may be issued pursuant to the **[REDACTED]** Share Schemes, be interested, directly or indirectly, in 10% or more of the nominal of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such capital.

## 4. Disclaimers

Save as disclosed in this Document:

(a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;

(b) none of our Directors or the experts named in the paragraph headed "E. Other Information – 6. Consents of Experts" in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this Document, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(c) save in connection with the **[REDACTED]**, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Shares in or debentures of our Company within the two years ended on the date of this Document;

(d) none of our Directors is materially interested in any contract or arrangement subsisting at the date of this Document which is significant in relation to the business of our Group as a whole;

(e) taking no account of any Shares which may be taken up under the **[REDACTED]** and allotted and any additional Shares issued pursuant to the **[REDACTED]** Stock Incentive Plans and any Shares issued pursuant to the **[REDACTED]** Share Schemes, so far as is known to any Director or chief executive of our Company, no other person (other than a Director or chief executive of our Company) will, immediately following completion of the **[REDACTED]**, have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of our Group), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group;

(f) save as disclosed in the section headed "Directors and Senior Management" in this Document, none of our Directors or chief executive of our Company has any interests or short positions in the Shares, underlying Shares or debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to our Company and the Stock Exchange once the Shares are listed thereon;

(g) save in connection with the **[REDACTED]**, none of the experts listed in the paragraph headed "E. Other Information – 6. Consents of Experts" in this Appendix: (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

(h) so far as is known to our Directors, none of our Directors or their respective close associates or Shareholders (who to the knowledge of our Directors owns more than 5% of the number of our issued shares) has any interest in our five largest suppliers or our five largest customers.

## D. [REDACTED] STOCK INCENTIVE PLANS

The following is a summary of the principal terms of the **[REDACTED]** Stock Incentive Plans adopted pursuant to board resolutions passed on March 14, 2013, December 20, 2015, December 1, 2016, respectively.

### 1. Summary of terms

*Purpose*

The purposes of the **[REDACTED]** Stock Incentive Plans are to attract and retain the best available personnel, to provide additional incentives to our employees, Directors and persons (other than an employee or a Director) who are engaged by our Company or any related party to render consulting or advisory services (the "**Consultants**"), and to promote the success of our Group's business.

*Types of Awards*

The Administrator is authorized under the **[REDACTED]** Stock Incentive Plans to award any type of arrangement to an employee, Director or Consultant that is not inconsistent with the provisions of the **[REDACTED]** Stock Incentive Plans and that by its terms involves or might involve the issuance of (i) Shares, (ii) cash or (iii) an option or similar right with a fixed or variable price related to the fair market value of the Shares and with an exercise or conversion privilege related to the passage of time, the occurrence of one or more events, or the satisfaction of performance criteria or other conditions (the "**Award(s)**").

*Terms of the* **[REDACTED]** *Stock Incentive Plans*

Subject to the termination provisions under the **[REDACTED]** Stock Incentive Plans, each of the **[REDACTED]** Stock Incentive Plans shall be valid and effective for the period of ten years commencing on their respective adoption date. No Award may be granted after the termination of the relevant **[REDACTED]** Stock Incentive Plan.

*Maximum number of Shares*

The maximum aggregate number of Shares which may be issued pursuant to all Awards is 46,240,340 ordinary shares (to be adjusted to [184,961,360] Shares upon the Share Subdivision).

*Administration*

The **[REDACTED]** Stock Incentive Plans shall be administered by (A) our Board or (B) a committee composed of members of our Board appointed by our Board to administer the **[REDACTED]** Stock Incentive Plans (the "**Committee**") (together with our Board, the "**Administrator**"). Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by our Board.

Subject to applicable Laws and the provisions of the **[REDACTED]** Stock Incentive Plans (including any other powers given to the Administrator hereunder), and except as otherwise provided by our Board, the Administrator shall have the authority, in its discretion:

(i) to select the employees, Directors and Consultants to whom Awards may be granted from time to time hereunder;

(ii) to determine whether and to what extent Awards are granted hereunder;

(iii) to determine the number of Shares or the amount of other consideration to be covered by each Award granted hereunder;

(iv) to approve forms of Award agreements for use under the **[REDACTED]** Stock Incentive Plans;

(v) to determine the terms and conditions of any Award granted;

(vi) to amend the terms of any outstanding Award granted under the Stock Incentive Plans, provided that any amendment that would adversely affect the rights of grantee(s) (the "**Grantee(s)**") under an outstanding Award shall not be made without the grantee's written consent;

(vii) to construe and interpret the terms of the **[REDACTED]** Stock Incentive Plans and Awards, including without limitation, any notice of award or Award Agreement, granted pursuant to the **[REDACTED]** Stock Incentive Plans; and

(viii) to take such other action, not inconsistent with the terms of the **[REDACTED]** Stock Incentive Plans, as the Administrator deems appropriate.

*Award Agreement*

Each award granted under the **[REDACTED]** Stock Incentive Plans shall be evidenced by an award agreement between our Company and the Grantee (the "**Award Agreement**"), the form of which shall be approved by the Administrator.

*Term of Award*

The term of each Award shall be the term stated in the Award Agreement. Notwithstanding the foregoing, the specified term of any Award shall not include any period for which the Grantee has elected to defer the receipt of the Shares or cash issuable pursuant to the Award.

*Payment*

The consideration to be paid for the Shares to be issued upon exercise of an Award, including the method of payment, shall be determined by the Administrator.

*Transferability of Awards*

Awards shall be transferable (i) by will and by the laws of descent and distribution and (ii) during the lifetime of the Grantee, to the extent and in the manner authorized by the Administrator. Notwithstanding the foregoing, the Grantee may designate one or more beneficiaries of the Grantee's Award in the event of the Grantee's death on a beneficiary designation form provided by the Administrator.

*Exercise of Award*

Any Award granted hereunder shall be exercisable at such times and under such conditions as determined by the Administrator under the terms of the **[REDACTED]** Stock Incentive Plans and specified in the Award Agreement. An Award shall be deemed to be exercised when written notice of such exercise has been given to our Company in accordance with the terms of the Award by the person entitled to exercise the Award and full payment for the Shares with respect to which the Award is exercised.

The Company will comply with Chapter 14A and other applicable Listing Rules when Awards granted to connected persons under the **[REDACTED]** Stock Incentive Plans are exercised.

**2. Options granted**

As of the Latest Practicable Date, (i) options to subscribe for 9,656,036 ordinary shares (to be adjusted to [38,624,144] Shares upon the Share Subdivision) had been exercised; and (ii) options to subscribe for 28,747,314 ordinary shares (to be adjusted to [114,989,256] Shares upon the Share Subdivision) were outstanding and held by grantees.

Our Company will not grant further options under the **[REDACTED]** Stock Incentive Plans after the **[REDACTED]**.

**3. General**

The **[REDACTED]** Stock Incentive Plans are not subject to the provisions of Chapter 17 of the Listing Rules as it will not involve the grant of options by us after the **[REDACTED]**.

Application has been made to the Listing Committee for the **[REDACTED]** of and permission to deal in the Shares to be issued pursuant to the **[REDACTED]** Stock Incentive Plans.

**4. Directors, senior management, other connected persons and other employees of our Group**

As of the Latest Practicable Date, share options were granted to 294 grantees, including two Directors who are also members of the senior management of our Company and 292 other employees of our Group (who were granted options to subscribe for 18,632,080 ordinary shares and 19,771,270 ordinary shares, respectively) (to be adjusted to [74,528,320] Shares and [79,085,080] Shares, respectively, upon the Share Subdivision), to subscribe for an aggregate of 38,403,350 ordinary shares (to be adjusted to [153,613,400] Shares upon the Share Subdivision) without taking into account the options which have been forfeited, of which a portion of the options corresponding to 9,656,036 ordinary shares (to be adjusted to [38,624,144] Shares upon the Share Subdivision) had been exercised by Mr. Tu, one of executive Directors and Chief Operating Officer.

As of the Latest Practicable Date, options to subscribe for 28,747,314 ordinary shares were outstanding (to be adjusted to [114,989,256] Shares upon the Share Subdivision), for which the grantees include two Director who are also members of the senior management of our Company (options to subscribe for 8,976,044 ordinary shares (to be adjusted to [35,904,176] Shares upon the Share Subdivision))

and 292 other employees of our Group (options to subscribe for 19,771,270 ordinary shares (to be adjusted to [79,085,080] Shares upon the Share Subdivision)). Such underlying Shares of outstanding options represent approximately **[REDACTED]**% of the issued share capital of our Company upon completion of the **[REDACTED]** and the Share Subdivision, assuming the **[REDACTED]** is not exercised, no additional Shares are issued pursuant to the **[REDACTED]** Stock Incentive Plans and no Shares are issued pursuant to the **[REDACTED]** Share Schemes. The proposal to grant the options under the **[REDACTED]** Stock Incentive Plans to the aforesaid grantees has been approved by our Board.

Below is a list of Directors and senior management of our Company who are grantees of the options under the **[REDACTED]** Stock Incentive Plans, and the number of underlying Shares of their respective options (exercised or outstanding) (figures as adjusted after the Share Subdivision). No option under the **[REDACTED]** Stock Incentive Plans has been granted to other connected persons of our Company.

| Name of grantee | Position | Address | Exercise price (US$/Share) | Total number of Shares underlying the exercised options *(Note 1)* | Total number of Shares underlying the outstanding options *(Note 1)* | Grant date and vesting period | Underlying Shares of the outstanding and unexercised options as a percentage of issued Shares immediately after completion of the [REDACTED] and the Share Subdivision *(Note 2)* |
|---|---|---|---|---|---|---|---|
| **Directors and senior management** | | | | | | | |
| Mr. Tu | Executive Director and Chief Operating Officer | Room 602, No. 4-2 Phase II, Binjiangyuan Yanjiang Avenue Jiangan District Wuhan, Hubei Province PRC | 0.03 | [7,297,128] | [3,207,640] | March 15, 2013 *(Note 3)* | **[REDACTED]**% |
| | | | 0.03 | [4,000,000] | [2,800,000] | December 31, 2013 *(Note 4)* | **[REDACTED]**% |
| | | | 0.06 | [13,255,436] | [13,125,224] | December 31, 2015 *(Note 4)* | **[REDACTED]**% |
| | | | 0.03-0.09 | [14,071,580] | [6,604,856] | December 31, 2016 *(Note 4)* | **[REDACTED]**% |
| Ms. Chai | Executive Director and Chief Financial Officer | Room 3203, No. 10 Phase IV, Bairuijing Wuchang District Wuhan, Hubei Province PRC | 0.03 | Nil | [1,200,000] | December 31, 2014 *(Note 4)* | **[REDACTED]**% |
| | | | 0.06 | Nil | [4,293,796] | December 31, 2015 *(Note 4)* | **[REDACTED]**% |
| | | | 0.09 | Nil | [4,672,660] | December 31, 2016 *(Note 4)* | **[REDACTED]**% |

*Notes:*

(1) The calculation is made assuming the Share Subdivision is completed and each option is adjusted accordingly.

(2) These percentages are calculated on the basis of **[REDACTED]** Shares in issue immediately following completion of the **[REDACTED]** and the Share Subdivision, assuming that the **[REDACTED]** is not exercised and without taking into account any additional Shares to be issued pursuant to the **[REDACTED]** Stock Incentive Plans and any Shares to be issued under the **[REDACTED]** Share Schemes.

(3) 25%, 25%, 25% and 25% of the total number of the options granted shall vest and become exercisable on the first, second, third and fourth anniversary of January 1, 2012, which was deemed as vesting commencement date.

(4) 100% of the total number of the options granted shall vest and become exercisable immediately after grant date.

The following table summarizes the number of underlying Shares of the options (exercised or outstanding, but not including terminated ones) granted to individuals other than our Directors and senior management under the Plan:

| **Exercise Price (US$/share)** | **Date of grant** | **Vesting period** | **Total number of Shares underlying the exercised options** *(Note 1)* | **Total number of Shares underlying the outstanding and unexercised options** *(Note 1)* | **Underlying Shares of the outstanding and unexercised options as a percentage of issued Shares immediately after completion of the [REDACTED] and the Share Subdivision** *(Note 2)* |
|---|---|---|---|---|---|
| 0.03 | March 15, 2013 | *(Note 3)* | Nil | [6,656,000] | **[REDACTED]**% |
| 0.03 | December 31, 2013 | *(Note 4)* | Nil | [17,102,648] | **[REDACTED]**% |
| 0.03 | December 31, 2014 | *(Note 4)* | Nil | [612,000] | **[REDACTED]**% |
| 0.03 | December 31, 2017 | *(Note 4)* | Nil | [516,000] | **[REDACTED]**% |
| 0.06 | December 31, 2015 | *(Note 4)* | Nil | [20,486,876] | **[REDACTED]**% |
| 0.06-0.09 | December 31, 2016 | *(Note 4)* | Nil | [33,711,556] | **[REDACTED]**% |

*Notes:*

(1) The calculation is made assuming the Share Subdivision is completed and each option is adjusted accordingly.

(2) These percentages are calculated on the basis of **[REDACTED]** Shares in issue immediately following completion of the **[REDACTED]** and the Share Subdivision, assuming that the **[REDACTED]** is not exercised and without taking into account any additional Shares to be issued under the **[REDACTED]** Stock Incentive Plans and any Shares to be issued under the **[REDACTED]** Share Schemes.

(3) 25%, 25%, 25% and 25% of the total number of the options granted shall vest and become exercisable on the first, second, third and fourth anniversary of January 1, 2012, which was deemed as vesting commencement date.

(4) 100% of the total number of the options granted shall vest and become exercisable immediately after grant date.

Assuming full exercise of options under the **[REDACTED]** Stock Incentive Plans, the shareholding of our Shareholders immediately following the **[REDACTED]** will be diluted by approximately **[REDACTED]**%, if calculated on the basis of **[REDACTED]** Shares in issue immediately following completion of the **[REDACTED]** and the Share Subdivision, and assuming that the **[REDACTED]** is not exercised and without taking into account any additional Shares to be issued pursuant to the **[REDACTED]** Stock Incentive Plans and any Shares to be issued under the **[REDACTED]** Share Schemes. The consequent impact on the

earnings per ordinary share for the years ended December 31, 2018, 2019 and 2020 is nil, nil and nil, respectively, being the incremental impact to diluted earnings per share, since the options would not be included in the calculation of diluted earnings per share due to anti-dilution.

*Waiver and Exemption*

Our Company has applied for and has [been granted] (i) a waiver from the Stock Exchange from strict compliance with the disclosure requirements under Rule 17.02(1)(b) and paragraph 27 of Appendix 1A to the Listing Rules; and (ii) an exemption from the SFC from strict compliance with the disclosure requirements of paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance. For further details, please see the section headed "Waiver from Compliance with the Listing Rules and Exemption from Compliance with the Companies (Winding up and Miscellaneous Provisions) Ordinance" in this Document.

## E. [REDACTED] RSU SCHEME

The Company has conditionally adopted the **[REDACTED]** RSU Scheme by Shareholders' resolutions dated [*], 2021. The **[REDACTED]** RSU Scheme is not subject to the provisions of Chapter 17 of the Listing Rules as the **[REDACTED]** RSU Scheme does not involve the grant of options by our Company. The Company may appoint a trustee (the "**RSU Trustee**") to administer the **[REDACTED]** RSU Scheme with respect to the grant of any Award (as defined below), by way of restricted share unit(s) ("**RSU(s)**"), which may vest in the form of Shares (the "**Award Shares**") or the actual selling price of the Award Shares in cash in accordance with the **[REDACTED]** RSU Scheme.

### 1. Eligible Persons to the [REDACTED] RSU Scheme

Any individual, being an employee, director (including executive Directors, non-executive Directors and independent non-executive Directors) or officer, consultant, advisor, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate (an "**Eligible Person**" and, collectively "**Eligible Persons**") who the Board or its delegate(s) considers, in its sole discretion, to have contributed or will contribute to the Group is eligible to receive an award granted by the Board (an "**Award**"), by way of RSUs, which may vest in the form of Award Shares or the actual selling price of the Award Shares of RSUs in cash in accordance with the **[REDACTED]** RSU Scheme. However, no individual who is resident in a place where the grant, acceptance or vesting of an Award pursuant to the **[REDACTED]** RSU Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board or its delegate(s), compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the **[REDACTED]** RSU Scheme.

### 2. Purpose of the [REDACTED] RSU Scheme

The purpose of the **[REDACTED]** RSU Scheme is to align the interests of Eligible Persons' with those of our Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares, and to encourage and retain Eligible Persons to make contributions to the long-term growth and profits of our Group.

**3. Awards**

An Award gives a selected participant a conditional right, when the RSU vests, to obtain the Award Share or, if in the absolute discretion of the Board or its delegate(s), it is not practicable for the selected participant to receive the Award in Shares, the cash equivalent from the sale of the Award Shares. An Award includes all cash income from dividends in respect of those Shares from the date the Award is granted (the "**Grant Date**") to the date the Award vests (the "**Vesting Date**"). For the avoidance of doubt, the Board at its discretion may from time to time determine that any dividends declared and paid by our Company in relation to the Award Shares be paid to the selected participant even though the Award Shares have not yet vested.

**4. Grant of Award**

*(i) Making the Grant*

The Board or the committee of the Board or person(s) to which the Board has delegated its authority may, from time to time, at their absolute discretion, grant an Award to a selected participant (in the case of the Board's delegate(s), to any selected participant other than a Director or an officer of our Company) by way of an award letter ("**Award Letter**"). The Award Letter will specify the Grant Date, the number of Award Shares underlying the Award, the vesting criteria and conditions, the Vesting Date and such other details as the Board or its delegate(s) may consider necessary.

Each grant of an Award to any Director, chief executive or substantial shareholder of our Company shall be subject to the prior approval of the independent non-executive Directors of our Company (excluding any independent non-executive Director who is a proposed recipient of an Award). Our Company will comply with the relevant requirements under Chapter 14A of the Listing Rules for any grant of Shares to connected persons of our Company.

*(ii) Restrictions on Grants and Timing of Grants*

The Board and its delegate(s) may not grant any Award to any selected participant in any of the following circumstances:

(A) where any requisite approval from any applicable regulatory authorities has not been granted;

(B) where any member of our Group will be required under applicable securities laws, rules or regulations to issue a document or other offer documents in respect of such Award or the **[REDACTED]** RSU Scheme, unless the Board determines otherwise;

(C) where such Award would result in a breach by any member of our Group or its directors of any applicable securities laws, rules or regulations in any jurisdiction;

(D) where such grant of Award would result in a breach of the **[REDACTED]** RSU Limit (as defined below) or the minimum public float requirement as required under the Listing Rules, or would otherwise cause our Company to issue Shares in excess of the permitted amount in the mandate approved by the Shareholders;

(E) where an Award is to be satisfied by way of issue of new Shares to the RSU Trustee, in any circumstances that cause the total Shares issued or allotted to connected persons to be in excess of the amount permitted in the mandate approved by the Shareholders;

(F) where any Director of our Company is in possession of unpublished inside information in relation to our Company or where dealings by Directors of our Company are prohibited under any code or requirement of the Listing Rules and all applicable laws, rules or regulations, from time to time;

(G) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results, unless the circumstances are exceptional, for example, where a pressing financial commitment has to be met, in accordance with the Listing Rules;

(H) during the period of 30 days immediately preceding the publication date of the quarterly results (if any) and the half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results, unless the circumstances are exceptional, for example, where a pressing financial commitment has to be met, in accordance with the Listing Rules; and

(I) during any period of delay in the publication of a results announcement.

**5. Maximum Number of Shares to be Granted**

The aggregate number of Shares underlying all grants made pursuant to the **[REDACTED]** RSU Scheme (excluding Award which have been forfeited in accordance with the **[REDACTED]** RSU Scheme) will not exceed 8% of the issued share capital of the Company as of the date of approval of the **[REDACTED]** RSU Scheme, being 13,584,282 shares (to be adjusted to [54,337,129] Shares upon the Share Subdivision), without Shareholders' approval (the "**[REDACTED] RSU Scheme Limit**").

**6. Rights attached to the Award**

Save that the Board at its discretion may from time to time determine that any dividends declared and paid by our Company in relation to the Award Shares be paid to the selected participants even though the RSUs have not yet vested in the form of Award Shares, the selected participant only has a contingent interest in the Award Shares underlying an Award unless and until such Award Shares are actually transferred to the selected participant, nor does he/she have any rights to any related income until the RSUs vest in the form of Award Shares.

The RSU Trustee shall exercise the voting rights in respect of any Award Shares which are held under the Trust in accordance with the instructions of the Board or the committee of the Board or person(s) to which the Board has delegated its authority in compliance with the Listing Rules or as the Stock Exchange may approve.

**7. Issue of Shares and/or transfer of funds to the RSU Trustee**

Our Company shall, as soon as reasonably practicable and no later than 30 business days from the Grant Date, (i) issue and allot Shares to the RSU Trustee and/or (ii) transfer to the RSU Trustee the necessary funds and instruct the RSU Trustee to acquire Shares through on-market transactions at the prevailing market price, so as to satisfy the Awards.

Our Company shall not issue or allot Award Shares nor instruct the RSU Trustee to acquire Shares through on-market transactions at the prevailing market price, where such action (as applicable) is prohibited under the Listing Rules, the Securities and Futures Ordinance or other applicable laws from time to time. Where such a prohibition causes the prescribed timing imposed by the **[REDACTED]** RSU Scheme Rules or the trust deed to be missed, such prescribed timing shall be treated as extended until as soon as reasonably practicable after the first Business Day on which the prohibition no longer prevents the relevant action.

**8. Assignment of Awards**

Unless express written consent is obtained from the Board or the committee of the Board or person(s) to which the Board has delegated its authorities, any Award granted under the **[REDACTED]** RSU Scheme but not yet vested are personal to the selected participants to whom they are granted and cannot be assigned or transferred. A selected participant shall not in any way sell, transfer, charge, mortgage, encumber or create any interest in favor of any other person over or in relation to any Award, or enter into any agreement to do so.

**9. Vesting of Awards**

The Board or its delegate(s) may from time to time while the **[REDACTED]** RSU Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the Award to be vested.

Within a reasonable time period as agreed between the RSU Trustee and the Board from time to time prior to any Vesting Date, the Board or its delegate(s) will send a vesting notice to the relevant selected participant and instruct the RSU Trustee the extent to which the Award Shares held in the trust shall be transferred and released from the trust to the selected participant. Subject to the receipt of the vesting notice and notification from the Board or its delegate(s), the RSU Trustee will transfer and release the relevant Award in the manner as determined by the Board or its delegate(s).

If, in the absolute discretion of the Board or its delegate(s), it is not practicable for the selected participant to receive the Award in Shares, solely due to legal or regulatory restrictions with respect to the selected participant's ability to receive the Award in Shares or the RSU Trustee's ability to give effect to any such transfer to the selected participant, the Board or its delegate(s) will direct and procure the RSU Trustee to sell, on-market at the prevailing market price, the number of RSUs so vested in the form of Award Shares in respect of the selected participant and pay the selected participant the proceeds arising from such sale based on the actual selling price of the Award Shares following vesting of such RSUs in cash as set out in the vesting notice.

If there is an event of change in control of our Company by way of a merger, a privatization of our Company by way of a scheme or by way of an offer, the Board or the committee of the Board or person(s) to which the Board has delegated its authority shall at their sole discretion determine whether the Vesting Dates of any Awards will be accelerated to an earlier date.

**10. Consolidation, subdivision, bonus issue and other distribution**

In the event our Company undertakes a subdivision or consolidation of the Shares, corresponding changes will be made to the number of outstanding RSUs that have been granted provided that the adjustments shall be made in such manner as the Board determines to be fair and reasonable in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the **[REDACTED]** RSU Scheme for the selected participants. All fractional shares (if any) arising out of such consolidation or subdivision in respect of the Award Shares of a selected participant shall be deemed as returned shares and shall not be transferred to the relevant selected participant on the relevant Vesting Date. The RSU Trustee shall hold returned shares to be applied towards future Awards in accordance with the provisions of the **[REDACTED]** RSU Scheme rules for the purpose of the **[REDACTED]** RSU Scheme.

In the event of an issue of Shares by our Company credited as fully paid to the holders of the Shares by way of capitalization of profits or reserves (including share premium account), the Shares attributable to any Award Shares held by the RSU Trustee shall be deemed to be an accretion to such Award Shares and shall be held by the RSU Trustee as if they were Award Shares purchased by the RSU Trustee hereunder and all the provisions hereof in relation to the original Award Shares shall apply to such additional Shares.

In the event of any non-cash distribution or other events not referred to above by reason of which the Board considers an adjustment to an outstanding Award to be fair and reasonable, an adjustment shall be made to the number of outstanding RSUs of each selected participant as the Board shall consider as fair and reasonable, in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the **[REDACTED]** RSU Scheme for the selected participants. Our Company shall provide such funds, or such directions on application of the returned shares or returned trust funds, as may be required to enable the RSU Trustee to purchase Shares on-market at the prevailing market price to satisfy the additional Award.

In the event of other non-cash and non-scrip distributions made by our Company not otherwise referred to in the **[REDACTED]** RSU Scheme rules in respect of the Shares held upon trust, the RSU Trustee shall sell such distribution and the net sale proceeds thereof shall be deemed as related income of the **[REDACTED]** RSU Scheme or returned trust funds of the returned Shares held upon trust as the case may be.

**11. Cessation of employment and other events**

Except as otherwise determined by the Board or the committee of the Board or person(s) to which the Board has delegated its authority, upon termination of employment or service with our Company during the applicable restriction period, Awards that are at that time unvested shall be forfeited or repurchased in accordance with the terms and provisions of the grant letter and/or award agreement to be entered into by such selected participant; provided, however, that the Board or the committee of the Board or person(s) to which the Board has delegated its authority may (a) provide in any grant letter and/or award agreement that

restrictions or forfeiture and repurchase conditions relating to the Awards will be waived in whole or in part in the event of terminations resulting from specified causes; and (b) in other cases waive in whole or in part restrictions or forfeiture and repurchase conditions relating to the Awards.

If a seleted participant ceases to be an Eligible Person for reasons other than those stated this paragraph, any outstanding RSUs and related income not yet vested in the form of Award Shares shall be immediately forfeited, unless the Board or its delegate(s) determines otherwise at their absolute discretion.

**12. Alteration of the [REDACTED] RSU Scheme**

The **[REDACTED]** RSU Scheme may be altered in any respect (save for the **[REDACTED]** RSU Scheme Limit) by a resolution of the Board provided that no such alteration shall operate to affect adversely any subsisting rights of any selected participant unless otherwise provided for in the rules of the **[REDACTED]** RSU Scheme, except:

(i) with the consent in writing of selected participants amounting to three-fourths in nominal value of all RSUs held by the RSU Trustee on that date; or

(ii) with the sanction of a special resolution that is passed at a meeting of the selected participants amounting to three-fourths in nominal value of all RSUs held by the RSU Trustee on that date.

**13. Termination**

The **[REDACTED]** RSU Scheme shall terminate on the earlier of:

(i) the end of the period of ten years commencing on the **[REDACTED]** except in respect of any non-vested RSUs granted hereunder prior to the expiration of the **[REDACTED]** RSU Scheme, for the purpose of giving effect to the vesting in the form of Award Shares of such RSUs or otherwise as may be required in accordance with the provisions of the **[REDACTED]** RSU Scheme; and

(ii) such date of early termination as determined by the Board provided that such termination shall not affect any subsisting rights of any selected participant under the rules of the **[REDACTED]** RSU Scheme, provided further that for the avoidance of doubt, the change in the subsisting rights of a selected participant in this paragraph refers solely to any change in the rights in respect of the RSUs already granted to a selected participant.

**14. Administration of the [REDACTED] RSU Scheme**

The Board has the power to administer the **[REDACTED]** RSU Scheme in accordance with the rules of the **[REDACTED]** RSU Scheme and, where applicable, the trust deed, including the power to construe and interpret the rules of the **[REDACTED]** RSU Scheme and the terms of the Awards granted by way of RSUs, under the **[REDACTED]** RSU Scheme. The Board may delegate the authority to administer the **[REDACTED]** RSU Scheme to a committee of the Board or other person(s) as deemed appropriate at the sole discretion of the Board. The Board or its delegate(s) may also appoint one or more independent third party contractors to assist in the administration of the **[REDACTED]** RSU Scheme as they think fit.

**15. General**

As of the Latest Practicable Date, no RSU had been granted or agreed to be granted under the **[REDACTED]** RSU Scheme.

An application has been submitted to the Listing Committee for the **[REDACTED]** of, and permission to deal in, the Shares which may be issued pursuant to the **[REDACTED]** RSU Scheme.

**F. [REDACTED] OPTION SCHEME**

A summary of the principal terms of the **[REDACTED]** Option Scheme conditionally approved and adopted in compliance with Chapter 17 of the Listing Rules by resolutions of our Shareholders on [*], 2021 is as follows.

**1. Purpose**

The **[REDACTED]** Option Scheme is established to reward employees for their past contribution to the success of the Company, and to provide incentives to them to further contribute to the Company.

**2. Selected participants**

Any individual, being an employee, director or officer of any member of our Group ("**Selected Participant**") who the Board may in its absolute discretion select an Option to subscribe for such number of Shares as the Board may determine at the Subscription Price (as defined below).

**3. Maximum number of Shares**

The maximum number of Shares in respect of which Options may be granted under the **[REDACTED]** Option Scheme when aggregated with the maximum number of Shares in respect of which Options may be granted under any other option scheme over Shares shall not exceed 10% of the issued share capital of the Company as of the date of approval of the **[REDACTED]** Option Scheme (or of the refreshing of the 10% limit) by the shareholders of the Company, being 16,980,353 shares (to be adjusted to [67,921,412] Shares upon the Share Subdivision). Options lapsed in accordance with the terms of the **[REDACTED]** Option Scheme shall not be counted for the purpose of calculating the 10% limit. Within the aforesaid 10% limit (or alternatively subject to the approval of shareholders of the Company in general meeting), the maximum number of Shares to be issued upon exercise of all outstanding Options under this **[REDACTED]** Option Scheme may be increased by increments as determined by the Board, provided that the total number of Shares to be issued upon exercise of all outstanding Options under the **[REDACTED]** Option Scheme and all other schemes of the Company granted and yet to be exercised does not exceed 30% of all the Shares in issue from time to time. No Option may be granted under the **[REDACTED]** Option Scheme if this will result in the limit being exceeded.

The maximum number of Shares shall be adjusted, in such manner as the auditor of the Company shall certify in writing to the Board to be fair and reasonable, in the event of any alteration in the capital structure of the Company whether by way of capitalization of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the Company provided that no such adjustment shall be made in the event of an issue of Shares as consideration in respect of a transaction to which the Company is a party.

**4. Maximum entitlement of a grantee**

Except with the approval of shareholders in general meeting with the prospective Grantee and his associates abstaining from voting, no Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options and any other Option over the Shares (including exercised, canceled and outstanding Options) granted and to be granted to such person in any 12-month period up to the date of the latest grant exceeds 1% of the Shares in issue from time to time. The Company shall send a circular to its shareholders containing the information required under the Listing Rules. The number and terms of the Options to be granted to such prospective Grantee shall be fixed before the shareholders' approval of the grant of such Options and the date of Board meeting for proposing such further grant should be taken as the Offer Date for the purpose of calculating the Subscription Price.

**5. Performance target**

The **[REDACTED]** Option Scheme does not set out any performance targets that must be achieved before the options may be exercised. However, subject to the provisions of the Listing Rules, the Board may in its absolute discretion specify such event, time limit or conditions (if any) as it thinks fit including, without limitation, conditions as to performance criteria to be satisfied and/or the Company and/or the Group which must be satisfied before an Option can be exercised, provided such terms and conditions shall not be inconsistent with any other terms and conditions of the **[REDACTED]** Option Scheme.

The Company will comply with Chapter 14A and other applicable Listing Rules when the Options granted to connected persons under the **[REDACTED]** Option Scheme are exercised.

**6. Subscription price**

The amount payable for each Share to be subscribed for under an option ("**Subscription Price**") in the event of the option being exercised shall be determined by the Board at its absolute discretion, but shall be not less than the greater of:

(i) the closing price of a Share as stated in the daily quotations sheet issued by the Stock Exchange on the Offer Date;

(ii) the average closing price of our Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share on the date of grant,

provided that, for the purpose of determining the Subscription Price where the Shares have been **[REDACTED]** on the Stock Exchange for less than five business days, the issue price of the Shares in the Company's **[REDACTED]** of the Shares shall be used as the closing price of the Shares for any business day falling within the period before the **[REDACTED]** of the Shares on the Stock Exchange.

**7. Rights are personal to grantee**

An Option is personal to the grantee and shall not be transferable or assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any interest in favor of

or enter into any agreement with any other person over or in relation to any option, except for the transmission of an option on the death of the grantee to his personal representative(s) on the terms of the **[REDACTED]** Option Scheme.

**8. Options granted to Connected Persons**

The approval of independent non-executive directors of the Company (excluding any independent non-executive director of the Company who is intended to be a Grantee of the Option) will be required for each grant of Options to a director, chief executive, or substantial shareholder of the Company or any of their respective associates.

If a grant of Option(s) to a substantial shareholder or an independent non-executive director of the Company or their respective associates will result in the total number of Shares issued and to be issued upon exercise of all the options granted and to be granted (including options exercised, canceled and outstanding) to such person under the **[REDACTED]** Option Scheme and any other scheme in the 12-month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the Shares in issue from time to time; and

(ii) having an aggregate value, based on the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet at the date of each grant, in excess of HK$5 million,

such further grant of Option(s) must be approved by the shareholders of the Company, voting by way of poll. In this case the Board shall procure that all the requirements of the Listing Rules relating to sending a circular to shareholders are complied with. All Connected Persons of the Company shall abstain from voting in favor of the resolution at such general meeting.

**9. Grant offer letter and notification of grant of options**

An offer of the grant of an Option shall be made to any Grantee by letter in such form as the Board may from time to time determine specifying the number of Shares, the Subscription Price, the Option Period, the date by which the grant must be accepted being a date not more than 28 days after the Offer Date (provided such offer shall be open for acceptance after the effective period of the **[REDACTED]** Option Scheme) and further requiring the employee to hold the Option on the terms on which it is to be granted and to be bound by the provisions of the **[REDACTED]** Option Scheme. The letter shall also state that the offer of an Option shall be personal to the employee concerned and shall not be transferable. The inadvertent non-compliance with the requirements of the above shall not render the grant of an Option invalid if the Board so determines and makes such remedial action, if any, as it deems appropriate in its absolute discretion.

An Option shall be deemed to have been granted and accepted and to have taken effect when the duplicate letter comprising acceptance of the offer of the grant of the Option duly signed by the Grantee together with a payment to the Company and/or any of its Subsidiaries of HK$1 (or the equivalent of HK$1 in the local currency of any jurisdiction where the company and/or its Subsidiaries operate, as the Board may in its absolute discretion determine) by way of consideration for the grant thereof is received by the

Company within the time period specified in the offer of the grant of the Option. Such remittance shall not be refundable.

Any offer of the grant of an Option may be accepted or deemed to have been accepted in respect of any number of Shares up to the number in respect of which the Option is offered provided that it is accepted in respect of a **[REDACTED]** or an integral multiple thereof. To the extent that the offer of the grant of an Option is not accepted within 28 days after the Offer Date, it will be deemed to have been irrevocably declined and will lapse, unless the Board in its absolute discretion determines otherwise.

**10. Restriction of grant of options**

No Option shall be offered or granted:

(a) to any employee after inside information has become to the Company's knowledge until (and including) the trading day after the Company has announced the information;

(b) to any employee during the period commencing one month immediately before the earlier of:

(i) the date of the Board meeting (as such date is first notified to the Stock Exchange under the Listing Rules) for approving the results of the Company for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and

(ii) the deadline for the Company to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement. No Option shall be granted during any period of delay in publishing a results announcement.

(c) to any director of the Company (except where the Subscription Price is to be determined by the Board at the time of exercise of the Option):

(i) during the period of 60 days immediately preceding the publication of the annual results of the Company or, if shorter, the period from the end of the relevant financial year up to the publication of the results; or

(ii) during the period of 30 days immediately preceding the publication of the quarterly (if any) or half-yearly results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication of the results.

**11. Time of exercise of an Option**

Subject as provided in the **[REDACTED]** Option Scheme and any conditions specified by the Board, an Option may, subject to the terms and conditions upon which such option is granted, be exercised in whole or in part by the grantee giving notice in writing to our Company in such form as the Board may from time to time determine stating that the option is thereby exercised and the number of Shares in respect of which it is exercised.

**12. Lapse of Option**

Any Option shall elapse automatically and not be exercisable on the earliest of:

(a) the expiry of the Option Period;

(b) subject to the date of the commencement of the winding-up of the Company;

(c) the date on which the Grantee ceases to be an employee of the Company by reason of the summary termination of his employment or office on any one or more of the grounds that he has been guilty of misconduct, or has been convicted of any criminal offense involving his integrity or honesty or (if so determined by the Board in its absolute discretion) on any other ground on which the relevant company in the Group would be entitled to terminate his employment or office summarily at common law or pursuant to any applicable laws or under the Grantee's service contract with relevant company in the Group;

(d) where the Grantee is an employee of a subsidiary of the Company, the date on which such subsidiary ceases to be a member of the Group;

(e) the date on which the Option is canceled by the Board;

(f) the date on which the Grantee commits a breach of **[REDACTED]** Option Scheme rule; or

(g) the occurrence or non-occurrence of any event, expiry of any period, or non-satisfaction of any condition, as specified in the letter containing the offer or grant of the relevant Option.

**13. Voting and dividend rights**

No dividends shall be payable and no voting rights shall be exercisable in relation to any options or Shares that are the subject of options that have not been exercised.

**14. Effects of alterations in the capital structure of our Company**

In the event of any alteration in the capital structure of the Company whilst any Option remains exercisable, whether by way of capitalization of profits or reserves, rights issue, consolidation, subdivision or reduction of the share capital of the Company in accordance with applicable laws and regulatory requirements (other than an issue of Shares as consideration in respect of a transaction to which the Company is a party), such corresponding adjustments (if any) shall be made to:

(a) the number or nominal amount of Shares, the subject matter of the Option (insofar as it is unexercised); and/or

(b) the aggregate number of Shares subject to outstanding Options; and/or

(c) the Subscription Price; and/or

(d) the method of exercise of the Option,

as the auditor of the Company shall certify in writing to the Board to be in their opinion fair and reasonable, provided that any adjustment shall be made on the basis that the proportion of the issued share capital of the Company to which a Grantee is entitled after such adjustment shall remain the same, or as nearly as possible the same as that to which he was entitled to subscribe had he exercised all the Options held by him immediately before such adjustment, but so that no such adjustment shall be made the effect of which would be to enable any Share to be issued at less than its nominal value, or to alter any terms of the relevant Option to the advantage of the Grantee without the approval of the shareholders of the Company.

If there has been any alteration in the capital structure of the Company as referred to in the Company shall, upon receipt of a notice from the Grantee, inform the Grantee of such alteration and shall either inform the Grantee of the adjustment to be made pursuant to the certificate of the auditor of the Company obtained by the Company for such purpose, or if no such certificate has yet been obtained, inform the Grantee of such fact and instruct the auditor of the Company to issue a certificate in that regard.

**15. Rights on takeover and schemes of compromise or arrangement**

If a general or partial offer (whether by way of take-over offer, share repurchase offer or otherwise in like manner other than by way of a scheme of arrangement) is made to all the holders of Shares (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or in concert with the offeror) the Company shall use its best endeavors to procure that such offer is extended to all the Grantees (on the same terms mutatis mutandis, and assuming that they will become, by the exercise in full of the Options granted to them, shareholders of the Company). If such offer becomes or is declared unconditional, the Grantee (or his legal personal representative(s)) shall be entitled to exercise his outstanding Option(s) in full at any time within 14 days after the date on which such general offer becomes or is declared unconditional.

**16. Rights on a voluntary winding up**

In the event of an effective resolution being passed for the voluntary winding-up of the Company or an order of the court being made for the winding-up of the Company, notice thereof shall be given by the Company to Grantees with Options outstanding in full or in part at such date. If a Grantee immediately prior to such event had any outstanding Options, the Grantee (or his legal personal representative(s)) may by notice in writing to the Company within 21 days after the date of such resolution elect to be treated as if the Options had been exercised immediately before the passing of such resolution either to its full extent or to the extent specified in the notice, such notice to be accompanied by a remittance for the full amount of the aggregate Subscription Price for the Shares in respect of which the notice is given, whereupon the Grantee shall be duly issued and allotted with the relevant Shares (or treated as such by the Company) and entitled to receive out of the assets available in the liquidation pari passu with the holders of Shares such sum as would have been received in respect of the Shares that are the subject of such election.

**17. Ranking of Shares**

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles of Association of the Company for the time being in force and will rank *pari passu* with the fully

paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends and other distributions paid or made on or after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor falls before the date of allotment.

**18. Duration**

The **[REDACTED]** Option Scheme shall be valid and effective for a period of 10 years commencing on the date when the **[REDACTED]** Option Scheme becomes unconditional, after which period no further Options will be granted by the provisions of the **[REDACTED]** Option Scheme, but the provisions of this **[REDACTED]** Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any Options granted prior thereto or otherwise as may be required in accordance with the provisions of the **[REDACTED]** Option Scheme.

**19. Alteration of the [REDACTED] Option Scheme**

The Board may subject to the rules of the **[REDACTED]** Option Scheme amend any of the provisions of the **[REDACTED]** Option Scheme (including without limitation amendments in order to comply with changes in legal or regulatory requirements and amendments in order to waive any restrictions, imposed by the provisions of the **[REDACTED]** Option Scheme, which are not found in Chapter 17 of the Listing Rules) at any time (but not so as to affect adversely any rights which have accrued to any grantee at that date).

Those specific provisions of the **[REDACTED]** Option Scheme which relate to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of selected participants, and no changes to the authority of the administrator of the **[REDACTED]** Option Scheme in relation to any alteration of the terms of the **[REDACTED]** Option Scheme shall be made, without the prior approval of Shareholders in general meeting. Any alterations to the terms of the **[REDACTED]** Option Scheme which are of a material nature, or any change to the terms and conditions of options granted (including those granted to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates), must also, to be effective, be approved by our Shareholders in general meeting and the Stock Exchange, except where the alterations take effect automatically under the existing terms of the **[REDACTED]** Option Scheme. The options and the **[REDACTED]** Option Scheme so altered must comply with Chapter 17 of the Listing Rules. Any change to the authority of the Directors or **[REDACTED]** Option Scheme administrators in relation to any alternation to the terms of the **[REDACTED]** Option Scheme must be approved by Shareholders in general meeting.

Notwithstanding any provisions to the contrary in the **[REDACTED]** Option Scheme, if on the relevant date of exercise there are restrictions or conditions imposed by the relevant laws and regulations to which the grantee is subject and the grantee has not obtained approval, exemption or waiver from the relevant regulatory authorities for the subscription of and dealing in our Shares, the grantee may sell the options to such transferee, subject to the approval by the Board, which shall not unreasonably withhold or delay such approval. In the event that the options are transferred to a connected person of our Company, no Shares shall be allotted and issued upon the exercise of the options by a connected person of our Company unless the Board is satisfied that the allotment and issue of Shares will not trigger any breach of the Listing Rules, the Articles of Association, the Companies Act or the Takeovers Code.

**20. Termination**

The Company by an ordinary resolution in general meeting or the Board may at any time terminate the operation of the **[REDACTED]** Option Scheme and in such event no further Options will be offered but the provisions of the **[REDACTED]** Option Scheme shall remain in full force in all other respects. All Options granted but unexercised prior to such termination shall continue to be valid and exercisable in accordance with their terms of issue after the termination of the **[REDACTED]** Option Scheme.

**21. Value of Option**

Our Directors consider it inappropriate to disclose the value of options which may be granted under the **[REDACTED]** Option Scheme as if they had been granted as of the Latest Practicable Date. Any such valuation will have to be made on the basis of a certain option pricing model or other method that depends on various assumptions including the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of options. Our Directors believe that any calculation of the value of options granted as of the Latest Practicable Date would be based on a number of speculative assumptions that are not meaningful and would be misleading to investors.

**22. General**

As of the Latest Practicable Date, no option had been granted or agreed to be granted under the **[REDACTED]** Option Scheme.

An application has been made to the Listing Committee of the Stock Exchange for **[REDACTED]** of and permission to deal in the Shares which may be issued pursuant to the exercise of any options which may be granted under the **[REDACTED]** Option Scheme.

**G. Other Information**

**1. Estate Duty**

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

**2. Litigation**

Save as disclosed in the section headed "Risk Factors" in this Document and so far as our Directors are aware, no litigation or claim of material importance is pending or threatened against any member of our Group.

**3. Joint Sponsors**

The Joint Sponsors have made an application on our behalf to the Listing Committee for the **[REDACTED]** of, and permission to deal in, the Shares in issue (including the Shares or conversion of Preference Shares) and to be issued pursuant to (i) the **[REDACTED]**; (ii) the **[REDACTED]**; and (iii) the **[REDACTED]** Stock Incentive Plans and the **[REDACTED]** Share Schemes.

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. Each of the Joint Sponsors will receive a fee of US$500,000 for acting as the sponsor for the **[REDACTED]**.

**4. Compliance Adviser**

Our Company has appointed Somerley Capital Limited as our Compliance Adviser in compliance with Rule 3A.19 of the Listing Rules.

**5. Preliminary Expenses**

Our estimated preliminary expenses are insignificant.

**6. Consents of Experts**

The following experts have each given and have not withdrawn their respective written consents to the issue of this Document with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

| Name | Qualification |
|---|---|
| Goldman Sachs (Asia) L.L.C. | A licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO |
| China International Capital Corporation Hong Kong Securities Limited | A licensed corporation to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) regulated activities under the SFO |
| Credit Suisse (Hong Kong) Limited | A licensed corporation to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO |
| Ernst & Young | Certified Public Accountants |
| Han Kun Law Offices | Company's PRC legal adviser |
| Travers Thorp Alberga | Company's Cayman Island legal adviser |
| Frost & Sullivan (Beijing) Inc., Shanghai Branch Co. | Industry consultant |

As of the Latest Practicable Date, none of the experts named above had any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

**7. Agency Fees or Commissions Paid or Payable**

Save as disclosed in this Document, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company within the two years immediately preceding the date of this Document.

**8. No Material Adverse Change**

Our Directors confirm that there has been no material adverse change in our financial or trading position since December 31, 2020 (being the date to which the latest audited financial statements of our Group were made up) up to the date of this Document.

**9. Other Disclaimers**

(a) Save as disclosed in this Document, within the two years immediately preceding the date of this Document:

(i) no share or loan capital or debenture of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid other than in cash or otherwise;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

(iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.

(b) Save as disclosed in this Document:

(i) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;

(ii) no share or loan capital or debenture of our Company of any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

(iii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries by our Company for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company or any of our subsidiaries.

(c) Save as disclosed in the paragraph headed "B. Further Information about our Business – 1. Summary of Material Contracts" in this section, none of our Directors or proposed Directors or experts (as named in this Document), have any interest, direct or indirect, in any assets which have been, within the two years immediately preceding the date of this Document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.

(d) We do not have any promoters. No cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the **[REDACTED]** and the related transactions described in this Document within the two years immediately preceding the date of this Document.

(e) There is no restriction affecting the remittance of profits or repatriation of capital of our Company into Hong Kong from outside Hong Kong.

**10. Binding Effect**

This Document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

**11. Bilingual Document**

The English language and Chinese language versions of this Document are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

## DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this Document and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) **[REDACTED]**;

(b) the written consents referred to in the section headed "Statutory and General Information – E. Other information – 6. Consents of experts" in Appendix IV to this Document; and

(c) a copy of each of the material contracts referred to in the section headed "Statutory and General Information – B. Further Information about our business – 1. Summary of material contracts" in Appendix IV to this Document.

## DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at our Company's principal place of business in Hong Kong at Level 54, Hopewell Center, 183 Queen's Road East, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this Document:

(a) the Memorandum of Association and the Articles of our Company;

(b) the accountants' report on financial information of our Group prepared by Ernst & Young, the text of which is set out in Appendix I to this Document;

(c) the consolidated financial statements of our Group for the years ended December 31, 2018, 2019 and 2020;

(d) the report in relation to **[REDACTED]** of our Group, the text of which is set out in Appendix II to this Document;

(e) the legal opinion issued by Han Kun Law Offices, our PRC Legal Advisor in respect of general matters and property interests of our Group in the PRC;

(f) the letter of advice from Travers Thorp Alberga , our legal advisor as to the law of the Cayman Islands, summarizing certain aspects of the Cayman Islands company law referred to in Appendix III to this Document;

(g) the industry report prepared by Frost & Sullivan;

(h) the material contracts referred to in the section entitled "B. Further Information about Our Business – 1. Summary of Material Contracts" in Appendix IV to this Document;

(i) the written consents referred to in the section entitled "E. Other Information – 6. Consents of Experts" in Appendix IV to this Document;

(j) the service contracts or letters of appointment referred to in the section headed "C. Further information about our directors – 1. Particulars of directors' service contracts and appointment letters" in Appendix IV to this Document;

(k) the terms of the **[REDACTED]** Stock Incentive Plans and a list of grantees under the **[REDACTED]** Stock Incentive Plans, containing all details as required under the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

(l) the terms of the **[REDACTED]** RSU Scheme;

(m) the terms of the **[REDACTED]** Option Scheme; and

(n) the Cayman Companies Act.