***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 and is qualified in its entirety by, and should be read in conjunction with, the full text of this Document. 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].**

BUSINESS OVERVIEW

We are a platform-based genetic technology company engaged in the development and sale of clinical molecular testing instruments, products and services across three key business segments of prenatal testing, precision oncology and pathogenic detection. We have established multiple R&D and service platforms, including our genetic laboratory development test ("LDT") and equipment R&D platform, in vitro diagnostics ("IVD") equipment and test kit R&D platform, clinical testing service platform and IVD manufacturing and commercialization platform, supported by our core technologies including liquid biopsy, DNA methylation testing, next generation sequencing ("NGS") and point of care testing ("POCT") microfluidic biochip. Since our inception in 2015, we have focused on innovation and market cultivation particularly in the field of women health. Our mission is to "promote genetic health for all and improve lives" (基因健康大眾,全程助力生命).

We employ a "LDT+IVD" dual-track business model where we are continuing the development of our lineup of LDT services while simultaneously pursuing a long-term strategic pivot to IVD products based on our commercialized LDT services. Under this model, we have established a comprehensive products and services portfolio, including 21 that are already commercialized and 14 currently under development that comprehensively cover our three key business segments.

To take each of the three key business segments in turn, for prenatal testing, we have successfully commercialized multiple LDT testing services for prenatal screening, hereditary disease screening and diagnosis and pregnancy risk assessment. Among them, our self-developed upgraded Youxinan (優馨安) non-invasive prenatal testing ("NIPT Plus") service that uses maternal blood can detect 164 fetal chromosomal disorders, making Youxinan NIPT Plus service the most comprehensive NIPT screening service in China in terms of indication coverage according to Frost & Sullivan. In order to expand our offerings and enhance our competitive advantages, we are also developing IVD test kits analog to our existing LDT services. Among them, we expect to apply for the registration certificate of Class III medical device for our Youxinan NIPT Plus test kit from the National Medical Products Administration ("NMPA") in 2024 which is expected to be among the first batch of such testing kit to apply for NMPA registration approval in China.

For precision oncology, we have a diversified services and product candidates portfolio covering the entire prevention and treatment cycle of early screening, companion diagnosis and prognosis and monitoring targeting high-incidence cancer types, including lung cancer and colorectal cancer. Leveraging our expertise in gynecology, we have developed and are developing various testing services and products for major gynecological cancers, including endometrial cancer, ovarian cancer and cervical cancer. We have successfully launched a series of LDT services, including Gongmeian (宮美安) screening service for endometrial cancer, Youyi (優逸) hereditary cancer susceptibility testing service, Youxu (優旭) liquid biopsy circulating tumor DNA ("ctDNA") multi-gene mutation testing service, Youti (優替) tissue biopsy multi-gene mutation testing service and Youpuli (優普利) homologous recombination deficiency ("HRD") personalized medicine genetic testing services. Meanwhile, we are also advancing the development of our IVD products such as Youxu ctDNA multi-gene mutation test kit for non-small cell lung cancer ("NSCLC"), which obtained its CE marking in the first quarter of 2022. Our registration application for Youxu NSCLC test kit was accepted by the NMPA in March 2022 and is expected to obtain the registration certificate of Class III medical device in 2023. Youxu ctDNA test kit is expected to be the first approved NGS tumor companion diagnostic kit for lung cancer based on liquid biopsy technology in China. In addition, we have completed the development of prototype of our Gongmeian endometrial cancer screening test kit, expect to receive a product registration inspection report from the NMPA for the testing kit in 2023, conduct clinical trials thereafter and receive a Class III medical device registration certificate from the NMPA in 2024.

For pathogenic detection, we were among the first few companies in Beijing authorized to provide COVID-19 nucleic acid testing services and have successfully undertaken large-scale COVID-19 testing and prevention work at major events such as the Beijing 2022 Winter Olympics. On the product front, we are developing test kits for respiratory tract and reproductive tract diseases based on our SYBio molecular testing platform, a microfluidic multi-target biochip POCT platform. Our test kits for respiratory tract multiplex nucleic acid test is currently in late development stage and is expected to enter into registration inspection in 2023 after the completion of which we will initiate the registrational trial.

Besides products and services that are specific to each of our business segments, we also have a rich pipeline of platform equipment, including our own branded multi-purpose sequencing platform, the USCISEQ-200 DNA sequencer and the USCISEQ-2000 DNA sequencer, both of which have received the Class III medical device registration certificates from the NMPA, and our proprietary SYBio POCT platform. We are amongst a select group of companies in China amongst a select group of companies in China that have their own branded DNA sequencers that have been approved by the NMPA. Our SYBio POCT platform consists of a biochip analyzer and the companion testing kits. The SYBio biochip analyzer has passed registration inspection and is expected to obtain the registration certificate for Class III medical devices from the NMPA in 2023.

The following chart summarizes the development and commercialization status of our products and services as of the Latest Practicable Date:

Business Unit		Product*	Indication	Technology	Rights	IVD/LDT	Early Stage Development / Late Stage Development / IVD Registrational Trial/ LDT Validation Trial / IVD Approval/ LDT Launch**
Prenatal Testing	Prenatal Screening	Youxinan NIPT	Down syndrome, Edwards' syndrome, Patau syndrome	NGS, Methylation-specific QPCR	Global	LDT	Commercialized
						IVD	2025
		Youxinan NIPT PLUS	Aneuploidy syndromes, Microdeletion and micro duplication syndromes	NGS	Global	LDT	Commercialized
						IVD	2024
		Youxinan NIPT MD	Monogenic disorders	NGS	Global	LDT	2024
	Hereditary Disease Screening and Diagnosis	Youxinyi	Chromosomal abnormality, Neonatal inherited metabolic disorder, Spinal muscular atrophy, Fragile X syndrome, Hereditary hearing loss, Thalassemia	QPCR/NGS	Global	LDT	Commercialized
	Pregnancy Risk Assessment	Youxinyi	Evaluation of the state of folate metabolism	PCR	Global	LDT	Commercialized
Precision Oncology	Early Screening	Gongmeian	Endometrial cancer	Methylation-specific QPCR	Mainland China	LDT	Commercialized
						IVD	2024
			Ovarian cancer	Methylation-specific QPCR	Global	LDT	2026
						IVD	2026
			Gynecological cancer	QPCR+Methylation-specific QPCR	Global	LDT	2026
		Youyi	Hereditary cancer susceptibility genes	NGS	Global	LDT	Commercialized
	Companion Diagnostics	Youxu	Non-small cell lung cancer	NGS	Global	LDT	Commercialized
						IVD	2023
			Colorectal cancer	NGS	Global	LDT	Commercialized
						IVD	2024
			Breast cancer	NGS	Global	LDT	Commercialized
			Pan-cancer	NGS	Global	LDT	Commercialized
				NGS	Global	IVD	2026
		Youti	Lung Cancer	NGS	Global	LDT	Commercialized
			Gastrointestinal cancer	NGS	Global	LDT	Commercialized
			Breast cancer	NGS	Global	LDT	Commercialized
			Thyroid cancer	NGS	Global	LDT	Commercialized
			Pan-cancer	NGS	Global	LDT	Commercialized
	Prognosis and Monitoring	Youpuli	Pan-cancer (HRD)	NGS	Global	LDT	Commercialized
		Gonglian	Endometrial cancer molecular typing	QPCR/NGS	Global	LDT	Commercialized
		Youxu	Non-small cell lung cancer/colorectal cancer/Breast cancer/Pan-cancer***	NGS	Global	LDT	Commercialized
Pathogenic Detection		COVID-19 testing		QPCR	Global	LDT	Commercialized
		Norovirus testing		QPCR	Global	LDT	Commercialized
		Respiratory tract multiplex nucleic acid test		QPCR	Global	IVD	2024
		Reproductive tract multiplex nucleic acid test		QPCR	Global	IVD	2025
Equipment and Analysis Platform		USCISEQ-200 DNA sequencer		NGS	Mainland China	IVD	No clinical trial required / Commercialized
		USCISEQ-2000 DNA sequencer		NGS	Mainland China	IVD	No clinical trial required / Commercialized
		Fully automated bioinformatics system – main unit****		–	Global	IVD	2023
		SYBio biochip analyzer		QPCR	Global	IVD	No clinical trial required / 2023

IVD R&D process include: early stage, late stage, registrational trial, approval. Early stage development refers technology roadmap and feasibility, technology assessment and validation of proof of concept study. Late stage development refers to performance testing, product optimization and finalization of product prototype. Registrational trial stage includes the clinical trial required for IVD registration and the registration inspection required to be completed prior to the initiation of the clinical.

LDT R&D process include: early stage, late stage, validation trial, launch. Early stage development refers to technology roadmap and feasibility, technology assessment and validation of proof of concept study. Late stage development refers to performance testing and test procedure optimization and finalization.

* All of our IVD products or equipment are or expected to be registered as Class III medical devices other than our fully automated bioinformatics system which is expected to receive a Class II medical device registration.
** The year included in this column denotes the year in which the IVD testing kit or the LDT service is expected to be approved or launched.
*** The Youxu companion diagnostics products and the Youxu prognosis and monitoring products refer to the same products.
**** The progress bar only applies to application related to Youxu NSCLC ctDNA test kit.

优迅USCI®

Molecular testing is a huge and growing market in China that is estimated to reach RMB65.6 billion by 2026, growing from RMB30.2 billion in 2021 at a CAGR of 16.8%. Rapid advances in the development of molecular testing technologies have widened its application scope and lowered costs per test. Combined with strong policy support from the government and growing demand from wealthier Chinese consumers, molecular testing is estimated to be one of the high-growth markets in the healthcare industry.

Within the molecular testing market, prenatal testing is one of the fast growing segments. In particular, there has been a surge in the popularity of NIPT and NIPT Plus products and services among healthcare consumers. This was driven by the increased awareness of the availability of NIPT and NIPT Plus products and services and increasing recognition of their inherent advantages in being non-invasive, highly accurate, safe and having a short turnaround time. The NIPT market (including traditional NIPT and NIPT Plus) in China increased from RMB4.3 billion in 2017 to RMB6.5 billion in 2021 at a CAGR of 10.8%. This market is expected to increase at a CAGR of 15.7% from RMB6.5 billion in 2021 to RMB13.5 billion in 2026 and further increase at a CAGR of 5.9% to RMB17.0 billion in 2030.

Another high-growth segment within the molecular testing market is precision oncology. Due to a combination of factors such as environmental pollution, lifestyle changes and aging demographics, China's cancer incidence rate has steadily increased. In 2021, there were about 4.7 million new cancer patients in China and this number is expected to reach 5.3 million by 2026 and to further increase to 5.8 million by 2030 at a CAGR of 2.5% and 2.3%, respectively. The huge number of cancer patients has created a significant need for precision oncology-related products and services such as early cancer screening, cancer treatment companion diagnostics and cancer prognosis and monitoring.

The COVID-19 pandemic triggered explosive growth in the pathogen detection market. As COVID-19 prevention measures often required short turnaround times for test results, POCT for COVID-19 was widely used and entered the public consciousness. At the same time, the need for accessible tests has stimulated the development of POCTs that are fast, automated, and of high precision and accuracy. The market size of molecular POCT for pathogenic detection in China has increased from RMB1.2 billion in 2017 to RMB5.5 billion in 2021. It is estimated that the molecular POCT market for pathogenic detection in China will increase to RMB6.3 billion by 2026 with a CAGR of 2.6% and RMB9.2 billion by 2030 with a CAGR of 10.2%.

As a mature platform-based genetic technology company, we have established comprehensive capabilities covering all stages of R&D, manufacturing and commercialization, which enable us to fully meet the diversified testing needs of our customers and capture the significant market opportunities related to our three key business segments.

Advanced R&D Capabilities

We have established multiple R&D platforms, including our LDT and equipment R&D platform and our IVD equipment and test kit R&D platform, supported by our core technologies including liquid biopsy, DNA methylation testing, NGS and POCT microfluidic biochip. Our four core proprietary technologies provide a solid technical foundation for the development and upgrading of our product and service portfolio. Our versatile set of foundational technologies can be synergistically combined to form new products and services.

For example, based on our proprietary liquid biopsy technology, we are able to develop multiple prenatal testing and precision oncology services. By combining our self-developed methylation biomarker screening and QPCR technology, we are able to develop multiple methylation-based screening services. We are amongst a select group of companies in China that have their own branded sequencers that have been approved by the NMPA, and we have multiple compatible testing services with several compatible test kits under development. In addition, through the application of our core technologies and the performance of our testing services, we accumulated two databases, including the multi-cancer tumor mutation database and the Chinese population CNV profile database. By applying machine learning methods on our own databases and public databases, we have built a multi-omics data mining system with distinctive service features such as data analysis services in multi-omics data integration, correlation analysis of sequencing and clinical data and drug efficacy evaluation. Our advanced R&D capabilities have enabled us to provide scientific research services to various clients, such as medical institutions and pharmaceutical companies.

Strong Testing and Manufacturing Capabilities

We have a "one center + two bases" infrastructure layout, namely, an advanced medical testing laboratory and a temporary QPCR-focused laboratory in Beijing as well as two GMP-compliant manufacturing facilities in Beijing and Hangzhou for IVD testing kits and microfluidic biochips. For NGS, which is currently used primarily for our prenatal and precision oncology businesses, our laboratories have an annual read capacity of more than $2.2X10^{\wedge 12}$ reads as of September 30, 2022 which is equivalent to a testing capacity of more than 450,000 NIPTs or more than 220,000 Youxu NSCLC tests. Our two manufacturing facilities currently have a combined annual production capacity of 100 DNA sequencer units, 200 SYBio biochip analyzer units and 200 thousand test kits.

Comprehensive Commercialization Capabilities

We have established a nationwide sales network with a sales team of 131 professionals, covering 26 provinces and municipalities in China as of September 30, 2022. We also work closely with many leading hospitals and KOLs in academic marketing. We have a sales relationship with over 1,400 hospitals, including over 200 Class III Grade A hospitals as of September 30, 2022. Under our "LDT+IVD" dual-track business model, we are developing our comprehensive IVD product portfolio by leveraging our successful experience in commercialization of our diversified LDT services. In addition, as one of the few companies in China that have received registration approval for DNA sequencers, through the increasing sales and installation of our USCISEQ-200 and USCISEQ-2000 DNA sequencers, we believe we will enjoy a unique cross-selling advantage in promoting the adoption of our compatible test kits and other equipment and analysis platforms. We are also collaborating with hospitals to help them with the construction of their laboratories where we assist them in lab designing, equipment installation and calibration, technology transfer, information analysis service and lab certification. We believe offering such one-stop solution will further facilitate the sale of our equipment and IVD products into hospitals. In addition, leveraging our advanced R&D capabilities as demonstrated by our core technologies and their application, together with our databases and data mining system, we also provide scientific research services to various clients, such as medical institutions and pharmaceutical companies.

OUR STRENGTHS

We believe the following strengths have contributed to our success and differentiated us from our competitors:

- Comprehensive portfolio with both commercialized LDT services across diverse fields with leading technologies and IVD candidates in advanced stage
- Technological edge based on four core technologies with unique competitive advantages
- Strong R&D capabilities driving continuous innovation
- Mature commercialization capability under dual-track LDT+IVD business model
- Experienced management team with extensive backgrounds in R&D and corporate management and backed by well-known investors

OUR STRATEGIES

We plan to execute the following strategies to achieve our future growth and capture the vast market opportunities:

- Continuously strengthen our investment in R&D, explore cutting edge technologies and improve technological advantages
- Continue increasing the market share of our commercialized products and accelerate the development of our pipeline products and services under our "LDT+IVD" dual-track strategy
- Actively expanding our pathogen testing business into POCT and continue the expansion of our POCT technology into prenatal testing and precision oncology
- Enhance our commercialization capabilities by increasing penetration among hospitals and further developing customer base and sales channels
- Enhance our pursuit of market opportunities in scientific research services
- Selectively pursue strategic cooperation, license-in and acquisition opportunities

RESEARCH AND DEVELOPMENT

Strong research and development capabilities is vital to our business. Since our inception in 2015, our research and development has been a major force in the expansion of our testing technologies and services and product offerings. Through our research and development efforts, we have developed and launched 19 commercialized LDT services and two commercialized platform DNA sequencing equipment with a dozen of services and products in our pipeline as of the Latest Practicable Date. We incurred research and development costs of RMB29.9 million, RMB51.3 million and RMB32.0 million for the years ended December 31, 2020 and 2021 and the nine months ended September 30, 2022, respectively.

We have a strong in-house research and development team. As of the Latest Practicable Date, we have an R&D team of over 70 professionals with extensive R&D experience in the field of genetic testing, including 8 with Ph.D degrees and 34 with master's degrees. This team is led by our CEO and CTOs. Our CEO, Ms. Qixi Wu, holds a PhD in cell biology from Peking University and has more than 10 years of research background in genomics, cell biology and bioinformatics, with extensive experience in R&D of genetic testing technologies. Her main research interests included genetic disorders, genomics and genetic analysis, NGS sequencing. She has presided over or participated in many national-level major research projects such as the National 973 Program and the National Natural Science Foundation of China's Priority Project and has published over 10 SCI papers. Our CTO, Ms. Hanqing Zhao, holds a Ph.D. in bioinformatics from Peking University and has more than 10 years of experience in genomics, molecular biology and bioinformatics research. She worked at Beijing Institute of Life Sciences Research Institute and Huahui Anjian (Beijing) Biotechnology Co., Ltd., with rich genomics and biological informatics research and development experience. The CTO of our U.S. subsidiary, James Wang, was previously a postdoctoral researcher at Jonsson Cancer Center, University of California, Los Angeles and a senior scientist at Cepheid. He has more than 20 years of experience in molecular diagnostic research and development and deep knowledge in product development in QPCR and POCT products related to pathogens and tumor precision medicine.

In addition to our in-house R&D activities, we also conduct our research and development efforts through collaboration with top hospitals and KOLs in China. Under our collaboration agreements, we typically provide the funding for academic research and are deeply involved in the major research and development activities. We generally own the intellectual property rights arising from such research.

Our R&D efforts currently focus on the R&D and registration of IVD test kits while continuously exploring new molecular testing services and technology upgrades. The key steps for the R&D of an IVD product include preclinical research, clinical trial, registration application, application review, supplemental submission if required and approval. Preclinical research mostly relies on a company's internal activities, and we generally conduct comprehensive feasibility assessment and allocate sufficient resources before initiating a preclinical research project. Prior to each of our clinical trials, we will also conduct a proof-of-concept study to validate the performance of our test kits before, which significantly increases the possibility that our clinical trials will yield positive results. In clinical trials, we

select reputable third-parties, including CROs, clinical trial centers and hospitals, especially those that we have already established a cooperative working relationship with, to ensure the smooth trial progress. We strictly follow and require other participating organizations to strictly follow the requirements of the clinical trial protocols during the process. With respect to registration application approval, the complexity of the supplemental requests from the NMPA may delay the approval process. However, there exists an open and well-established communication channel between the applicant and the NMPA, which we believe will significantly help applicants, including us, to meet any supplemental requests that the NMPA may have during the registration process for our product candidates.

For more details, please see "Business – Research and Development."

SALES AND MARKETING

Sales and Marketing Team

We have a sales and marketing team of more than 130 professionals as of the Latest Practicable Date. This includes 76 professionals for our prenatal business, 51 professionals for our precision oncology business and 4 professionals for our pathogenic detection businesses. Our sales team has deep industry experience. Our vice president and general manager for our prenatal testing business, Mr. HAN Yinfeng, has more than ten years of experience in market development and sales management and previously worked for BGI Group as its director of sales and for Roche and GSK as a sales manager. Our precision oncology sales team is led by our general manager of the precision oncology business, Mr. SONG Shijie, has more than thirteen years of industry experience and previously served in managerial roles in AstraZeneca, Roche and other leading pharmaceutical companies.

Our Marketing Model

To increase recognition and awareness of our products, services and technologies, we have established our brand and strong relationships with KOLs, leading physicians and hospitals in China through clinical trials, academic conferences and research and development collaborations. We work with national and regional KOLs to promote and raise awareness of our products and services among physicians through sponsoring medical summits, conferences and seminars. Through our close relationships with hospitals, doctors and KOLs, we continue to improve our marketing efforts to enhance the recognition of our products and services by hospitals, doctors, patients and academia. Although patients are the end users of our products and services, physicians and procurement departments of hospitals decide what products to stock and physicians typically recommend to patients what products and services to use. As physicians become more knowledgeable and experienced with our products and services, they will be more likely to recommend our products and services. In addition to accelerating market awareness and adoption of our products and services, our communications with physicians provide us with continual feedbacks on our products and trends in the market which helps guide our research and development projects and continuously refine our products and services.

In addition to our in-house sales and marketing team, we also collaborate with contract sales agents who provide us with sales and marketing services to promote our products and services. Pursuant to our agreements with the contract sales agents, they generally have the exclusive right to promote our products and services to a designated list of medical institutions. Typically, our contract sales agents are prohibited from promoting competing products and services to the designated medical institutions under the relevant agreements. Depending on the relevant agreements, we are charged according to the marketing and sales effort completed by the sales personnel promoting our products and services as prescribed in such agreements. We generally set annual sales targets in the agreements. The term of such agreements can typically be renewed on the condition that the contract sales agents achieve certain sales targets.

Our One-Stop Solution

We are amongst a select group of molecular testing companies in China that provide an integrated one-stop solution to solve the pain points of NGS equipment market entry into hospitals. The implementation of in-house NGS laboratory test in hospitals is highly limited due to the challenges of laboratory construction, staffing, sample quality control, biological information analysis, report interpretation and the limited test kits approved by the NMPA. We assist in the laboratory design, testing equipment installation, technology transfer, training, data interpretation and certifications for hospitals in China to set up their own in-house laboratories. Once installed, these hospitals only need to purchase test kits from us and conduct the tests on their own in their own labs in a standardized manner. We currently source such test kits that are approved by the NMPA from reputable suppliers and we expect to supply our own test kits once they are approved as part of our one-stop solution to hospitals. Our one-stop solution is efficient and cost-effective that fully assist the implementation of NGS technology in hospitals in China. We have further enhanced our one-stop solution and developed a fully automated bioinformatics system unit to optimize NGS laboratory processes in hospitals. Our fully automated bioinformatics system unit can directly analyze sequencing data, accurately interpret the clinical significance of the detected mutations and rapidly generate in-hospital reports.

Our Sales Operations

We primarily rely on our in-house sales and marketing team as well as contract sales agents and distributors to market and sell our services and products. We have established a fully equipped in-house sales and marketing team to provide to market and sell to and support our customers. In addition to our in-house sales and marketing team, we also collaborate with contract sales agents and distributors to promote and sell our services and products. Contract sales agents are individuals or organizations that assist us in establishing and maintaining the business relationship with our medical institution customers. Distributors sell our services and products to a designated list of downstream customers. It is the norm within the molecular testing industry to engage distributors to promote the downstream sales of services and testing products. The vast majority of our revenue during the Track Record Period was generated from our direct sales activities. As of September 30, 2022, our sales and marketing network covered over 1,000 healthcare institutions, most of which are hospitals, across 26 provinces and municipalities.

Sales and Marketing for IVD Products upon Approval

To successfully commercialize our IVD products upon their approval in prenatal testing, including for our Youxinan NIPT Plus test kit in 2024, we plan to leverage our unique three-tier collaboration model in prenatal testing that focuses on prenatal diagnosis centers to cover downstream hospitals to expand our growing sales network. We work with prenatal diagnosis centers by providing not only prenatal screening services but also assistance on improving their management and operations so that prenatal diagnosis centers can integrate more downstream hospitals into their prenatal screening service network. As the customer base of the collaborating prenatal screening centers grows, so does the volume of demand for our products and services and our reputation with downstream hospitals. Under this collaboration model, we would generally sign an agreement with the hospitals directly with a term ranging from one to three years providing selected prenatal testing services exclusively. Under the terms of a typical contract, we will work with the collaborating hospitals to integrate our testing services into the hospital workflow, provide technical assistance, engage in personnel training and oversee quality control. Furthermore, we work with hospitals to issue patient reports and help patients interpret the reports. For the hospitals that would require a prolonged and complex process to sign an official agreement, we would begin the collaboration with specific clinics inside such hospitals first. We established this model first in Sichuan Province. As of the Latest Practicable Date, we successfully collaborated with five prenatal diagnosis centers and established an extensive prenatal screening service network in Sichuan Province covering hundreds of hospitals, among which around 130 have signed long-term collaboration agreements with the Company. We later expanded this unique model to other provinces. As of the end of 2022, we had established collaborations with more than 10 prenatal diagnosis centers in China, including 8 that we had been selling approved test kits we sourced from reputable suppliers. We are amongst a select group of companies in China that have their own branded DNA sequencers that have been approved by the NMPA. As our NIPT Plus test kits are compatible with our USCISEQ-2000 DNA sequencer, we have cross-selling opportunities between our test kits and our kit-compatible sequencer. With the expected registration approval of our NIPT Plus test kit in 2024, we expect to be able to establish collaboration with more hospitals thereafter.

For precision oncology, we already have a strong lineup of potential customers for IVD products, including approximately 70 hospitals that are currently using our precision oncology LDT service. We plan to expand our sales and marketing team to around 150 professionals in 2023. Notably, we plan to expand our key account sales team to 10 to 15 professionals to cover more than 150 key hospitals to work with our current sales and marketing team and distributors to establish access to key hospitals. The rest of our precision oncology sales and marketing team will be responsible for the product and service education, follow-up, daily communications for existing and future customers that we expect to be brought in by our key account team. Leveraging on our own DNA sequencer network, we also expect to quickly push out the adoption and use of our precision oncology test kits after their approval to the market.

CUSTOMERS

During the Track Record Period, we derived a vast majority of our revenues from direct sales to hospital customers. For the years ended December 31, 2020 and 2021 and the nine months ended September 30, 2022, the aggregate revenue generated from our five largest customers were RMB62.8 million, RMB52.3 million and RMB251.5 million, representing 25.5%, 19.7% and 62.9% of our revenue, respectively. Revenues generated from our largest customer for the same periods were RMB22.2 million, RMB15.3 million and RMB191.0 million, representing 9.0%, 5.7% and 47.8% of our revenue, respectively. As we commercialize our IVD products once they are approved and increase market penetration of our offerings in China and expand our commercialization channels, we expect revenue contribution from our five largest customers to our total consolidated revenue will decrease. For more details, please see "Business – Our Customers."

SUPPLIERS

During the Track Record Period, our suppliers primarily consisted of suppliers of our raw materials and equipment for testing services and the productions of our test kit candidates, as well as those of outsourced services. For the years ended December 31, 2020 and 2021, and the nine months ended September 30, 2022, purchases from our five largest suppliers in aggregate accounted for 29.3%, 31.6% and 25.8% of our total purchases, respectively, and purchases from our largest supplier accounted for 9.0%, 9.1% and 8.1% of our total purchases for the same periods, respectively. For more details, please see "Business – Our Suppliers and Raw Materials – Suppliers."

INTELLECTUAL PROPERTY RIGHTS

Intellectual property rights are important to our business. Our future commercial success depends, in part, on our ability to obtain and maintain patents and other intellectual property and proprietary protections for commercially important technologies, inventions and knowhow related to our business, defend and enforce our patents, preserve the confidentiality of our trade secrets, and operate without infringing, misappropriating or otherwise violating the valid, enforceable intellectual property rights of third parties. As of the Latest Practicable Date, we had a total of 54 patents and 69 patent applications. For more details, please see "Business – Intellectual Property."

OUR CONTROLLING SHAREHOLDERS

Ms. Wang, as our chairperson of the Board, President and an executive Director, is primarily responsible for key decision making in relation to the operation of the Group, devising the operation and development strategy and overseeing the management of daily operation of the Group. During the Track Record Period, a group of Shareholders, namely Giant Root, NeoSwift, Ad Astra Evergreen and United Neolix, led by Ms. Wang (together, the "**Acting-in-Concert Shareholders**") as the leader of the management team of the Company have primarily managed and operated the business of our Group. Giant Root, a company incorporated in the BVI with limited liability, is wholly owned by Ms. Wang. Each of the NeoSwift, Ad Astra Evergreen and United Neolix, with Ms. Wang as its sole director since its incorporation, is a company incorporated in the BVI with limited liability. For the shareholding details of each of the Giant Root, NeoSwift, Ad Astra Evergreen and United Neolix, please see the section headed "History, Reorganization and Corporate Structure – Reorganization – I. Incorporation of the Company" in this Document.

Since the incorporation of Giant Root, NeoSwift, Ad Astra Evergreen and United Neolix, Ms. Wang, (i) voted the shares of the Company held by Giant Root, her wholly-owned subsidiary; and (ii) acted as the sole director and was authorized to represent and vote all of the shares of the Company held by each of NeoSwift, Ad Astra Evergreen and United Neolix. Pursuant to an acting-in-concert agreement dated March 8, 2022 (the "**AIC Agreement**"), Giant Root, NeoSwift, Ad Astra Evergreen and United Neolix further confirmed to act in concert with Ms. Wang by agreeing to reach a consensus beforehand and vote at the shareholders' meetings of the members of the Company pursuant to the opinion of Ms. Wang in relation to all matters put before the shareholders of the Company.

Ms. Wang, Giant Root, NeoSwift, Ad Astra Evergreen and United Neolix are therefore regarded as a group of Controlling Shareholders of our Group. Immediately upon completion of the [**REDACTED**] (without taking into account any Shares to be allotted and issued upon the exercise of the [**REDACTED**]), our Controlling Shareholders will be able to control in aggregate approximately [**REDACTED**] of the issued share capital of our Company. For further details, please see the section headed "Relationship with the Controlling Shareholders" in this Document.

OUR [REDACTED]

We have entered into several rounds of financing agreements with our [**REDACTED**], including Hangzhou Changkang Investment Management Partnership (Limited Partnership) (杭州常康投資管理合夥企業(有限合夥)), Shenzhen Qianhai Yuhou Investment Partnership (Limited Partnership) (深圳前海雨後投資合夥企業(有限合夥)), Graceway Star Limited, YUX Holdings Limited, Qingdao Guoan Yongwan Information Technology Equity Investment Enterprise (Limited Partnership) (青島國安擁灣信息技術股權投資企業(有限合夥)), BGI Genomics Co., Ltd. (深圳華大基因股份有限公司), Chengdu Infinity Kechuang Jingrong Venture Capital Partnership (Limited Partnership) (成都英飛科創菁蓉創業投資合夥企業(有限合夥)), Zhuhai Sino-Israel Infinity New Industry Investment Fund (Limited Partnership) (珠海中以英飛新興產業投資基金(有限合夥)), Shandong Kerong Angel Venture Capital Partnership (Limited Partnership) (山東科融天使創業投資合夥企業(有限合夥)), Beijing Zhongguancun

Science City New Kinetic Investment Partnership (Limited Partnership) (北京中關村科學城新動能投資合夥企業(有限合夥)), Goldwon First International Capital Investment Co., Ltd., Qingdao Hetu No. 2 Investment Partnership (Limited Partnership) (青島和途二號投資合夥企業(有限合夥)), SHEEN NATION HOLDINGS LIMITED, Hangzhou Dejia Chengyu Investment Partnership (Limited Partnership) (杭州德佳誠譽投資合夥企業(有限合夥)), Decheng GMDX Limited, DCH Molecular Diagnostics Limited, Denlux Technology Invest Inc. and Fortune Field Ventures Limited. For details of background of the Pre-[**REDACTED**] Investors and the principal terms of the Pre-[**REDACTED**] Investments, please see the section headed "History, Development and Corporate Structure – [**REDACTED**]" in this Document.

BUSINESS SUSTAINABILITY AND PATH TO PROFITABILITY

We incurred net losses of RMB27.2 million for 2021 and RMB179.1 million for the nine months ended September 30, 2022. The net losses incurred during the Track Record Period were primarily due to the fair value changes of convertible redeemable preferred shares, which were one-off in nature since the preferred shares shall be converted immediately before the completion of the [**REDACTED**]. We had adjusted net loss of RMB8.2 million for 2021 and adjusted net profit of RMB15.9 million for nine months ended September 30, 2022 which eliminated, among other items, the impact from fair value changes of convertible redeemable preferred shares. We achieved positive net operating cash flow of RMB44.4 million, RMB23.5 million and RMB40.9 million, for 2020, 2021 and the nine months ended September 30, 2022, respectively.

We believe our overall business is sustainable mainly due to (i) the expected improvement in our three business segments in 2023 and beyond, (ii) increasing sales of DNA sequencers and scientific research service expansion, and (iii) our comprehensive commercialization capabilities as a mature platform-based genetic technology company. We believe such factors will have positive impact on our profitability.

- **Fast growth in prenatal testing**

We expect our prenatal testing business will experience fast growth since 2023 as supported by the comprehensive services and pipeline products in prenatal testing and leveraging the great market opportunities in the fast growing prenatal testing market. Our prenatal testing services focus on providing a full spectrum of genetic testing services for prenatal health issues covering prenatal screening, hereditary disease screening and diagnosis and pregnancy risk assessment. Our commercialized prenatal testing services will continue to provide stable cash flow for us and support the development of our future IVD products. In particular, our Youxinan NIPT Plus currently has the most comprehensive indication coverage among all the NIPT services in China according to Frost & Sullivan. Such advanced feature has resulted in competitive advantage of Youxinan NIPT Plus for us to increase market penetration of NIPT Plus and increased our brand awareness and reputation in the prenatal testing field. Our Youxinan NIPT Plus test kit has the potential to be among the first batch of NIPT Plus test kits that will apply for NMPA registration approval in China in 2024. The future approval and commercialization of Youxinan NIPT Plus test kit and other test kits currently under development are expected to improve our profitability.

- **Significant improvement in precision oncology**

We expect our precision oncology business will experience high growth since 2023 as supported by our comprehensive services and pipeline products in precision oncology, in particular the near-term commercialization prospects of our various IVD product candidates, including our Youxu ctDNA test kit, leveraging the great market opportunities in the fast growing precision oncology market. We have established a multi-dimensional, one-stop precision oncology screening, diagnosis and monitoring platform with liquid biopsy technology at the center. Amongst others, the Company has successfully launched genetic testing services utilizing blood (Youxu) and tissue (Youti) samples for individualized tumor treatment, covering high incidence cancers such as lung cancer, gastrointestinal tract cancer, thyroid cancer and breast cancer. In particular, our Youxu ctDNA test kit obtained CE marking in the first quarter of 2022 and we expect to receive Class III medical registration certificate from the NMPA in 2023 for Youxu ctDNA test kit, which is expected to be the first approved NGS tumor companion diagnostic kit for lung cancer based on liquid biopsy technology in China. The Company has also built out genetic testing solutions in the field of gynecological oncology covering entire prevention and treatment cycle, including Gongmeian's endometrial cancer screening service. Gongmeian effectively fills the unmet need for molecular early detection of endometrial cancer in China and achieve effective early detection for high-risk population of endometrial cancer. Currently, there is no effective molecular testing product available for the early screening of endometrial cancer in mainland China. The Company expects to receive a Class III medical device registration certificate from the NMPA for Gongmeian test kit in 2024. Gongmeian test kit has the potential to be the first approved endometrial cancer screening IVD product based on DNA methylation in China. The near-term commercialization prospect of our Youxu ctDNA test kit and future approval and commercialization of other precision oncology IVD product candidates are expected to improve our profitability.

- **Future growth in pathogenic detection**

Leveraging rich experience in nucleic testing and the application of QPCR technology and based on our POCT biochip platform currently under development, we are developing multiplex respiratory tract and reproductive tract nucleic acid test kits. Unlike the traditional respiratory tract nucleic acid test kits which usually only target specific viruses, our multiplex respiratory tract nucleic acid test kit is designed to detect multiple common respiratory viruses that may cause similar symptoms, which will significantly improve diagnostic efficiencies. Our multiplex respiratory tract nucleic acid test kit is in late development stage and is expected obtain NMPA approval in 2024. Similarly, our reproductive tract nucleic acid test kit is also designed to detect multiple viruses at the same time, which can more efficiently detect the root cause of a patient's symptoms. The future approval and commercialization of pathogenic detection test kit under development are expected to also help to improve our profitability.

- **Increasing sales of DNA sequencers and scientific research service expansion**

The expected increase in sales of the NGS DNA sequencers and the expansion of scientific research services will also contribute to the significant improvement in our three business segments and support our business sustainability. Leveraging the outstanding features of our DNA sequencers and our first-mover advantages as a one-stop solutions provider among a select group of molecular testing companies in China that have their self-branded DNA sequencers approved by the NMPA and provide an integrated one-stop solution to solve the pain points of NGS equipment market entry into hospitals, we plan to significantly increase DNA sequencers' penetration among hospitals in China which creates cross-selling opportunities in promoting our compatible test kits and other equipment and analysis platforms. In addition, we also plan to expand our scientific research services across three business segments supported by our established advanced R&D capabilities.

- **Comprehensive commercialization capabilities**

As a mature platform-based genetic technology company, our business sustainability is also supported by our strong commercialization capabilities, demonstrated by our extensive sales network, close relationship with top hospitals and KOLs, successful implementation of LDT+IVD dual-track business model, and experienced sales and marketing team. For more details, please see "Business – Our Strengths – Mature commercialization capability under dual-track LDT+IVD business model". We believe our comprehensive commercialization capabilities enable us to continue increasing the market share of our commercialized LDT services while accelerating the development and commercialization of our IVD product candidates to sustain our future growth.

SUMMARY OF KEY FINANCIAL INFORMATION

This summary historical data of financial information set forth below has been derived from, and should be read in conjunction with, our consolidated financial statements, including the accompanying notes, set forth in the Accountant's Report set out in Appendix I to this Document, as well as the information set forth in "Financial Information" of this Document. Our financial information was prepared in accordance with IFRS.

Summary Data from Combined Statements of Profit or Loss

The following table sets forth our combined statements of profit or loss for the years/periods indicated:

	Year ended December 31,		Nine months ended September 30,	
	2020	**2021**	**2021**	**2022**
	RMB'000			
			(Unaudited)	
Revenue	246,753	265,708	200,873	399,544
Cost of sales	(63,515)	(66,147)	(47,350)	(211,708)
Gross profit	183,238	199,561	153,523	187,836
Other income and gains	3,578	5,482	3,203	10,998
Selling and distribution costs	(107,754)	(127,013)	(96,617)	(102,647)
Administrative expenses	(23,683)	(35,477)	(24,266)	(48,438)
Research and development costs	(29,868)	(51,329)	(37,246)	(31,973)
Other expenses	–	(18)	(6)	(2,772)
Impairment losses on financial assets, net	(1,116)	(1,624)	(4,671)	(1,159)
Profit/(Loss) from Operation	24,395	(10,418)	(6,080)	11,845
Finance costs	(1,971)	(2,014)	(1,441)	(1,303)
Fair value changes of convertible redeemable preferred shares	(1,526)	(12,194)	(12,127)	(183,021)
Profit/(Loss) before Tax	20,898	(24,626)	(19,648)	(172,479)
Income tax expense	(2,797)	(2,555)	(3,587)	(6,580)
Profit/(Loss) for the Year/Period	18,101	(27,181)	(23,235)	(179,059)

	Year ended December 31,		Nine months ended September 30,	
	2020	2021	2021	2022
	RMB'000			
			(Unaudited)	
Other Comprehensive Income/(Loss)				
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:				
Changes in fair value of equity investments designated at fair value through other comprehensive income	(100)	(159)	(88)	(24)
Exchange differences on translation of foreign operations	–	–	–	368
Other Comprehensive Income/(Loss) for the Year/Period, Net of Tax	(100)	(159)	(88)	344
Total Comprehensive Income/(Loss) for the Year/Period	18,001	(27,340)	(23,323)	(178,715)
Attributable to:				
Owners of the parent	18,345	(25,777)	(22,218)	(178,566)
Non-controlling interests	(344)	(1,563)	(1,105)	(149)
Total	18,001	(27,340)	(23,323)	(178,715)

Non-IFRS Financial Measure

In addition to the IFRS measures in our combined financial statements, we also use the non-IFRS financial measures of adjusted net loss to evaluate our operating performance. We believe that these non-IFRS measures provide useful information to [**REDACTED**] in understanding and evaluating our combined results of operations in the same manner as our management and in comparing financial results across accounting periods on a like-for-like basis.

From time to time in the future, there may be other items that we may exclude in reviewing our financial results. The use of adjusted net loss has material limitations as an analytical tool, and should not be considered in isolation from, or as a substitute for or superior to analysis of, the results of operations or financial condition as reported under IFRS. In addition, the non-IFRS financial measures may be defined differently from similar terms used by other companies and therefore may not be comparable to similar measures presented by other companies.

Adjusted Net Profit

We derive adjusted net profit from loss for the year/period by eliminating fair value changes of convertible redeemable preferred shares, share based payments and [**REDACTED**], which were non-operational in nature during the Track Record Period.

Fair value changes of convertible redeemable preferred shares were recorded to reflect the fair value change in our issued preferred shares, which were one-off and non-operational in nature. The preferred shares shall be converted into the same number of ordinary shares of our Company immediately before the completion of the [**REDACTED**]. For details, see Note 28 to the Accountant's Report in Appendix I to this Document. Share-based payments expenses were related to our employee share awards for the purpose of providing incentives and reward to eligible participants who contribute to the success of our operations, which were non-cash and non-operational in nature. For details, see Note 30 to the Accountant's Report in Appendix I to this Document. [**REDACTED**] were mainly in relation to our proposed [**REDACTED**], which were non-recurring in nature. As a result, we do not consider these items to be related to our ordinary course of business or indicative of our ongoing core operating performance and exclude these items in reviewing our financial results.

The following table reconciles our adjusted net profit to our loss for the years/periods indicated:

	Year ended December 31,		Nine months ended September 30,	
	2020	**2021**	**2021**	**2022**
	RMB'000			
			(Unaudited)	
Profit/(Loss) for the period	18,101	(27,181)	(23,235)	(179,059)
Adjustment for				
Fair value changes in convertible redeemable preferred shares	1,526	12,194	12,127	183,021
Share based payments	1,771	5,989	2,695	10,771
[**REDACTED**]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Adjusted Net Profit	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Summary Data from Combined Statements of Financial Position

The table below sets forth selected information from our consolidated statements of financial position as of the dates indicated:

	As of December 31,		As of September 30,
	2020	**2021**	**2022**
		RMB'000	
			(Unaudited)
Total non-current assets	63,391	67,337	354,066
Total current assets	250,721	272,587	467,745
Total assets	314,112	339,924	821,811
Total non-current liabilities	64,894	72,693	629,589
Total current liabilities	99,274	83,638	454,683
Total liabilities	164,168	156,331	1,084,272
Net assets/(liabilities)	149,944	183,593	(262,461)
Equity attributable to owners of the parent			
Share capital	–	–	14
Reserves	148,410	183,622	(262,475)
Non-controlling interests	1,534	(29)	–
Total equity/deficit)	149,944	183,593	(262,461)

We recorded net liabilities of RMB262.5 million as of September 30, 2022, as compared to net assets of RMB183.6 million as of December 31, 2021. The change in our financial position was primarily due to an increase in the valuation of our Company and the conversion of Series A, Series A+ and Series B ordinary shares into redeemable and convertible preferred shares, which were as whole designated as financial liabilities carried at FVTPL. As a non-cash and non-operating item, we believe the adverse impact on our operating cash flow and liquidity caused by such change is remote. The convertible redeemable preferred shares will automatically convert into shares upon the [**REDACTED**] and thereby we will have a net asset position rather than a net liability position.

The table below sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31,		As of September 30,	As of January 31,
	2020	2021	2022	2023
	RMB'000			
			(Unaudited)	
Current Assets				
Inventories	21,687	17,030	16,869	21,598
Trade receivables	56,774	83,600	208,526	181,299
Prepayments, other receivables and other assets	24,232	24,213	21,011	32,296
Due from related parties	100	89,813	43,347	43,572
Financial assets at fair value through profit or loss ("FVTPL")	20	–	–	–
Cash and cash equivalents	147,908	57,931	177,992	121,002
Total current assets	250,721	272,587	467,745	399,767
Current Liabilities				
Trade payables	15,413	23,699	143,614	88,231
Other payables and accruals	48,495	37,782	264,274	265,633
Interest-bearing bank and other borrowings	22,102	14,421	30,909	45,395
Lease liabilities	12,677	6,335	10,977	12,019
Tax payable	587	1,401	4,909	2,594
Convertible redeemable preferred shares	–	–	–	590,199
Total current liabilities	99,274	83,638	454,683	1,004,071
Net Current Assets	151,447	188,949	13,062	(604,304)

We recorded net current liabilities of RMB604.3 million as of January 31, 2023, being the latest practicable date for the purpose of liquidity disclosure in this Document, as compared to net current assets of RMB13.1 million as of September 30, 2022. This decrease was mainly due to (i) a decrease in trade receivables from RMB208.5 million to RMB181.3 million primarily because of the settlement of our trade receivables related to COVID-19 testing from the government and the fact that our COVID-19 revenue started to decrease starting from December 2022 due to the COVID-19 policy relaxation by the Chinese government, (ii) a decrease in cash and cash equivalents from RMB178.0 million to RMB121.0 million mainly because of the expenses we incurred in the construction of the temporary QPCR-focused laboratory in Beijing and (iii) a reclassification of our convertible redeemable preferred shares from non-current liability to current liability as the redemption rights of our preferred shareholders shall resume to be exercisable on December 31, 2023 if we fail to complete the [**REDACTED**] in time. For more details, see "History, Reorganization and Corporate Structure – [**REDACTED**] Investments – II. Special Rights."

We recorded net current assets of RMB27.4 million as of September 30, 2022, as compared to RMB197.9 million as of December 31, 2021. The decrease in net current assets was primarily due to a significant increase of our current liabilities from RMB74.7 million as of December 31, 2021 to RMB448.3 million as of September 30, 2022 mainly as a result of our increased trade payables and other payables and accruals. For more details, see "Financial Information – Discussion of Certain Selected Items from the Combined Statements of Financial Position – Trade Payables" and "Financial Information – Discussion of Certain Selected Items from the Combined Statements of Financial Position – Other Payables and Accruals."

We recorded net current assets of RMB197.9 million as of December 31, 2021, as compared to RMB157.5 million as of December 31, 2020. The increase in net current assets was primarily due to an increase of our current assets from RMB250.7 million as of December 31, 2020 to RMB272.6 million as of December 31, 2021 mainly as a result of our increased trade receivables. For more details, see "Financial Information – Discussion of Certain Selected Items from the Combined Statements of Financial Position – Trade Receivables."

Summary Data from Combined Cash Flow Statements

The following table sets forth our cash flows for the years/periods indicated:

	Year ended December 31,		Nine months ended September 30,	
	2020	**2021**	**2021**	**2022**
	RMB'000			
			(Unaudited)	
Cash generated from operations	47,205	24,193	7,887	44,550
Interest received	382	1,399	906	1,162
Income taxes paid	(3,228)	(2,101)	(2,101)	(4,809)
Net cash flows from operating activities	44,359	23,491	6,692	40,903
Net cash flows (used in)/from investing activities	(16,873)	(119,842)	(104,580)	27,781
Net cash flows from financing activities	99,449	6,374	13,358	51,330

	Year ended December 31,		Nine months ended September 30,	
	2020	2021	2021	2022
	RMB'000			
			(Unaudited)	
Net increase/(decrease) in cash and cash equivalents	126,935	(89,977)	(84,530)	120,014
Cash and cash equivalents at beginning of the year/period	20,973	147,908	147,908	57,931
Effect of foreign exchange rate changes, net	–	–	–	47
Cash and cash equivalents at end of the year/period	147,908	57,931	63,378	177,992

Key Financial Ratios

The table below sets forth our key financial ratio as of the dates or for the periods indicated:

	Year ended/ As of December 31,		Nine months ended/As of September 30,
	2020	2021	2022
			(Unaudited)
Current ratio[(1)]	2.5	3.3	1.0
Quick ratio[(2)]	2.3	3.1	1.0
Gross profit margin[(3)]	74.3%	75.1%	47.0%

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

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

(3) Gross profit margin represents gross profit divided by total revenue for the same year/period.

[**REDACTED**]

DIVIDEND

No dividend has been proposed, paid or declared by our Group since our incorporation till the Latest Practicable Date.

We are a holding company incorporated in the Cayman Islands. We may need dividends and other distributions on equity from our PRC subsidiary to satisfy our liquidity requirements. Current PRC regulations permit our PRC subsidiary to pay dividends to us only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, our PRC subsidiary is required to set aside at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds until the total amount set aside reaches 50% of their respective registered capital. Our PRC subsidiary may also allocate a portion of its after-tax profits based on PRC accounting standards to employee welfare and bonus funds at their discretion. These reserves are not distributable as cash dividends. Furthermore, if our PRC subsidiary incurs debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other payments to us. In addition, the PRC tax authorities may require us to adjust our taxable income under the contractual arrangements we currently have in place in a manner that would materially and adversely affect our PRC subsidiary's ability to pay dividends and other distributions to us.

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. Any declaration and payment as well as the amount 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, in its discretion, and will depend on a number of factors, including our earnings, capital requirements, overall financial condition and contractual restrictions. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. As advised by our legal adviser as to the Cayman Islands law, under the Cayman Companies Act, a Cayman Islands company may pay a dividend out of either profits or share premium account, provided that in no circumstances may a dividend be paid to members if this would result in, immediately following the date on which the distribution or dividend is proposed to be paid, the company being unable to pay its debts as they fall due in the ordinary course of business. In light of our accumulated losses as disclosed in this Document, it is unlikely that we will be eligible to pay a dividend out of our profits in the foreseeable future. We may, however, pay a dividend out of our share premium account unless the payment of such a dividend would result in our Group being unable to pay our debts as they fall due in the ordinary course of business. There is no assurance that dividends of any amount will be declared to be distributed in any year.

FUTURE PLANS AND USE OF [REDACTED]

We estimate that we will receive aggregate net [**REDACTED**] of approximately HK$[**REDACTED**] million from the [**REDACTED**] after deducting the [**REDACTED**] fees and estimated [**REDACTED**] in connection with the [**REDACTED**] payable by us, assuming no [**REDACTED**] is exercised and assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of the indicative [**REDACTED**] of HK$[**REDACTED**] to HK$[**REDACTED**] per Share in this Document. We currently intend to use the net [**REDACTED**] from the [**REDACTED**] for the following purposes, subject to changes in light of our evolving business needs and changing market conditions:

(i) *Sales and Marketing.* Approximately [**REDACTED**]% of the net [**REDACTED**] from the [**REDACTED**], or HK$[**REDACTED**] million will be allocated to promote our prenatal testing, precision oncology and pathogenic detection businesses, including our commercialized LDT services and IVD equipment, our LDT service and IVD product candidates once they are developed or approved and related research services. Specifically, we plan to use this portion of our [**REDACTED**] in sales and marketing activities and the expansion of our sales and marketing team.

(ii) *Research and Development.* Approximately [**REDACTED**]% of the net [**REDACTED**] from the [**REDACTED**], or HK$[**REDACTED**] million, will be invested in the research and development of our pipeline products and services as well as technology upgrade.

(iii) *Testing and Manufacturing Capacity and Facility Expansion.* Approximately [**REDACTED**]% of the net [**REDACTED**] from the [**REDACTED**], or HK$[**REDACTED**] million, will be allocated to the expansion of our manufacturing capacity. We plan to upgrade the production facilities of our SYBio biochip analyzer and IVD test kits production, expand the number of our production and quality management staff and integrate automated production management software. We expect to reach a manufacturing capacity of 400,000 IVD test kits per year and SYbio biochip analyzer to 250 by 2024. Additionally, we plan to expand our testing facilities according to our evolving business needs, including the construction of new laboratories.

(iv) *Investment and Acquisitions.* Approximately [**REDACTED**]% of the net [**REDACTED**] from the [**REDACTED**], or HK$[**REDACTED**] million, will be allocated to potential license-in opportunities and *acquisition* of high-quality target companies to supplement our product and service pipeline and establish new foundational technologies.

(v) *Working Capital and Other Purposes.* Approximately [**REDACTED**]% of the net [**REDACTED**] from the [**REDACTED**], or HK$[**REDACTED**] million, is expected to be used for working capital and other general corporate purposes.

RISK FACTORS

We believe that there are certain risks involved in our operations, many of which are beyond our control. These risks are set out in the section headed "Risk Factors" in this Document. Some of the major risks we face include:

- We may not be able to continue the expansion of our business lines to successfully launch innovative testing service and product offerings, or effectively develop and commercialize our new molecular testing services and products, or at all, which may harm our operations, financial conditions and growth prospects.

- Our business may be adversely affected by the uncertainties and changes in the regulation of LDTs in the PRC, 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.

- We have a relatively limited experience in marketing and sales of our products and services, particularly our IVD products.

- We have incurred net losses during the Track Record Period and may incur net losses for the foreseeable future, and you may lose substantially all your [**REDACTED**] in us given the high risks involved in the medical testing and device business.

- A limited number of customers accounted for a substantial portion of our revenue during the Track Record Period, and any decreases in our future sales to them could adversely affect our financial condition and results of operations.

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

APPLICATION FOR [REDACTED] ON THE STOCK EXCHANGE

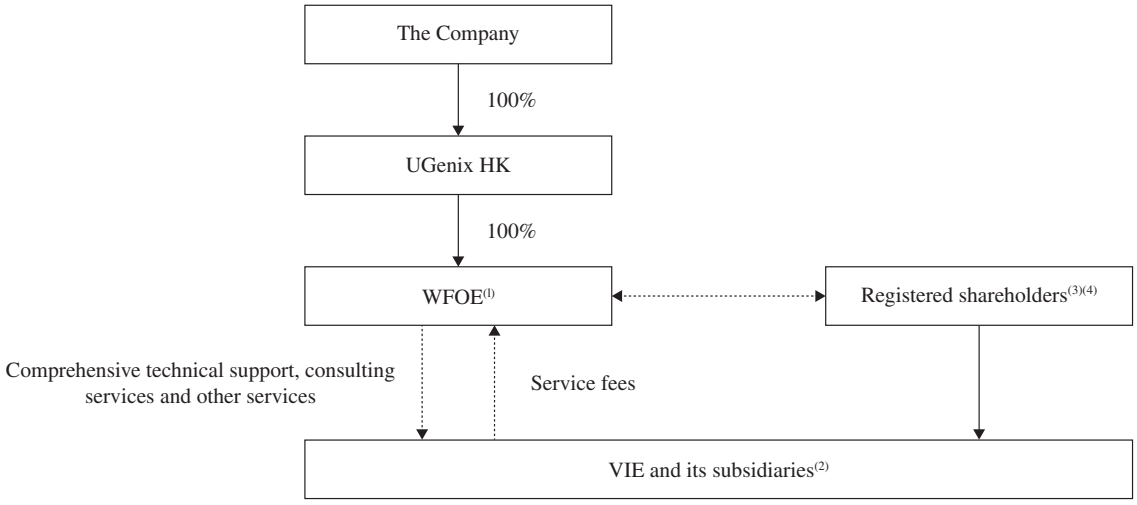
We are applying for the [**REDACTED**] under Rule 8.05(3) of the Listing Rules and satisfy the market capitalization/revenue test, with reference to (i) our expected revenue for the year ended December 31, 2022, which is over HK$500 million as required by Rule 8.05(3) of the Listing Rules; and (ii) our expected market capitalization at the time of the [**REDACTED**], which based on the low end of the [**REDACTED**], exceeds HK$4 billion as required by Rule 8.05(3) of the Listing Rules.

CONTRACTUAL ARRANGEMENTS

On March 15, 2019, the National People's Congress approved the PRC Foreign Investment Law (中華人民共和國外商投資法) (the "**FIL**"), which came into effect on January 1, 2020. On December 26, 2019, the State Council of the People's Republic of China published Implementation Rules of the PRC Foreign Investment Law (中華人民共和國外商投資法實施條例). The FIL grants national treatment to foreign-invested entities, except for those foreign-invested entities that operate in industries specified as either "restricted" or "prohibited" from foreign investment in the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021) (外商投資准入特別管理措施(負面清單)(2021年版)) (the "**Negative List**") published by certain departments of the State Council on December 27, 2021. The FIL provides that foreign-invested entities shall not invest in "prohibited" industries and shall meet the investment conditions stipulated under the Negative List for any "restricted" industries.

We conduct business operations, including offering clinical molecular testing instruments, products and services across three key business segments of prenatal testing, precision oncology and pathogenic detection, (the "**Relevant Business**" through Beijing Endi and its subsidiaries, which involves the development and application of gene diagnosis and treatment technologies, and therefore falls into the scope of the "prohibited" category under the Negative List. As such, we currently do not directly or indirectly hold any equity interest in our Consolidated Affiliated Entities which are involved in the Relevant Business. Therefore, in order for our Company to effectively control and enjoy the entire economic benefit of the Consolidated Affiliated Entities, a series of Contractual Arrangements have been entered into among the WFOE, the Consolidated Affiliated Entities and the Registered Shareholders. The Contractual Arrangements enable us to (i) receive substantially all of the economic benefits derived from our Consolidated Affiliated Entities in consideration for the services provided by the WFOEs to the Consolidated Affiliated Entities; (ii) exercise effective control over the Consolidated Affiliated Entities; and (iii) hold an exclusive option to purchase the equity interests and assets in the Consolidated Affiliated Entities to the extent permitted by PRC law. For further details, please see the section headed "Contractual Arrangements" in this Document.

The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to our Group stipulated under the Contractual Arrangements after completion of the Reorganization:



Notes:

(1) The WOFE refers to Youxun Borui.

(2) The VIE refers to Beijing Endi. Each of Youxun Lab and Youxun Medical Device is a wholly-owned subsidiary of Beijing Kexun, which is wholly owned by Beijing Endi.

(3) The registered shareholders of Beijing Endi (the "**Registered Shareholders**") include, among others, Beijing Kexun Management Consulting Partnership (Limited Partnership) (北京科迅管理諮詢合夥企業(有限合夥)), holding 31.00% equity interests, Shenzhen Jianwu Life Science Co., Ltd. (深圳健吾生命科學有限公司), holding 26.42% equity interests, and Qingdao Jianyou Enterprise Management Consulting Partnership (Limited Partnership) (青島健優企業管理諮詢合夥企業(有限合夥)), holding 3.16% equity interests, all of which are associates of Ms. Wang, chairperson of the Board, President, an executive Director and one of our Controlling Shareholders. The other Registered Shareholders are independent third parties of our Company. For details, please refer to the sections headed "Contractual Arrangements" and "Connected Transactions" in this Document.

(4) "——→" denotes direct legal and beneficial ownership in the equity interest.

(5) "⋯⋯→" denotes contractual relationship.

(6) "←⋯⋯→" denotes the control by WFOE over the Registered shareholders and our Consolidated Affiliated Entities through (i) Shareholder Voting Rights Proxy Agreements to exercise all shareholders' rights in the Consolidated Affiliated Entities; (ii) exclusive options to acquire all or part of the equity interests and/or assets in the Consolidated Affiliated Entities; and (iii) equity interest pledges over the equity interests in the Consolidated Affiliated Entities.

[**REDACTED**] EXPENSES

The total [**REDACTED**] expenses payable by our Company are estimated to be approximately HK$[**REDACTED**] million (or approximately RMB[**REDACTED**] million) assuming the [**REDACTED**] is not exercised and based on an [**REDACTED**] of HK$[**REDACTED**] (being the mid-point of our [**REDACTED**] of HK$[**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**]). These [**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**].

For the full year of 2021 and nine months ended September 30, 2022, the [**REDACTED**] expenses (excluding [**REDACTED**]) incurred by our Company in relation to the [**REDACTED**] and the [**REDACTED**] were RMB[**REDACTED**] million. No such expenses were recognized or charged to our consolidated statements of profit or loss for the year ended December 31, 2020. In the year ended December 31, 2021, the [**REDACTED**] expenses charged to profit or loss were RMB[**REDACTED**] million (approximately HK$[**REDACTED**] million) and the [**REDACTED**] expenses capitalized to deferred [**REDACTED**] expenses were RMB[**REDACTED**] (approximately HK$[**REDACTED**]). In the nine months ended September 30, 2022, the [**REDACTED**] expenses charged to profit or loss were RMB[**REDACTED**] million (approximately HK$[**REDACTED**] million) and the [**REDACTED**] expenses capitalized to deferred [**REDACTED**] expenses were RMB[**REDACTED**] million (approximately HK$[**REDACTED**] million). We estimate that additional [**REDACTED**] expenses of approximately RMB[**REDACTED**] million (including [**REDACTED**] and other expenses, assuming the [**REDACTED**] is not exercised and based on the mid-point of our [**REDACTED**] of HK$[**REDACTED**] to HK$[**REDACTED**] per [**REDACTED**]) will be incurred by our Company, approximately RMB[**REDACTED**] million of which is expected to be charged to our consolidated statements of profit or loss, and approximately RMB[**REDACTED**] million of which is expected to be capitalized.

RECENT DEVELOPMENTS

Impact of COVID-19 Pandemic

Since December 2019, the outbreak of a novel strain of coronavirus causing coronavirus disease 2019 ("COVID-19") has materially and adversely affected the global economy. Since late July 2021, the COVID-19 recurred in the form of the Delta variant in China and overseas, and since November 2021, another variant designated as Omicron has also been discovered in many cases over the globe. All of business segments are impacted by COVID-19 since its outbreak, negatively or positively.

As the COVID-19 related restrictive measures in China have been gradually lifted in various regions in China since December 2022 pursuant to new measures announced by the Chinese government, we expect revenues from our prenatal testing and precision oncology businesses will increase significantly and our revenue from COVID-19 testing will further decrease in the future. Therefore, despite the historical impact from the COVID-19 pandemic, we believe its effect on our overall business operations is temporary and will not impact the sustainability of our business considering the rebalance of the revenue contribution of our different business segments.

In response to the COVID-19 pandemic, we began to offer our COVID-19- related testing services in 2020 as part of our pathogenic detection offerings. With COVID-19 then remaining a threat to public health, 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. During the Track Record Period, the vast majority of our pathogenic detection revenue was derived from COVID-19 testing. In 2020, 2021 and the nine months ended September 30, 2022, our pathogenic detection revenue was RMB61.4 million, RMB83.2 million and RMB270.9 million, accounting for 24.9%, 31.3% and 67.8% of our total revenue, respectively. With recent changes by the Chinese government to loosen up its COVID-19 prevention and testing policies since December 2022, our revenue derived from COVID-19 testing service has been decreasing significantly and we expect our revenue from COVID-19-related testing service to diminish overtime.

Meanwhile, since the COVID-19 pandemic, various measures were adopted by the PRC government to prevent the spread of COVID-19, including travel restrictions and mandatory quarantines. As the promotion and sales of our products and services of our prenatal testing and precision oncology businesses generally require physical access to hospitals and offline meetings with physicians and patients, lockdowns and limitation on mobility have particularly affected our operations and financial performance on these two business segment. This is especially the case in 2022 because of the widespread COVID-19 resurgences and the stringent disease control measures taken by the PRC government nationwide. As the COVID-19 related restrictive measures in China have been gradually lifted in various regions in China since December 2022, we expect that the social, economic and the provisions of medical treatment services activities in China to normalize. At the same time, we are redirecting our personal, financial and other resources from COVID-19 testing to prenatal testing and precision oncology. This, together with the additional talents we plan to recruit and resources we intend to devote into prenatal testing and precision oncology, will boost our business growth in not only pure medical testing field, but also our presence in the scientific research services and the sale of our approved IVD equipment, namely, USCISEQ-200 and USCISEQ-2000.

Although we believe that the impact from COVID-19 is temporary and will not impact the sustainability of our business, there remain significant uncertainties surrounding the COVID-19 outbreak and its further development as a global pandemic. We are closely monitoring the development of the COVID-19 pandemic and continuously evaluating any potential impact the pandemic may have on our business, results of operations and financial condition. Please also see "Risk Factors – Key Risks Relating to Our Business and Industry – Our business operations and financial performance have been materially affected by the COVID-19 pandemic, may in the future continue to be affected by the COVID-19 pandemic, and may be affected by other force majeure events, natural disasters, pandemic, outbreak of epidemics, and other unforeseeable catastrophes."

Approval of USCISEQ-2000 DNA Sequencer

In December 2022, we received Class III medical registration certificate for USCISEQ-2000. USCISEQ-2000 is an all-in-one desktop sequencer with high throughput and high data quality with a wide range of potential applications. It is capable of large data throughput with a maximum data output of 720 GB/run while guaranteeing a short turnaround time. It can meet the requirements of high sample count, big data and multi-omics sequencing, providing users with comprehensive, versatile and high performance sequencing options. All of our NGS-based IVD products under development, including our Youxu ctDNA NSCLC test kit expected to receive approval in 2023, will be compatible with USCISEQ-2000. As we accelerate the sale of USCISEQ-2000 in 2023, we expect this will also create more cross-selling opportunities between our test kits and our kit-compatible sequencer. For more details, see "Business – Our Services and Products – Equipment and Analysis Platform – USCISEQ-2000 DNA Sequencer."

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that up to the date of this Document, save as disclosed in this Document, there has been no material adverse change in our financial, operational or trading positions or prospects since September 30, 2022, being the end of the period reported on as set out in the Accountant's Report included in Appendix I to this Document.