Sansure Biotech Inc.

Summary of Annual Report 2021

Section 1 Important Tips

1.1 The summary of this annual report comes from the full annual report. For a comprehensive understanding of the company's results of operations, financial status and future development plans, investors should read the full annual report carefully at www.sse.com.cn.

1.2 Major Risk Warning

We have described in detail in this report the various risks that the company may face in the course of its business and the measures to address them. Please refer to Article 4 “Risk Factors” of Section III “Management Discussion and Analysis” of this report.

1.3 The Board of Directors, the Supervisory Committee and the Directors, Supervisors and senior management of the company guarantee the truthfulness, accuracy and completeness of the contents of the annual report, and that there are no false records, misleading statements or material omissions, and assume individual and joint legal liability.

1.4 All directors of the company attended the board meeting.

1.5 Zhongshen Zhonghuan Certified Public Accountants (Special General Partnership) has issued a standard and unqualified auditor's report.

1.6 The company was not and yet to be profitable when it was listed

□Yes √No

1.7 Proposal for profit distribution and proposal for provident fund conversion into share capital for the reporting period as approved by the board of directors

In accordance with the resolution of the third meeting of the first session of the Board of Directors of the company for 2022 held on April 18, 2022, the net profit attributable to shareholders of the listed company for the year 2021 as of the end of the reporting period was confirmed by Zhongshen Zhonghuan Certified Public Accountants (Special General Partnership) in the audit to be RMB 2,242,696,395.58, and the profit available for distribution by the parent company as of December 31, 2021 was RMB 3,780,104,914.61.

The annual profit distribution plan for 2021 is shown as follows: the company intends to take the company's total share capital registered on the equity registration date of the equity allocation as the base minus the shares in the company's special securities account for repurchase, and to pay a cash dividend of RMB 3.75 (including tax) per 10 shares to all shareholders. As of the disclosure date of this report, the total share capital of the company is 400,000,000.00 shares, deducting 4,791,299 shares in the repurchase special securities account, based on which a total cash dividend of RMB 148,203,262.88 (including tax) is to be paid. This proposal still needs to be submitted to the company's annual general meeting 2021 for approval before implementation.

Pursuant to the resolution of the Third Extraordinary General Meeting (EGM) of 2021, the company paid a dividend of RMB 7.5 (including tax) per 10 shares for the first three quarters of 2021 to all shareholders in December, 2021. After deducting 920,000 shares in the repurchase special securities account, the number of shares actually allotted was 399,080,000, and the total amount of cash dividends distributed was RMB 299,310,000 (including tax).

In order to establish and improve the long-term incentive mechanism of the company, the company

conducted share repurchase through the centralized bidding trading system of Shanghai Stock Exchange. As of December 31, 2021, the total amount of repurchase funds paid was RMB 199,983,820.97. In accordance with the Rules for Repurchase of Shares by Listed Companies and the Guidelines No. 1 for the Self-Regulation of Listed Companies on the Shanghai Stock Exchange – Standardized Operation, if a listed company takes cash as consideration and repurchases shares by an offer or centralized bidding, such shares shall be regarded as cash dividends of the listed company and shall be included in the calculation of relevant proportion of cash dividends.

To sum up, the cumulative cash dividends of this year are RMB 647,497,083.85, accounting for 28.87% of the net profit attributable to the common shareholders of the listed company in 2021.

In order to promote the implementation of strategic plans of the company and ensure its sustainable, stable and healthy development, the company puts forward the profit distribution proposal for 2021 in view of the current industry characteristics and development stage of the company, combined with the current operations and future capital needs. This proposal protects the legitimate interests of the investors, and also takes into account the company's sustainable and stable development.

The undistributed profits retained by the company will be used for the company's new product research investment, international strategic layout, talent team building, platform enterprise building, industrial chain extension, project construction related to the company's main business and other strategic planning projects, which help promote the smooth implementation of mid-and-long term development strategic planning of the company and ensure its healthy and sustainable development.

The company will, as always, attach great importance to the protection of investors' interests, strictly comply with the requirements of relevant laws and regulations and regulatory authorities, and comprehensively consider the effect of factors related to profit distribution. It is committed to maintaining the continuity and stability of profit distribution, adhering to the nature of scientific innovation and value creation, and thus giving long-term steady returns to investors.

1.8 Whether there are important matters such as special arrangements for corporate governance

□Applicable "√Not applicable"

Section 2 General information of the company

2.1 About company

Introduction of company stocks

√Applicable "□Not applicable"

Introduction of company stocks				
Stock types	Stock exchange and board listed on	Stock abbreviation	Ticker symbol	Stock abbreviation before the change
A shares	Shanghai Stock Exchange STAR Market	SSSW	688289	Not applicable

Introduction of company's depository receipts

□Applicable "√Not applicable"

Contact person and information

Contact person and information	Secretary of the Board of Directors (domestic representative for the	Representative of securities affairs

	disclosure of information)	
Name	Peng Zhu	Tan Wu
Office address	Lusong Road 680, Changsha National High-Tech Industrial Development Zone	Lusong Road 680, Changsha National High-Tech Industrial Development Zone
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2.2 Description of company's main business during the reporting period

2.2.1 Main business, main products or services

The company is an integrated solution provider of in vitro diagnostics with independent innovative gene technology as the core, integrating diagnostic reagents, instruments, as well as independent clinical laboratories. It has independently developed advantageous production lines such as viral hepatitis, reproductive infection and genetics, pediatric infection, respiratory infection, nucleic acid blood screening, and automated instruments, and further expanded into the fields of early tumor screening, individualized tumor drug use, chronic disease management, public health, animal disease prevention and control, and scientific research services. The company has developed more than 400 product varieties with excellent performance and capable of providing high-quality services for more than 2,200 tests.

Centering on the theme of national health, the company has built a comprehensive product line covering different groups in the whole life cycle to promote the application of genetic technology in the universal and full scene style, and thus becoming affordable and good services for the common people.

Main products and services of the company are detailed as follows:

(1) Reagents

Product line	Products with certificates
Viral hepatitis series	8 types of nucleic acid detection reagents for in vitro quantitative or qualitative detection of viruses, genotyping and mutation loci detection of hepatitis B and hepatitis C
Reproductive tract infection and genetic series	11 types of nucleic acid detection products for in vitro qualitative or quantitative detection of sexually transmitted pathogens and human papillomavirus, for the auxiliary diagnosis of reproductive tract infectious diseases and screening or auxiliary detection of cervical cancer and precancerous lesions and genetic genes in women
Pediatric infection series	7 types of nucleic acid detection products for in vitro qualitative detection of pediatric associated enteroviruses, herpes-like viruses, genetic genes and respiratory disease associated pathogens
Respiratory tract infection series	6 types of nucleic acid detection products for in vitro qualitative detection of respiratory disease associated pathogens
Nucleic acid blood screening series	Highly sensitive qualitative screening test for hepatitis B, hepatitis C and HIV nucleic acids for clinical blood-borne pathogen screening and blood safety, pathogen screening for blood and blood products
Scientific research, epidemic outbreak prevention and control series	More than 400 nucleic acid detection reagents for scientific research needs, outbreak or public health prevention and control needs, and animal epidemic diseases
Nucleic acid extraction series	Preservation of biological samples and extraction or purification of nucleic acids (DNA/RNA) in samples (whole blood, serum, plasma, nasopharyngeal swabs, feces, urine, sputum and tissues)

Product line	Products with certificates
Clinical chemistry	For in vitro detection of changes in biochemical parameters, such as total protein (TP), albumin (ALB) and ferritin (FER), including liver function, kidney function, sugar, specific proteins, lipids, cardiovascular, inorganic ions and other multi-series, totaling 61 products
Immunity series	Qualitative or quantitative detection of immune molecules (antigens, antibodies, complement, cytokines, etc.) and immune cells, developing a series of COVID-19 related rapid antigen and antibody detection products

(2) Instruments and software

Product line	Product name
Fully automated nucleic acid diagnosis reaction set-up system	Fully Automated Nucleic Acid Extraction System (S11A, S11C, S12A, S12C, S-S13A, S-S12D, S-S14A, S-S14B, S-S14C) Fully automated nucleic acid diagnosis reaction set-up system (S21A)
Molecule POCT workstation	Portable Fully Automated Nucleic Acid Extraction and Amplification System (S-Q21A) Nucleic Acid Rapid Amplification System (S-Q22A) Nucleic Acid Analyzer (S-Q31A, S-Q31B)
Semi-automatic nucleic acid extraction system	Semi-automatic Nucleic Acid Extraction System (Natch24, Natch48, Natch96, Natch 32A, Natch 96B, Natch 24S, Natch 48S, Natch 96S)
Stand alone software series	Fluorescence PCR Detection Data Processing Software (PCRAnalyzer-100/101/102/103/104) Cancer and Genetic Disease Gene Interpretation Knowledge Base Software (CGAD-100) BRCA Genetic Mutation Detection Analysis Software (San-BGT) Fetal Chromosome Aneuploidy Analysis Software (San-NIPT) NGS Gene Detection Information Analysis Software (NGTRS-100) Pathogenic Microbe Metagenomic Analysis Software (San-mNGS)
Automatic sample processing system	Automatic Sample Processing System (S-H11A)
Biochip scanner	Biochip Scanner (S-M31A)

(3) Testing services

Testing services	Service contents
Independent clinical laboratory	There are 9 specialized laboratories including gene sequencing, molecular biology, biochemical luminescence, immunology and clinical examination, providing more than 2,200 types of tests. We have established a five-level sales and cold chain logistics system covering provinces, cities, prefectures, towns and communities to provide efficient, high-quality and reasonably priced medical testing, pathology diagnosis, scientific research services and health management services for medical institutions at all levels.
Research services	These mainly include next generation sequencing services, bioinformatics analysis services, and scientific collaboration services.

2.2.2 Main business mode

Based on the needs of in vitro diagnosis industry and combining the current focus of disease prevention and control, the company creates the integrated business mode of "instruments + reagents + services". The company purchases raw materials from qualified suppliers. Through self-development and organizing the production of in vitro diagnostic reagents and supporting testing instruments, it provides systematic solutions for hospitals, independent clinical laboratories, medical examination institutions, disease control centers, scientific research units and other users by modes of direct sale and distribution. Relying on the self-developed core technology platform, the company carries out independent medical inspection services through its wholly-owned subsidiary Hunan Sanway Clinical Laboratories Inc.

(1) Procurement model

The company mainly purchases the following: first, raw materials, including supporting components and raw materials of instruments and reagents; second, assets, including the equipment and information system for production and operation and other fixed assets; third, non-production materials outside the company's regular production and operation, including office supplies, outsourcing services and other negotiable purchases; fourth, engineering materials. The company set up the procurement department to take overall charge of the procurement of raw materials, outsourcing services and assets, and formulated relevant procurement process to ensure the effective operation of business.

For the materials and equipment for production and operation, the company places orders to qualified suppliers according to requisition needs, and concludes cooperation agreements and quality agreements with key strategic partner to ensure the rights and interests of each party, with the acceptance of purchased materials by the quality management department of the company. For the non-production materials, the company mainly determines partners by invitation for bid or open bidding on the company platform. The purchasing department leads the bidding process. The business department determines bidding parameters, quality acceptance terms and time limits according to business requirements and participate in the determination of bidding documents and bidding evaluation. The business department leads the evaluation of technical bidding, and finally confirms the winning bidder through the evaluation team.

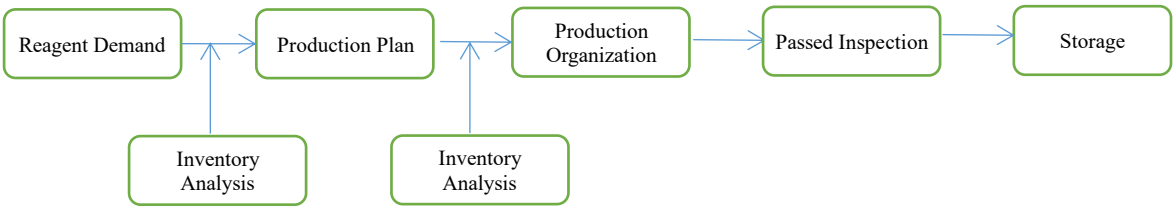
The company has established a standard supplier access and evaluation mechanism. In accordance with the *Supplier Quality Management Regulations,* the purchasing department has established the supplier management files, and organized the related departments of quality control, R&D, production and materials to participate in the supplier review and confirmation. The management representatives approve qualified suppliers that are included in the qualified supplier list. Before confirming the cooperation with suppliers, the purchasers will cooperate with the R&D and quality control department to do the quality standard benchmarking and the conclusion of quality agreements of both parties. During the cooperation, R&D and quality control department will participate in supplier guiding and supplier monthly performance evaluation. In the case of quality problems, the suppliers shall be required to provide preventive and corrective measures. Whether the suppliers are frequently used or suspended is dependent on their delivery and improvement.

(2) Production mode

The company produces based on strategic planning, market demand and annual sales targets. The production and operation mode is production on demand established by setting a certain amount of safe inventory.

In the production process, the company has passed ISO13485, ISO 9001 and other international quality system certification, with a strict quality control system for production, inspection and quality control. With the cooperation of related departments, the production department conducts the established production and processing tasks according to the production plan to ensure its annual supply capacity and certain safety inventory. The production department tracks the orders received by the sales department in real time, and makes production plans as per the company's safety stock standards and sales in previous years. After determining the production plan, the production department will issue the production task list according to the schedule, and then the specific production process will begin. The production department makes the monthly production plan according to the monthly demand provided by sales and combined

with the safety inventory and real-time inventory, and arranges production as per such plan. In the production of each batch, products will be sent to the quality control department for inspection after the preparation and packaging, and the next link can start after passing the inspection. After receiving the materials, the production personnel will gradually make up, sub-package and package, and finally finish the products that are put into the warehouse. The production department of the company strictly implements the systems related to safety production, strengthens the on-site management and hidden danger investigation, to ensure the elimination of hidden danger and limit safety accidents.

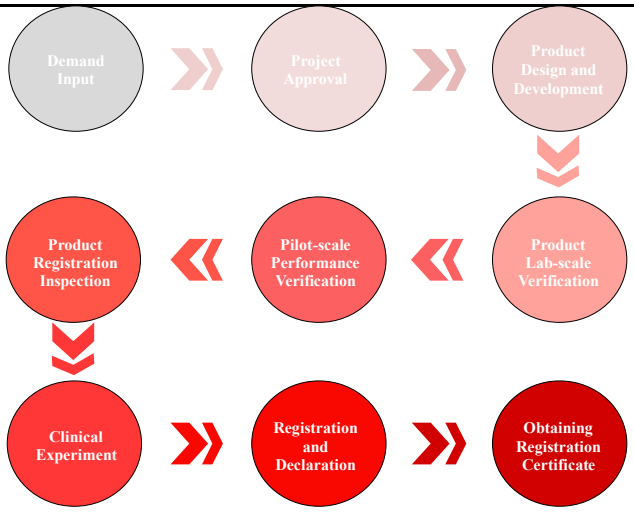


(3) Marketing mode

Based on the guideline of terminal as core, customers as basis, channel expansion, terminal services, operation as the key link, and competition as the soul, the company adopts the mode of regional investment + fine investment and distribution + direct sales, establishes an all-places-covered sales team with flat management, from high-end to grass-roots, hospitals to disease control, testing to clinical practice, implementing a collaborative mechanism with marketing, market, medical, customer service and research, and thus all staff are promoted for sales. It uses the saturated mode to strengthen the development coverage of strategic products. Through strengthening online and offline academic promotion and technical services, the company strives to build scale benchmarking hospital and benchmarking market, establish and expand a three-level expert network from laboratory to clinical, further strengthening the brand effect of strategic production lines in key areas and fields, and increasing the rapid growth of product sales of strategic production lines. The company has established a sound agent selection and evaluation mechanism and hierarchical management system. The main criteria for the selection of distributors are that the distributors not only have the qualification of medical device sales stipulated by the state, but also have terminal coverage, the awareness and ability of academic promotion and technical services, as well as pass the background investigation of compliance before determination. The company makes full use of the distributor's sales network and geographical advantages, constantly excavates potential customers, enhances the product marketing ability and expands the product market share. Product distributors sell products to hospitals. The marketing team of the company assist distributors in channel development and customer maintenance by technical and professional support. During the reporting period, the company's direct sales customers are mainly domestic independent laboratories and a small number of large general hospitals. With the direct sales mode, the channel development of the company's products and customer maintenance are all completed by the marketing team. The price of the products shall be subject to the bidding price or the negotiated price by both parties.

(4) Research mode

The company develops technologies and products mainly by self-development. It has established the Academy of Life Sciences responsible for the research, with three professional modules of technology research, product development and industrialization. The company encourages research personnel to focus on professional depth to ensure and improve the efficiency and quality of research products. Product development is market-oriented and the management process for product life cycle has been established. Specific product development tasks are undertaken through several project teams. Besides the self-development of technical products, the company pays close attention to industry trends and cooperates with leaders in this area to improve its competitive advantages. The whole process of product development is in strict accordance with YY/T0287, and all links of product development are controlled. The specific process is as follows:



2.2.3 Industry situation

2.2.3.1 Development stage, basic features, and main technical thresholds of the industry

2.2.3.1.1 Development stage of the industry

According to the *Guideline for Industry Classification of Listed Companies*, the company falls in the scope of the pharmaceutical manufacture (classification code C27). According to the *Industrial Classification for National Economc Actvities*, the company falls in the scope of the medical instrument and equipment manufacturing industry in the pharmaceutical manufacture (classification code C358). The main products currently produced by the company are in vitro diagnostic reagents as stipulated in the *Administrative Measures for Registration of In Vitro Diagnostic Reagents*. The blood screening products are in the scope of the biological drug manufacture in the pharmaceutical manufacture (C2761).

In vitro diagnostic refers to products and services that are used outside the human body to acquire clinical diagnostic information and determine diseases or body functions by testing human samples (body fluids, cells, and tissue samples). In vitro diagnostics is known as the “doctor's eye” in the medical field and is an important part of the development of modern laboratory medicine and precision medicine. It is clinically applied throughout the whole process of disease diagnosis and treatment from disease prevention to risk assessment, disease diagnosis, treatment plan selection, and efficacy evaluation, providing doctors with a large amount of useful clinical diagnostic information and becoming an increasingly important part of human disease diagnosis and treatment. According to different testing principles and methods, the in vitro diagnostics segment can be mainly divided into biochemical diagnostics, immunologic diagnosis, molecular diagnostics, microbiological diagnostics, blood diagnostics, and POCT (point-of-care testing).

Accurate diagnosis is the first step in getting effective treatment, and no one should ever get sick or die because of a lack of diagnostic services or access to the right tests. According to related reports by the Lancet Commission on Diagnostics, 47% of the world's population still has limited or no access to key tests and services necessary to common disease diagnoses. About 81% of the population in low and middle income countries does not have access to the simplest diagnostic tests! Testing has risen to the top of the political and global health agenda in the context of the COVID-19 pandemic, and it must be a turning point in ensuring that we prioritize diagnoses for all diseases. People have higher requirements for disease risk prediction, health management, chronic disease management and other fields. In vitro diagnostics is also given increasing attention, especially as the core of precision medicine development, molecular diagnostics and POCT becoming the two fastest-growing segments of the industry. According to the Lancet Commission on Diagnostics in 2021, the global in vitro diagnostic and diagnostic imaging market is worth $843 billion. According to China Business Industry Research Institute, from 2016 to 2021, China's molecular testing market grew from RMB 8.2 billion to RMB 41.5 billion, with a compound annual growth rate of 44.9%. In the future, the improvement of hierarchical medical system, technological innovation and the support of relevant policies in China will continue to promote the development of molecular

detection industry.

2.2.3.1.2 Industry development trend

(1) In vitro diagnostic market in China continues to grow, molecular diagnostics and POCT becoming growing poles in the industry

The market size of in vitro diagnostics in China shows a trend of rapid growth. In the COVID-19 prevention and control, the application of immunodiagnostic tests is limited due to the short window period and low sensitivity, however, molecular diagnostics can make definite diagnoses (including asymptomatic patients) by detecting viral nucleic acid. The improved cognition of doctors and patients towards molecular diagnosis will promote the application of molecular diagnosis in clinical diagnosis and treatment. Immunodiagnosis is more often used as an auxiliary diagnosis in clinic. As precision medicine is in full swing, molecular diagnosis is playing an increasingly important role with its unique advantages. POCT is expected to break through the original centralization of medical resources under the trend of improvement of public health and major disease prevention and control systems, making more advantageous detection technologies to be conducted in primary medical institutions, and even releasing the C-end home self-test market and greeted with rapid development.

(2) China's in vitro diagnostic solutions are speeding up the international market with challenges and opportunities

In vitro diagnostic products, represented by novel coronavirus test products, are in continued demand since the global spread of COVID-19. With the attention paid by domestic enterprises to overseas certification and the accumulation of relevant experience, the recognition and market share of China's novel coronavirus test products in the international market have been further enhanced, whose exports continue to maintain a high growth trend. In 2021, the export volume of China's main in vitro diagnostic products (HS code 38220010, 30021500, 38220090) was USD 13.093 billion, with a year-on-year increase of 157.37%. COVID-19 antigen test (including self-test) products have become the main export products among novel coronavirus test products. However, the demand for novel coronavirus test products is expected to decline as the epidemic control in Europe and the Us is relaxed. Moreover, international orders are increasingly concentrated in a few leading enterprises, and the industry may face overcapacity. Many domestic enterprises have stepped up their overseas market layout and the competition is intensified. In addition, since the COVID-19 pandemic swept the world, the weaknesses like the incomplete industrial chain of medical devices become increasingly prominent. Therefore, the implementation of localization alternative policy has been accelerated, and the internationalization of China's medical device industry is facing unprecedented challenges. While facing challenges, opportunities should not be missed. The global in vitro diagnosis industry has a good prospect, with huge market space.

At present, the market share of in vitro diagnostic products is mainly possessed by enterprises from Europe and the United States and other developed countries and regions, with high-income countries playing a dominant role. Just four companies from the United States and Europe account for half of the global supply of in vitro diagnostics. The rapid demand for diagnostic capacity and testing in the global COVID-19 pandemic has further exacerbated inequalities. Countries around the world are regarding diagnosis as an essential element of health systems. High-quality, cost-effective in-vitro diagnostics in China will not only help end the COVID-19 pandemic, but will also be critical for general disease prevention, quality health care and improved health outcomes worldwide. If domestic enterprises want to become stronger, they should actively grasp the demand of the international market and layout the subdivision areas while basing on the domestic market. Stronger enterprises can also take steps in international industrial cooperation.

(3) The basic capacity of nucleic acid detection is improved and the development of precision medicine will be further accelerated

According to data from the Department of Medical Administration of National Health Commission, due to the COVID-19 prevention and control demand, the number of novel coronavirus nucleic acid testing laboratories in China increased from 2,081 in March 2020 to over 12,000 in January 2022, new PCR testing laboratories alone has achieved more than 9,000, nearly six times the number of medical and health institutions that could carry out nucleic acid testing by March 2020. The daily testing capacity achieves

42 million people per day and county level medical and health institutions have been covered. The construction of nucleic acid testing basic capacity will greatly promote the development of precision medicine in China.

(4) Gene sequencing, early screening and pharmacogenomics become new driving forces for future development

With the maturation of gene sequencing technology and the continuous decrease of sequencing cost, the gene sequencing industry has developed rapidly and its application fields have been expanded. According to the forecast of *China Gene Sequencing Industry Market Prospect and Investment Strategy Planning Report*, the global gene sequencing market achieved USD 14.9 billion in 2020, expected to be USD 34.1 billion by 2025, with a five-year compound growth rate of 18%. In terms of market application, gene sequencing has the largest market scale in the field of tumor therapy, among which the clinical application of precision medicine for cancer is highly recognized, and early screening and prognosis/dynamic monitoring of cancer grow most rapidly. Based on *Market Analysis of Global and Chinese Pharmacogenomics Technology/Therapeutic Diagnostics/Concomitant Diagnostics (CDx)*, the global market size of pharmacogenomics technology/therapeutic diagnosis/companion diagnosis (CDx) achieved USD 8.286 billion in 2020, with the tumor income accounting for the highest proportion of 39.31%. The global market size of this field is estimated to be USD 21.885 billion in 2027. China's market size will achieve USD 2.95 billion by then, with global share of 13.48%. According to the analysis and forecast of a national authority, the total potential market for early cancer detection in China is expected to increase from USD 18.4 billion in 2019 to USD 28.9 billion in 2030. The total potential market for MRD testing for prognostic/dynamic monitoring in China will achieve USD14.5 billion by 2030.

2.2.3.1.3 Major technical thresholds

The in vitro diagnostic industry, especially molecular diagnostics, involves biological, medical, mechanical, optical, electronic (microelectronics), computer, engineering, industrial design and manufacturing, software design, information engineering and other related professional technology with a high technical threshold. The continuous use and updating of new technologies and the updated new applications as basic research progresses have objectively shortened the update cycle of industry technologies, posing a greater challenge to the accumulation of enterprise technologies and the professional requirements for personnel.

2.2.3.2 Analysis of the company's position in the industry and its changes

During the reporting period, the company has been recognized and honored by a series of authoritative institutions at home and abroad, selected as a sample stock of Science and Technology Innovation Board 50 Index and listed, listed in the top 100 in China’s pharmaceutical industry and top 100 enterprises in Hu’nan province, with increasing high industry status. As one of the leading companies in molecular diagnostics industry, the company has led or participated in the formulation of more than 50 industry standards, including participating in the formulation of World standard for hepatitis reagent reference and the formulation of international standard for COVID-19 molecular detection system (ISO) on behalf of China. It also participated in the formulation of the technical requirements and expert consensus of in vitro diagnostics industry, such as General Technical Requirements of Quality Control Materials for in Vitro Diagnostic Reagents and Expert Consensus on IVD Product Development and Evaluation.

The World Health Organization(WHO) has repeatedly advocated solution-oriented case management of syndromes. Based on its core technology platform with independent intellectual property rights, the company strives to create quality projects and has developed a series of more than 400 product varieties with excellent performance in viral hepatitis, SARS-CoV-2 testing, respiratory infection, nucleic acid and blood screening, reproductive infection and genetics, pediatric infection, cancer prevention and control, maternal and child health, chronic disease management, emergency epidemic prevention and control, with ability to provide more than 2,200 types of tests and services, having established comprehensive, universal and full scene style solutions integrating reagents, instruments, sequencing services, independent clinical laboratories, and molecular laboratory construction.

(1) Products for public health prevention and control continue to grow, widely recognized by the market

In the anti-epidemic work, the company's COVID-19 detection products have developed systematic solutions, such as nucleic acid testing, antigen detection reagents, detecting instruments and mobile nucleic acid testing base, widely recognized by the market. Nucleic acid testing and antigen detection products have served more than 160 countries and regions around the world. The "Sansure Solution" has become the leading nucleic acid testing solution in Europe, the Middle East and Southeast Asia. During the reporting period, the company continued to rank first in the export of nucleic acid testing reagents for COVID-19 in China. Its shipment of nucleic acid testing reagents for COVID-19 and instruments separately increased by 135% and 75% compared with the same period last year. Other test products for public health prevention and control have also been widely recognized in the market. The company continues to devote "Sansure Power" to the construction of human health community.

(2) The advantages of hepatitis detection are rising steadily, and the market leading edge continues to expand

In terms of viral hepatitis detection, the company continues to respond to the goal of "eliminating hepatitis hazards" in 2030, and improve system detection products for the whole process of diagnosis and treatment, such as the diagnosis of viral hepatitis, solution determination, treatment follow-up, drug resistance monitoring, medication endpoint judgment and early screening of liver cancer. Product market share continues to increase. During the reporting period, many top three hospitals and independent testing laboratories became our customers. Hepatitis B and Hepatitis C products ranked first in the number of laboratory users in the national laboratory quality evaluation in 2021. The growth rate of customers is much higher than that of similar products. The leading status in the hepatitis nucleic acid test market continues to increase.

(3) Accurate detection scheme for respiratory syndrome is developed, which will become a new driving engine for performance growth

During the reporting period, the company's six nucleic acid detection kits for respiratory pathogens, kits for joint detection of COVID-19 and influenza A and B virus separately got the NMPA Class III medical device registration. A training program on nucleic acid testing capacity for tens of millions of respiratory infectious diseases was carried out. A number of rounds of invitational meetings in the country were held, attracting the attention and cooperation of a thousand professional partners. The products cover a series of products, such as six joint detection of respiratory pathogens, joint detection of COVID-19 and influenza A and B virus, and three joint detection of fungi. Respiratory infections are now among the leading causes of death globally. Under the impact of the COVID-19 pandemic, the domestic PCR nucleic acid detection capability and the matrix layout of respiratory disease symptoms will become the driving engine of business growth.

(4) Innovative testing instruments and overall solutions are widely used to provide continuous power for the increment of testing reagents

During the reporting period, the company changed the 4-channel iPonatic rapid nucleic acid detection analyzers to achieve instant nucleic acid detection. Such analyzers can provide rapid solutions for nucleic acid test for emergency patients and fever clinics, and can also be equipped with primary medical institutions to move forward the epidemic prevention and control. Natch series automatic nucleic acid extraction equipment plays a key role in improving quality and efficiency in the anti-epidemic work. During the reporting period, the sales and installment of Natch series increased year on year, the growth of such sales and installment will further drive the sales of all reagents, and increase the market share of the whole line of products. According to the domestic epidemic prevention and control needs, SSSW introduced building solutions of mobile nucleic acid testing capacity, such as PCR laboratory in mobile shelters, mobile detection vehicles and gas column tent laboratories. It helped provincial and municipal medical institutions quickly possess large-scale nucleic acid screening capacity, making "Saint Seiya' into a popular IP. Since 2021, such solutions have assisted nucleic acid testing in dozens of provinces and regions, including Guangzhou, Shenzhen, Nanjing, Yangzhou, Zhangjiajie, Changsha, Zhuzhou, Zhengzhou, Shangqiu, Putian, Xiamen, Zhangzhou, Harbin, Lanzhou, Jiayuguan, Zunyi, Xian, Anyang, Baise, Jinan, Huaihua and Changchun, providing comprehensive services for epidemic prevention and

control.

(5) Reproductive tract infection detection series and blood screening production line make breakthroughs, with continuous high-quality development

In terms of nucleic acid testing for reproductive tract infection and HPV (human papillomavirus), the company's human papillomavirus nucleic acid test kits (fluorescence PCR) HPV13+2 obtained the NMPA medical device registration certificate. This product can be tested in a batch in 40 minutes to 2 hours, the throughput of a single batch can reach 96 samples/set, and the daily test volume of a single instrument can exceed 1000 cases. It can be directly used on the PCR detection platform established by medical institutions at all levels without the need to purchase other special equipment, greatly improving screening efficiency and accessibility. Based on HPV detection kits developed by one-step rapid nucleic acid release technology platform and fluorescence quantitative PCR technology, the company conducted many large-scale screening clinical studies. The sensitivity, specificity and accuracy of reagents have been verified by authority, in line with the screening and treatment innovation pathway in the newly released WHO Guidelines for Screening and Treatment of Cervical Precancerous Lesions (2021 Edition), providing a variety of product combination and detection solutions for different application scenarios. During the reporting period, many clinical hospitals became our customers, and we served “two cancers screening” projects in Xinjiang, Yunnan, Gansu, Shanxi, Shaanxi, Hunan and other provinces and cities. The company will achieve greater market breakthroughs with higher cost performance and more flexible marketing policies.

In terms of nucleic acid testing products for blood screening, the company continued to upgrade the blood screening system and carried out a national clinical multi-center research project during the reporting period. The model of academic research driving the development of disciplines and market development has been effective in ensuring blood safety and clinical screening for blood-borne pathogens. The advantages of product technology and performance have been widely recognized, and the brand reputation of blood collection and supply system has risen. The CE List A registration of blood screening products, which had been delayed by the epidemic, has also made a breakthrough, and the market of blood screening products will continue to grow.

2.2.3.3 Development of new technologies, new industries, new business patterns and new modes and future development trends during the reporting period

2.2.3.3.1 Development of new technologies, new industries, new business patterns and new modes

(1) New technologies

The technological direction of molecular diagnostics is currently focused on simplification, high precision, automation, systematization, and mobility. Technologies such as multiplex PCR, NGS, melting curves, molecular POCT, rapid extraction, single molecule sequencing and detection, isothermal amplification and CRISPR are the main areas of research and application.

(2) New industries

At the upstream level of in vitro diagnostics, many companies actively lay out the molecular diagnostic raw material industry and try their best to reduce the dependence on the outside; besides, they actively cooperate with research institutes to solve the problem of independent control and stable supply of core raw materials; at the midstream level, they introduce refined management and strengthen production automation and intelligence; at the downstream level, they adapt to the national medical policy and be active in laying out the sales side.

(3) New business patterns and new modes

Firstly, cooperations between major companies have become more common. In vitro diagnostic

manufacturers are active to join hands with international giants or with strong alliances in R&D and circulation to actively integrate their advantageous resources for coordinated development. Secondly, based on the existing product lines and global market foundation, they are preparing for global molecular diagnostic market development. Thirdly, they make full use of the opportunity of Internet+ to promote the construction of online hospitals, while actively laying out the home in vitro diagnostic market.

2.2.3.3.2 Future trends

(1) Precision medicine drives rapid development of molecular diagnostics market

Molecular diagnosis is a technique that applies molecular biology methods to detect changes in the structure or expression level of genetic material in an organism and make a diagnosis. As molecular diagnosis can be detected at the genetic level, it has obvious advantages in sensitivity and accuracy, and can identify viruses at the early stage of infection or confirm genetic defects early, so as to provide personalized medical diagnosis services. It has been widely used in the fields of infectious detection, precision detection of respiratory diseases, blood screening, HPV and other reproductive infections, prenatal screening, early tumor screening and individualized treatment, genetic disease screening, pharmacogenomics and other fields. With the promotion of medical system reform and "Healthy China 2030" strategy, the public awareness of the importance of nucleic acid detection and molecular diagnostic technology products has increased, and more attention has been paid to preventive medicine, and the molecular diagnostic market will continue to expand with the development of precision medicine.

(2) There is an obvious trend towards decentralized laboratory for nucleic acid testing, and molecular POCT equipment has a brilliant future

Molecular POCT products are characterized by the advantages of integration, miniaturization, automation, high speed and simplicity, which can complement the fragmented testing needs that are difficult to be covered by traditional centralized PCR laboratories with extremely rich application scenarios. With the introduction of national policy documents in annual report 2020 to encourage private hospitals, blood station systems, primary care institutions, CDC institutions equipped with nucleic acid testing capabilities, molecular POCT market size is expected to grow dramatically. In addition to primary medical institutions, it can also be used for emergency, outpatient, pre-surgical infectious disease screening and nosocomial infection monitoring in large hospitals, sudden public health events in CDC, vehicle-borne field testing, or on-site testing in tent hospitals and immigration, testing in social sectors such as the military and schools, overseas frozen food testing, and monitoring of infectious diseases inside closed places such as prisons and drug rehabilitation centers. At the end of 2021, the omicron mutant strain caused a sporadic outbreak in the country. The Joint Prevention and Control Mechanism of the State has added antigen testing to nucleic acid testing, and at the same time unleashed the market for home testing, providing policy basis and direction for further applying molecular diagnostic POCT products to home self-test market. It is estimated that molecular POCT will become the next market outlet in the C end market.

(3) With complete infrastructure for nucleic acid testing, the molecular diagnostics market will increase massively

According to data from the Department of Medical Administration of National Health Commission, due to the COVID-19 prevention and control demand, the number of novel coronavirus nucleic acid testing laboratories in China increased from 2,081 in March 2020 to over 12,000 in January 2022, new PCR testing laboratories alone has achieved more than 9,000, nearly six times the number of medical and health institutions that could carry out nucleic acid testing by March 2020. The daily testing capacity achieves 42 million people per day and county level medical and health institutions have been covered. Such outstanding nucleic acid testing capacity is a valuable asset to our society and health care system. In addition to responding to outbreaks such as COVID-19, it can also play an important role in the prevention and control of infectious diseases (such as respiratory infectious diseases, AIDS, viral hepatitis, tuberculosis, hand-foot-and-mouth disease, etc.), tumor prevention and control, and chronic disease management in China. On April 2, 2022, the planning, development and information department of National Health Commission of the People's Republic of China issued Notice of the Office of the Healthy China Action Promotion Committee on the Issuance of the Work Points of the Healthy China Action in 2022. Such notice noted that chronic diseases such as cervical, cancer screening, cardio-cerebrovascular,

respiratory and metabolic diseases, early screening of community-level respiratory diseases, hypertension and diabetes, as well as prevention and control of COVID-19 will be priorities in 2022. With the continuous technical and product innovation of domestic enterprises in recent years and the reform of medical device product registration and approval policy, the usage of molecular diagnostic technologies will become more common in clinical practice, and will still maintain a rapid growth for quite a long time in the future.

2.3 Key accounting data and financial indicators of the company

2.3.1 Key accounting data and financial indicators for the last 3 years

Unit: Yuan Currency: RMB

	2021	2020	Increase/decrease over the previous year (%)	2019
Total assets	7,090,370,148.22	5,454,374,137.67	29.99	642,465,337.29
Net profit attributable to shareholders of the listed company	6,368,907,121.24	4,745,425,022.72	34.21	557,476,400.67
Revenue	4,514,539,266.46	4,762,963,903.32	-5.22	365,389,084.87
Net profit attributable to shareholders of the listed company	2,242,696,395.58	2,616,597,026.75	-14.29	39,478,539.85
Net profit after nonrecurring profit and loss deduction attributable to shareholders of the listed company	2,150,544,616.23	2,592,675,720.17	-17.05	37,650,597.68
Net cash flows generated from operating activities	1,877,070,615.13	2,642,276,432.02	-28.96	22,405,731.73
Weighted average return on net assets (%)	39.02	107.29	A decrease of 68.27 percentage points	7.28
Primary earnings per share (yuan/share)	5.61	7.01	-19.97	0.11
Diluted earnings per share (yuan/share)	5.61	7.01	-19.97	0.11
Ratio of R&D investment to revenue (%)	4.15	1.74	An increase of 2.41 percentage points	10.66

2.3.2 Key accounting data by quarter of the reporting period

Unit: Yuan Currency: RMB

	Quarter 1 (January-March)	Quarter 2 (April-June)	Quarter 3 (July-September)	Quarter 4 (October-December)
Revenue	1,162,834,697.42	865,488,914.84	1,238,871,704.01	1,247,343,950.19

	Quarter 1 (January-March)	Quarter 2 (April-June)	Quarter 3 (July-September)	Quarter 4 (October-December)
Net profit attributable to shareholders of the listed company	622,104,937.78	498,786,571.55	636,245,663.83	485,559,222.42
Net profit after nonrecurring profit and loss deduction attributable to shareholders of the listed company	593,952,660.99	465,502,701.22	625,856,686.87	465,232,567.15
Net cash flows generated from operating activities	307,312,501.65	526,625,526.89	597,960,934.08	445,171,652.51

Explanation of differences between quarterly data and disclosed periodic report data

□Applicable "√Not applicable"

2.4 Shareholders

2.4.1 Total number of common shareholders, preferred shareholders with voting rights restored and shareholders with special voting rights, as well as the top 10 shareholders

Unit: Share

Total number of common shareholders as of the end of the reporting period (households)	19,958
Total number of common shareholders as of the end of the previous month prior to the date of disclosure of the annual report (households)	24,208
Total number of preferred shareholders with voting rights restored as of the end of the reporting period (households)	Not applicable
Total number of preferred shareholders with voting rights restored at the end of the previous month prior to the date of disclosure of the annual report (households)	Not applicable
Total number of shareholders holding special voting shares as of the end of the reporting period (households)	Not applicable
Total number of shareholders holding special voting shares as of the end of the previous month prior to the date of disclosure of the annual report (households)	Not applicable

Shareholdings of top ten shareholders

Name of shareholder (full name)	Increase/ decrease during the reporting period	Number of shares held at the end of the period	Percentage (%)	Number of shares held with limited selling conditions	Number of restricted shares including shares lent by the securities financing	Pledge, mark or freeze		Nature of Shareholder
						Share status	Quantity	
Dai Lizhong	1,400,000	127,888,642	31.97	126,488,642	126,488,642	None	0	Natural person in China

Anhui Chi Road Investment Co., Ltd	-11,990,000	31,054,351	7.76	0	0	Pledge	25,260,000	Non state-own legal person in China
Zhu Jinwei	-5,800,000	28,228,493	7.06	0	0	Pledge	9,234,464	Natural person in China
Hunan Shengwei Investment Management Co., Ltd.	0	25,132,835	6.28	25,132,835	25,132,835	None	0	Non state-own legal person in China
Chen Wenyi	0	22,241,466	5.56	0	0	Freeze	22,241,466	Natural person in China
Shanghai Liyi Investment Management Partnership (L.P.) - Suzhou Lirui Equity Investment Center (L.P.)	-4,000,000	18,535,138	4.63	0	0	None	0	Others
Shanghai Yingshui Investment Management Co., Ltd. - Yingshui Ingenuity 11 private equity investment fund	5,800,000	5,800,000	1.45	0	0	None	0	Others
Hunan Shengwei Dingli Management Consulting Center (L.P.)	0	5,112,896	1.28	5,112,896	5,112,896	None	0	Others
Hunan Shengwei Huaning Management Consulting Center (L.P.)	0	4,910,467	1.23	4,910,467	4,910,467	None	0	Others
Wang Guobin	0	4,324,077	1.08	0	0	None	0	Natural person in China
Description of the above shareholders' related relationship or concerted action			Dai Lizhong holds 86.96% of the shares of Hunan Shengwei Investment Management Co., Ltd. as the actual controller. Other than that, the Company does not know whether there is any connection or concerted action among the other shareholders above.					
Description of total number of preferred shareholders with voting rights restored and the number of shares held			Not applicable					

Depository receipt holders

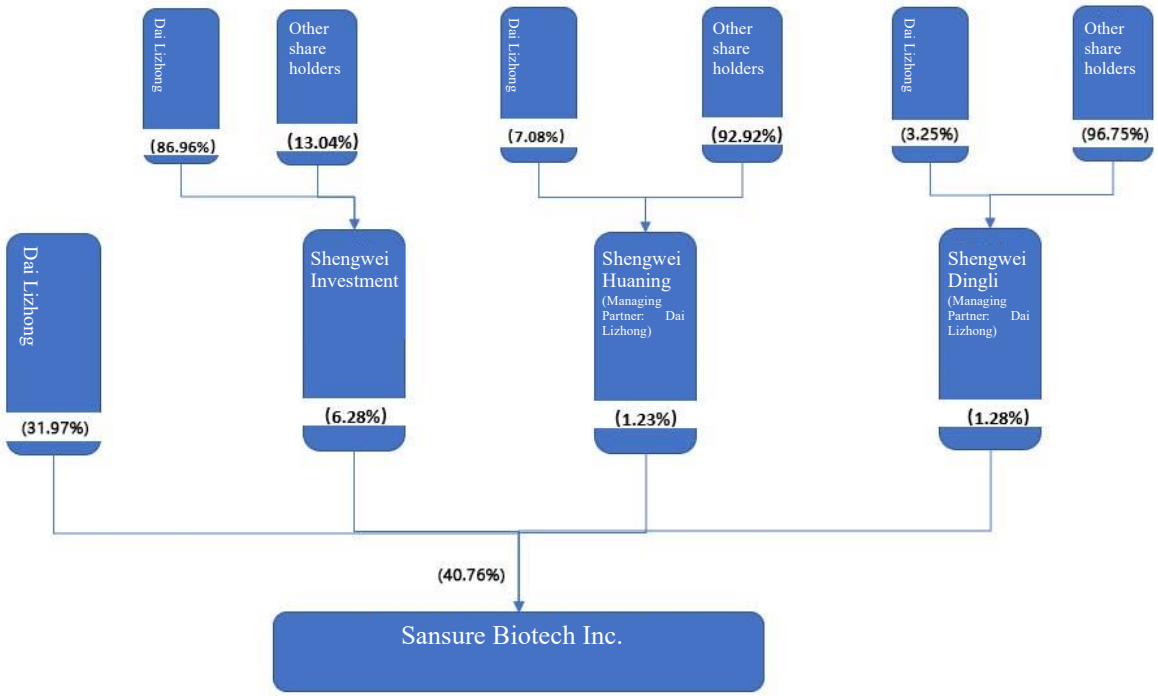
□Applicable "√Not applicable"

Table of top 10 shareholders with voting rights as of the end of the reporting period

□Applicable "√Not applicable"

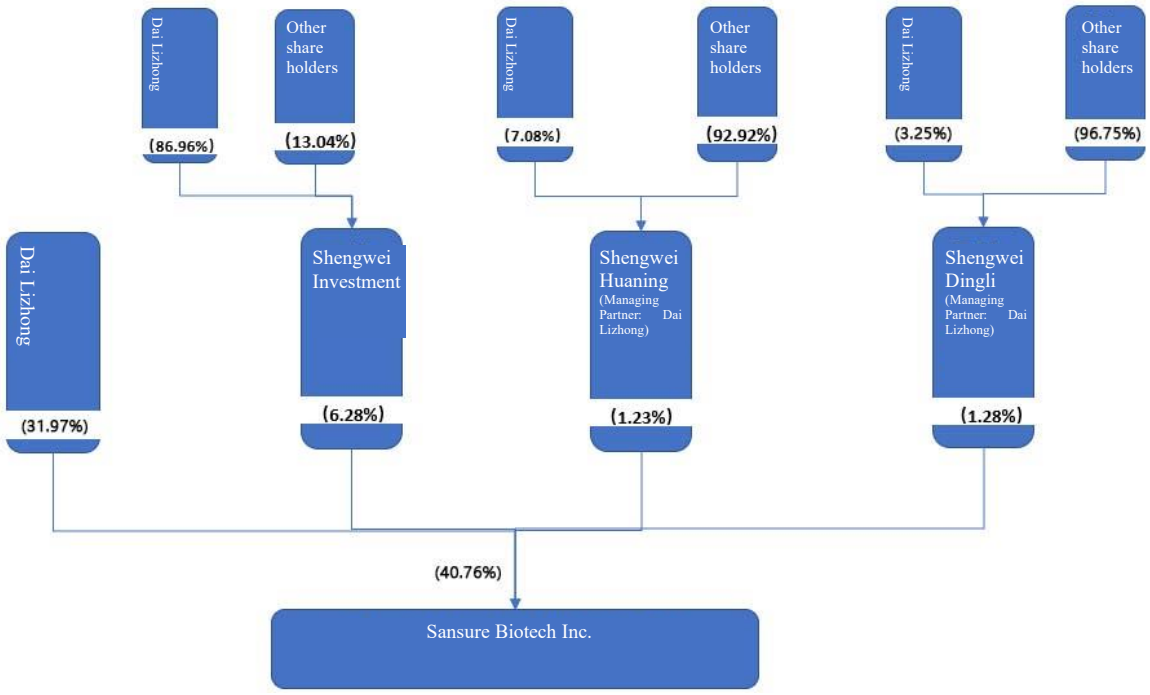
2.5 Block diagram of the ownership and control relationship between the Company and the controlling shareholder

√Applicable "□Not applicable"



2.5.1 Block diagram of the ownership and control relationship between the Company and the actual controller

√Applicable "□Not applicable"



2.5.2 Total number of shareholders of the company's preferred shares and the top 10 shareholders at the end of the reporting period

□Applicable "√Not applicable"

2.5.3 Corporate bonds

□Applicable "√Not applicable"

Section 3 Important Matters

3.1 The company shall, in accordance with the principle of materiality, disclose major changes in its business conditions in the reporting period and events occurred in such period that have a significant impact on the company's operations and are expected to have a significant impact in the future.

During the reporting period, the company achieved revenue of RMB 4,514,539,300, down 5.22% from the same period last year. Net profit attributable to the parent company was RMB 2,242,696,400, down 14.29% from the same period last year.

3.2 If there is a delisting risk warning or suspension of listing after the disclosure of the annual report, the company shall disclose the reasons for that.

□Applicable "√Not applicable"