

BGI Europe A/S

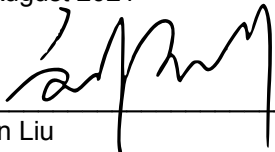
**Ole Maaløes Vej 3
2200 Copenhagen N**

CVR no. 32 93 13 40

Annual Report 2020

The Annual Report was presented and adopted at the company's annual general meeting on:

27 August 2021



Yuan Liu
Chairman

ANNUAL REPORT 2020

(11 financial year)

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COMPANY INFORMATION

Company

BGI Europe A/S
Ole Maaløes Vej 3
2200 Copenhagen N

CVR no.

32 93 13 40

Financial year

1 January - 31 December

Principal activities

The company's principal activities consist in provision of gene sequencing services.

The company's board of directors

Jian Wang
Yu Tak Kin Duncan
Ning Li

Executive Board

Ning Li

The company's auditor

Haamann A/S, State Authorized Public Accountant Firm
Filmbyen 20
2650 Hvidovre
CVR no. 24 25 69 95

Ownership

The following shareholders are registered in the company's register of shareholders as being the owner of minimum 5% of the votes of minimum 5% of the share capital:

BGI Genomics Co., Ltd., Shenzhen, China

MANAGEMENT'S STATEMENTS

The board of directors and the executive board have today presented the annual report for the financial year 1 January - 31 December 2020 for BGI Europe A/S.

The annual report is presented in accordance with the Danish Financial Statements Act.

We consider the accounting policies appropriate for the annual report to provide a true and fair view of the company's assets and liabilities, financial position and performance.

Moreover, in our opinion, the management's review includes a fair review of the matters described.

Copenhagen, 27 August 2021

Executive Board:



Ning Li

Board of Directors:

Jian Wang

Yu Tak Kin Duncan

Ning Li

INDEPENDENT AUDITOR'S REPORT

To the shareholders of BGI Europe A/S

Opinion

We have audited the Financial Statements of BGI Europe A/S for the financial year 1 January - 31 December 2020, which comprise an income statement, balance sheet, statement of changes in equity and notes. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the Company's financial position at 31 December 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users of accounting information taken on the basis of these Financial Statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of Management's Review.

Hvidovre, 27 August 2021

Haamann A/S
State Authorized Public Accountant Firm
CVR.no. 24 25 69 95

Jan Østergaard
State Authorized Public Accountant
mne30203

MANAGEMENT'S REVIEW

Financial highlights and ratios

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<u>Income statement (DKK '000)</u>					
Gross profit	18.745	29.191	14.720	48.935	28.884
Operating profit	4.841	16.561	3.709	37.596	18.245
Net financials	-2.753	-14	44	830	262
Net profit for the year	2.775	12.264	2.841	29.240	14.500
<u>Balance sheet (DKK '000)</u>					
Balance sheet total	219.956	127.203	155.630	124.963	77.030
Purchase of property, plant and equipment	835	11.182	5.914	873	612
Equity	86.330	83.556	71.292	68.451	39.211
<u>Employees</u>					
Average number of employees	16	20	20	20	16
<u>Financial ratios (%)</u>					
Equity ratio	3,3	15,8	4,1	54,3	74,0
Solvency ratio	39,2	65,7	45,8	54,8	50,9

MANAGEMENT'S REVIEW

The Company's principal activities

The company's principal activities consist in provision of gene sequencing services.

Uncertainty as to recognition and measurement

No material uncertainties have affected the annual report.

Exceptional circumstances

No exceptional circumstances have occurred in the financial year.

Development in activities and financial affairs

The company had a profit of DKK 2.775.128, which the company's management considers satisfactory.

The management expects an improved result for the next financial year.

Events occurring after the end of the financial year

No events have occurred after the end of the financial year that would materially affect the company's financial position

Knowledge resources

The company's knowledge resources are distributed over a wide range of staff members with long seniority, and half the staff are doctors or master degree holders.

Environmental issues

The company has a tried and tested environmental policy ensuring continued focus on environmental and work environment considerations.

INCOME STATEMENT
1 January - 31 December 2020

	Note	2020 DKK	2019 TDKK
Gross result		18.745.298	29.191
Staff costs	1	-9.705.080	-9.028
Depreciation	2	-4.199.591	-3.602
Operating profit		4.840.627	16.561
Financial income	3	0	291
Financial expenses	4	-2.752.889	-305
Profit before tax		2.087.738	16.547
Tax on profit for the year	5	687.390	-4.285
Net profit for the year		2.775.128	12.263
Proposed distribution of results			
Dividend for the financial year		0	0
Retained earnings		2.775.128	12.263
		2.775.128	12.263

BALANCE SHEET 31 December 2020

ASSETS

	Note	2020 DKK	2019 TDKK
<u>Fixed assets</u>			
Property, plant and equipment			
Leasehold improvements	6	294.443	178
Fixtures, fittings, tools and equipment		12.113.412	15.594
		<u>12.407.855</u>	<u>15.772</u>
Financial assets			
Leasehold deposits	7	639.478	639
		<u>639.478</u>	<u>639</u>
Fixed assets, total		<u>13.047.333</u>	<u>16.412</u>
<u>Current assets</u>			
Inventories			
Raw materials and consumables		2.247.761	2.619
		<u>2.247.761</u>	<u>2.619</u>
Receivables			
Short-term trade receivables		33.465.091	16.088
Other short-term receivables		0	3.413
Short-term receivables from group enterprises		0	69.586
Corporation tax		1.730.536	0
		<u>35.195.627</u>	<u>89.087</u>
Cash and cash equivalents		<u>169.465.370</u>	<u>19.084</u>
Current assets		<u>206.908.758</u>	<u>110.790</u>
Total assets		<u>219.956.091</u>	<u>127.202</u>

BALANCE SHEET 31 December 2020

LIABILITIES AND EQUITY

	<u>Note</u>	<u>2020</u> DKK	<u>2019</u> TDKK
<u>Equity</u>	8		
Share capital		6.000.000	6.000
Retained earnings		<u>80.330.273</u>	<u>77.555</u>
Total equity		<u>86.330.273</u>	<u>83.555</u>
<u>Provisions</u>			
Provisions for deferred tax		<u>275.000</u>	<u>384</u>
<u>Liabilities</u>			
<u>Long-term liabilities other than provisions</u>			
Other long-term payables		<u>0</u>	<u>265</u>
		<u>0</u>	<u>265</u>
<u>Short-term liabilities other than provisions</u>			
Bank debt		53.427	16
Prepayments received from customers		51.188.974	4.563
Trade payables		1.413.112	4.789
Payables to group enterprises		77.779.368	28.612
Corporation tax payable		0	4.265
Other payables		<u>2.915.937</u>	<u>753</u>
		<u>133.350.818</u>	<u>42.998</u>
Total liabilities		<u>133.350.818</u>	<u>43.263</u>
Total liabilities and equity		<u>219.956.091</u>	<u>127.202</u>
Contingent liabilities etc.	9		

STATEMENT OF CHANGES IN EQUITY

	Share capital	Retained earnings	Total
	<u> </u>	<u> </u>	<u> </u>
Previous year			
Equity, beginning balance	6.000.000	65.292.179	71.292.179
Carried forward		<u>12.262.967</u>	<u>12.262.967</u>
Current Year			
Equity, beginning balance	6.000.000	77.555.145	83.555.145
Carried forward		<u>2.775.128</u>	<u>2.775.128</u>
Equity, ending balance	<u>6.000.000</u>	<u>80.330.272</u>	<u>86.330.273</u>

NOTES

	2020 DKK	2019 TDKK
1. <u>Staff costs</u>		
Wages and salaries	8.929.225	8.306
Pension costs	253.030	383
Social security costs	98.161	284
Staff costs	<u>424.664</u>	<u>55</u>
	<u>9.705.080</u>	<u>9.028</u>
 Average number of employees	<u>16</u>	<u>20</u>
2. <u>Depreciation</u>		
Leasehold improvements	130.846	110
Other fixtures and fittings	<u>4.068.745</u>	<u>3.492</u>
	<u>4.199.591</u>	<u>3.602</u>
3. <u>Financial income</u>		
Other revenues	<u>0</u>	<u>291</u>
	<u>0</u>	<u>291</u>
4. <u>Financial expenses</u>		
Other expenses	<u>2.752.889</u>	<u>305</u>
	<u>2.752.889</u>	<u>305</u>
5. <u>Tax on profit or loss for the year</u>		
Tax calculated on the taxable income for the year	607.464	4.217
Adjustment of deferred tax	<u>-109.000</u>	<u>68</u>
	<u>-687.390</u>	<u>4.285</u>

NOTES

6. Property, plant and equipment

	<u>Leasehold improve- ments</u>	<u>Fixtures, fittings, tools and equipment</u>
Cost at 1 January 2020	508.827	28.535.186
Additions	<u>247.200</u>	<u>588.052</u>
Cost at 31 December 2020	<u>756.027</u>	<u>29.123.238</u>
Depreciation 1 January 2020	330.738	12.941.081
Depreciation of the year	<u>130.846</u>	<u>4.068.745</u>
Depreciation 31 December 2020	<u>461.584</u>	<u>17.009.826</u>
Accounting value 31 December 2020	<u>294.443</u>	<u>12.113.412</u>

7. Fixed assets

	<u>Leasehold deposits</u>
Cost at 1 January 2020	648.429
Additions	0
Disposals	<u>-8.951</u>
Cost at 31 December 2020	<u>639.478</u>
Accounting value 31 December 2020	<u>639.478</u>

8. Equity

Analysis of the share capital:

6,000 shares of DKK 1,000.00 nominal value each.

NOTER

	2020	2019
	<u>DKK '000</u>	<u>DKK '000</u>
9. <u>Contingent liabilities etc.</u>		
Rent liabilities	<u>535</u>	<u>535</u>

Apart from the above the company has given a Negative Pledge to their bank regarding sale of assets and property.

ACCOUNTING POLICIES

The Annual Report of BGI Europe A/S for 2020 has been presented in accordance with the provisions of the Danish Financial Statements Act applying to medium-sized reporting class C entities.

The accounting policies applied remain unchanged from last year.

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement is prepared for the parent company, as its cash flows are reflected in the consolidated cash flow statement.

General principles for recognition and measurement

Income is recognised in the Income Statement as it is earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation and impairment losses, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will accrue to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the Balance Sheet when it is probable that future financial benefits will flow out of the Company, and the value of the liability can be measured reliably

On initial recognition, assets and liabilities are measured at cost. Subsequent to initial recognition, assets and liabilities are measured as described below for each individual item.

Certain financial assets and liabilities are measured at amortised cost, which involves the recognition of a constant effective interest rate over the term. Amortised cost is calculated as original cost less repayments and with the addition/deduction of the accumulated amortisation of the difference between the cost and the nominal amount.

On recognition and measurement, foreseeable risks and losses arising before the annual report is presented and proving or disproving matters existing on the balance sheet date are taken into consideration.

INCOME STATEMENT

Revenue

Gross profit is made up of net sales less the direct sales costs attributable to net sales and less other external costs. Other operating income and expenses comprise items of a secondary nature to the principal activity of the company.

Income from the sale of goods is recognised in the income statement from the date of delivery and when the risk has passed to the buyer and services are possible to calculate the income reliably. The revenue is calculated exclusive of VAT, charges and discounts.

Other operating income

Other operation income include items of a secondary nature in relation to the company's activities, including profits from the sale of intangible assets and property, plant and equipment.

Other operating expenses

Other operating expenses include items of a secondary nature in relation to the company's activities, including losses on the sale of intangible and tangible fixed assets.

Other external expenses

Other external expenses include expenses concerning distribution, sale, losses on debtors, auto operations, facilities, small purchases, administration, operational leasing costs etc.

ACCOUNTING POLICIES

Staff expenses

Staff costs include wages and salaries, incl. holiday pay and pensions, as well as other social security costs, etc. of the company's employees. In personnel costs, allowances received from public authorities are deducted.

Financial income and expenses

Financial income and expenses are recognised in the Income Statement with the amounts that concern the financial year. Financial income and expenses include interest income and expenses, realised and unrealised capital gains and losses regarding securities, debt and foreign currency transactions, dividends received from other equity investments, amortisation of financial assets and liabilities as well as surcharges and allowances under the tax repayment scheme.

Tax on net profit/loss for the year

Tax on net profit/loss for the year comprises current tax on expected taxable income of the year and the year's adjustment of deferred tax. Current and deferred tax regarding changes in equity is recognised directly in equity.

BALANCE SHEET

Tangible assets

Plant and machinery, other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation.

Cost comprises acquisition price and costs directly related to acquisition until the time when the Company starts using the asset

Non-current assets are amortised on a straight line basis, based on cost, on the basis of the following assessment of useful life and residual values:

	<u>Useful life:</u>	<u>Residual value:</u>
Leasehold improvements	5 years	5-10%
Other fixtures and fittings, tools and equipment	3 - 5 years	5-10%

Gains or losses on disposal of property, plant and equipment are recognised in the income statement under 'other operating income' or 'other operating costs'.

Impairment of assets

The carrying amount of property, plant and equipment and of investments in subsidiaries is assessed annually for indications of impairment exceeding depreciation.

Where indications of impairment exist, an impairment test is performed for each individual asset or group of assets. Where the recoverable amount is lower than the carrying amount, the carrying amount is written down to the recoverable amount.

The recoverable amount is the higher of the net selling price and the value in use. The value in use is determined as the present value of expected net cash flows from the use of the asset or the group of assets and expected net cash flows from sale of the asset or asset group at the end of the useful life.

ACCOUNTING POLICIES

Leases

Leases regarding property, plant and equipment, where the company has all essential risks and benefits associated with the ownership (financial leasing), are included in the balance sheet as assets. The assets are initially measured at initial cost at the fair value or (if lower) at the present value of future payments. For the calculation of the present value, the lease agreement's internal rate is used as a discount factor or an approximate value for this. Financial leased assets are depreciated as other similar non-current assets.

The capitalized residual lease obligation is recognized in the balance sheet as a liability, and the lease payments interest rate is recognized over the term of the contract in the income statement.

Other leases are considered as operating leases. Services relating to operating leases and other lease agreements are recognized in the income statement over the term of the contract. The company's total liability relating to operating leases and other lease agreements is disclosed under contingencies etc.

Financial asset investments

Leasehold deposits are recognised in the balance sheet at cost.

Inventories

Inventories are measured at cost using the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

The cost of basic material and consumables comprises the purchase price and delivery costs.

Net realizable value of inventories is calculated as selling price less completion costs and costs incurred to effect sales and is determined taking into account marketability, ukurance and development in the expected selling price.

Receivables

Receivables are measured at amortised cost, usually corresponding to nominal value. The value is reduced by impairment losses for bad and doubtful debts

Deferred income

Deferred income recognised under assets comprise of prepaid costs, for the subsequent financial years.

Securities

Securities are recognised under current assets and measured at fair value (market value) on the balance sheet date.

Tax payable and deferred tax

Current tax liabilities and current tax receivables are recognised in the balance sheet as calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and tax paid on account.

Deferred tax is measured under the balance-sheet liability method for temporary differences between the carrying amount and the tax base of assets and liabilities. In those cases, e.g. in respect of shares where the calculation of the tax value can be made according to alternative tax rules, deferred tax is measured on the basis of the planned use of the asset or settlement of the liability.

ACCOUNTING POLICIES

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity. Any net deferred tax assets are measured at net realisable value.

Deferred tax is measured on the basis of the tax regulations and rates that according to the rules in force at the reporting date, will be applicable at the time when the deferred tax is expected to crystallise as current tax. Changes in deferred tax as a result of changes in tax rates are recognised in the income statement. For the current year, a tax rate of 22% has been applied.

Liabilities

Financial liabilities are recognised initially at the proceeds received net of transaction costs incurred. In subsequent periods, financial liabilities are measured at amortised cost corresponding to the capitalised value using the effective interest rate, entailing that the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan.

Other debt is measured at amortised cost, usually corresponding to nominal value.

Foreign currency translation

Foreign currency transactions are converted to the exchange rate prevailing at the date of the transaction. Exchange differences arising between the exchange rate prevailing at the transaction date and the exchange rate at the payment date are recognised in the income statement as a net financial income or expense. If currency positions are regarded as a hedge of future cash flows, value adjustments are recognised directly in equity.

Receivables, payables and other monetary items in foreign currencies that have not been settled on the reporting date are measured at the closing exchange rate. The difference between the closing rate and the rate at the time of the establishment of the receivable or payable is recognised in the income statement under financial income and expenses.

Non-current assets purchased in foreign currencies are measured at the exchange rate at the transaction date.

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"Med min underskrift bekræfter jeg indholdet og alle datoer i dette dokument."

Jan Østergaard

Statsautoriseret revisor

På vegne af: Haamann A/S Statsautoriserede Revisorer

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