This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read this document in its entirety before you decided to [**REDACTED**] *in the* [**REDACTED**]. *We are* [**REDACTED**] *the* [**REDACTED**] *of our Shares on the Main Board of the Stock Exchange under Rule 8.05(1) of the Listing Rules. There are risks associated with any* [**REDACTED**]. *Some of the particular risks in* [**REDACTED**] *in the* [**REDACTED**] *are set out in "Risk Factors" of this document. You should read that section carefully before you decide to* [**REDACTED**] *in the* [**REDACTED**]. *There are unique challenges, risks and uncertainties associated with* [**REDACTED**] *in companies such as ours. Your* [**REDACTED**] *decision should be made in light of these considerations.*

OVERVIEW

We are a medical operation service provider in China offering a full suite of diagnostic testing services for medical institutions with a market share of 3.7% in China's medical operation service market in terms of revenue in 2020. Medical operation services primarily relate to diagnostic testing services provided to medical institutions which can be divided into diagnostic outsourcing services and diagnostic testing services for medical institution alliances (醫聯體)[i]. We provide such diagnostic testing services to medical institutions in our six independent clinical laboratories ("ICLs") and on-site diagnostic centers in medical institutions and charge them diagnostic service fees based on the types and quantities of tests performed. According to Frost & Sullivan, China's medical operation service market is expected to grow from RMB30,694.9 million in 2020 to RMB47,946.1 million in 2025 at a CAGR of 9.3%. To a lesser extent, we also provide diagnostic testing services to non-medical institutions in China via an outpatient clinic.

OUR BUSINESS AND REVENUE MODEL

Currently, diagnostic tests are widely applied in medical treatments as the test results can help identify an individual's medical issues and therefore form the basis for doctors to determine the most suitable treatment plan. Starting from 2008, we provide standardized diagnostic outsourcing services for medical institutions by performing diagnostic tests and conducting results analysis. Under this model, medical institutions send test samples to our ICLs, which are located separately from the medical institutions, for diagnostic testing and issuance of testing reports and pay us diagnostic service fees based on the types and quantities of tests performed at our ICLs. Leveraging our six ICLs in China, we have gradually grown to a platform with a growing menu of over 2,000 tests and over 50 million diagnostic tests

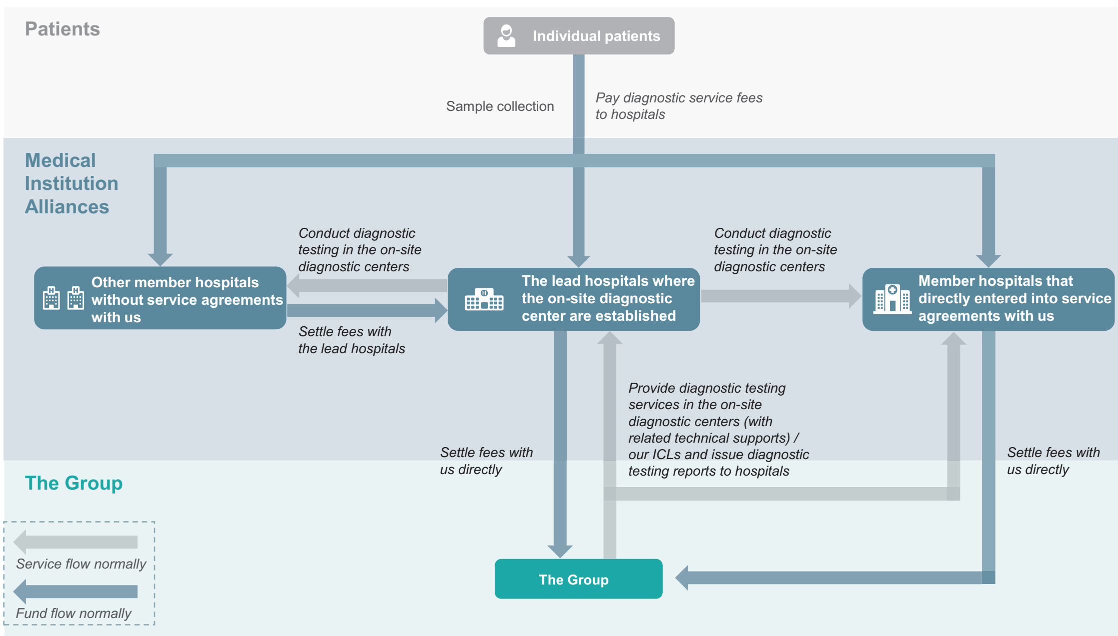
Note:

(i) Medical institution alliances refer to regional healthcare systems consisting of primary, secondary and tertiary medical institutions, under which medical resources can be shared efficiently, aiming to improve the service quality of primary medical institutions, promote the optimal allocation of medical resources, allocate patients to the appropriate hospitals depending on their medical conditions, and balance the uneven distribution of medical resources and diagnosis demands in China.

performed in 2021, accounting for a market share of 3.0% in China's diagnostic outsourcing service market in terms of revenue in 2020, according to Frost & Sullivan. According to the same source, China's diagnostic outsourcing service market is expected to grow from RMB28,494.0 million in 2020 to RMB42,042.7 million in 2025 at a CAGR of 8.1%.

Medical institution alliance is a collaboration of medical institutions and a widely used term in China, which refers to regional healthcare system consisting of primary, secondary and tertiary medical institutions, under which medical resources can be shared efficiently, aiming to improve the service quality of primary medical institutions, promote the optimal allocation of medical resources, allocate patients to the appropriate hospitals depending on their medical conditions, and balance the uneven distribution of medical resources and diagnosis demands in China. As part of the healthcare reform, the PRC government has established a series of policies to support the local integration of China's healthcare system in the context of HDTS. One of the key measures adopted is the establishment and promotion of medical institution alliances. A number of regulations and policies to promote the development of medical institution alliances were enacted. For details, see "Business—Diagnostic Testing Services for Medical Institution Alliances—Medical Institution Alliances." Medical institutions are encouraged to join medical institution alliances to enhance the HDTS in China. As a result of these regulations and policies, the concept of medical institution alliance is gaining an increasing awareness among the general public.

In the past decade, in response to certain policies promulgated by the PRC governments to promote and encourage medical institution alliances, many medical institutions formed alliances to improve their overall diagnostic testing capacities and capabilities. Normally, there will be one lead hospital, usually being a Class III or Class II hospital, that will take lead of the operation and management of the medical institution alliance and its on-site diagnostic center usually being established at the lead hospital. Through the on-site diagnostic center, all the member hospitals within the same medical institution alliance can benefit from the standardized and professional diagnostic services by delivering test samples to the corresponding lead hospital. Driven by this, the cumulative number of on-site diagnostic centers in China increased from 396 as of 2016 to 916 as of 2020 at a CAGR of 23.3%, according to Frost & Sullivan. We started to provide diagnostic testing services for medical institution alliances at such on-site diagnostic centers in different medical specialties such as pathology, infectious disease and genetic disease in 2013. In return, we will charge diagnostic service fees based on the types and quantities of tests performed. Not only are the diagnostic tests conducted at these on-site diagnostic centers, but such collaboration also creates opportunities for our nearby ICLs to provide other diagnostic testing services for the member hospitals within the alliances if the centers are not capable of providing testing services, as per the service and collaboration agreements. Other than diagnostic testing services, we also provide technical supports such as assistance in daily operations, testing equipment and on-site technicians to lead hospitals for establishing and operating on-site diagnostic centers to facilitate the on-site testing services, coordinate between lead and member hospitals, etc. Upon expiration of our service and collaboration agreements with the medical institutions, if a medical institution decides not to renew such agreements, we will cease to provide technical supports, withdraw our on-site staffs and require the diagnostic center to return all the equipment we provided. During the Track Record Period, we successfully renewed all but one of the service and collaboration agreements that have expired because the medical institution prefers to engage third-party service providers for such services due to time and cost considerations. The following chart summarizes the normal service and fund flows of our diagnostic testing services for medical institution alliances.



As of December 31, 2018, 2019, 2020 and 2021 and the Latest Practicable Date, we had assisted in establishing and operating 79, 132, 199, 275 and 322 on-site diagnostic centers. We are developing and expanding our businesses and we served approximately 1.0% of all the medical institution alliances during the Track Record Period and up to the Latest Practicable Date. In 2020, we had a market share of 12.5% in China's diagnostic testing services for medical institution alliances market in terms of revenue according to Frost & Sullivan.

The following table sets forth a breakdown of our revenue.

	For the year ended December 31,							
	2018		2019		2020		2021	
	(RMB in thousands, except for percentages)							
Diagnostic outsourcing services								
– Infectious disease diagnostic tests	79,880	13.4%	93,052	13.7%	555,111	46.2%	732,058	43.1%
– *COVID-19 tests*	–	–	–	–	461,429	38.4	637,959	37.6
– Pathology tests	89,884	15.1	100,100	14.7	95,852	8.1	105,726	6.3
– Genetic disease diagnostic tests	187,758	31.4	179,825	26.6	126,236	10.5	101,697	6.0
– Routine diagnostic tests	91,756	15.4	90,128	13.3	80,534	6.7	84,793	5.0
Subtotal	449,278	75.3	463,105	68.3	857,733	71.5	1,024,274	60.4

	For the year ended December 31,							
	2018		2019		2020		2021	
	(RMB in thousands, except for percentages)							
Diagnostic testing services for medical institution alliances								
– Infectious disease diagnostic tests	13,061	2.2	28,501	4.2	104,709	8.7	388,874	22.9
– COVID-19 tests	–	–	–	–	64,467	5.4	327,623	19.3
– Pathology tests	25,628	4.3	47,379	7.0	75,941	6.3	101,827	6.0
– Genetic disease diagnostic tests	48,047	8.1	65,339	9.6	62,392	5.2	83,789	4.9
– Routine diagnostic tests	14,075	2.3	24,845	3.7	32,726	2.7	44,866	2.7
Subtotal	100,811	16.9	166,064	24.5	275,768	22.9	619,356	36.5
Diagnostic testing services for non-medical institutions								
– Non-COVID-19 tests	46,219	7.8	48,657	7.2	45,664	3.8	33,018	1.9
– COVID-19 tests	–	–	–	–	21,155	1.8	20,092	1.2
Subtotal	46,219	7.8	48,657	7.2	66,819	5.6	53,110	3.1
Total	596,308	100.0%	677,826	100.0%	1,200,320	100.0%	1,696,740	100.0%

The revenue model of the Group's business is summarized as follows.

- *How medical institutions charge patients*. Generally, for different types of diagnostic testing, local governments in the PRC have promulgated different pricing protocols, which set out the ceiling prices that the medical institution can charge individual patient per test. All the public medical institutions (primarily being not-for-profit medical institutions organized by the government) shall strictly follow the pricing set forth in the pricing protocols and all the non-public medical institutions (primarily being for-profit private medical institutions organized by enterprises and other non-government institutions) shall set their prices with reference to the market prices based on market demand, which, in some cases, may be generally higher than the pricing protocol.

- *How we charge our medical institution customers*. We charge medical institution customers diagnostic service fees. Such service fees represent a percentage, normally ranging from 5% to 40%, of the prices that the medical institutions charge the individual patients. As such, although we are not directly bound by the national/provincial pricing protocols, these protocols will affect our pricing as they have set the ceiling prices that the medical institutions can charge individual patients. In addition, for diagnostic testing services for medical institution alliances, the service fees we charge will be determined through arms' length negotiation based on the type of tests to be provided and the business scale of the medical institutions within the alliances and we generally charge higher diagnostic service fees of approximately 5% to 10% on top of the fees under diagnostic outsourcing services with reference to (i) the customers in diagnostic outsourcing services for same medical specialty and with similar expected testing volume and (ii) the integrated service package provided to our customers.

The following table sets forth a breakdown of our gross profit and gross profit margin for the periods indicated.

	For the year ended December 31,							
	2018		2019		2020		2021	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	(RMB in thousands, except for percentages)							
Diagnostic outsourcing services	175,116	39.0%	195,851	42.3%	468,675	54.6%(1)	536,262	52.4%
Diagnostic testing services for medical institution alliances	42,884	42.5	81,940	49.3	143,137	51.9	327,140	52.8
Diagnostic testing services for non-medical institutions	22,385	48.4	21,403	44.0	44,083	66.0	35,735	67.3
Total gross profit/ overall gross profit margin	240,385	40.3%	299,194	44.1%	655,895	54.6%	899,137	53.0%(2)

Notes:

(1) Our gross profit margin for diagnostic outsourcing services was higher than our diagnostic testing services for medical institution alliances in 2020 was mainly due to the revenue contribution from COVID-19 tests in our diagnostic outsourcing services.

(2) Our gross profit margin decreased from 54.6% for the year ended December 31, 2020 to 53.0% for the year ended December 31, 2021 primarily because the prices of COVID-19 tests set by government pricing protocols were lowered as it became a routine test and we participated in the governmental COVID-19 full screening project in Guangdong province in mid-2021, resulting in a lower average selling price for the COVID-19 tests while the gross profit margins of our other test types remained relatively stable.

We recorded higher revenue, gross profit and gross profit margin for our diagnostic outsourcing services starting from 2020 primarily because a substantial portion of the revenue from COVID-19 tests was generated under our diagnostic outsourcing services, which generally had a higher gross profit margin, and the economies of scale we achieved.

Our gross profit margins for diagnostic testing services for medical institution alliances were 42.5%, 49.3%, 51.9% and 52.8% in 2018, 2019, 2020 and 2021, respectively. Our gross profit margin for diagnostic testing services for non-medical institutions were 48.4%, 44.0%, 66.0% and 67.3% in 2018, 2019, 2020 and 2021, respectively. The decrease in our gross profit margin for diagnostic testing services for non-medical institutions in 2019 was primarily because an increase in certain fixed costs relating to our outpatient clinic since its opening in 2019 while the volume of tests performed at the outpatient clinic decreased due to the cessation of business with insurance companies in 2019. Our gross profit margin for such services increased from 44.0% in 2019 to 66.0% in 2020 which was primarily driven by the increased demand for COVID-19 tests from non-medical institutions. Our gross profit margin for diagnostic testing services for non-medical institutions increased from 66.0% in 2020 to 67.3% in 2021 mainly due to the increased demand for COVID-19 tests in 2021.

Starting from 2020, COVID-19 tests have accounted for a significant share of our revenue. The following table summarizes our revenue, gross profit and gross profit margin generated from COVID-19 tests and non-COVID-19 test during the Track Record Period.

	For the year ended December 31,											
	2018			2019			2020			2021		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	RMB in thousands, except for percentage											
COVID-19 tests	–	–	–	–	–	–	547,051	347,713	63.6%	985,674	559,969	56.8%
Non-COVID-19 tests	596,308	240,385	40.3%	677,826	299,194	44.1%	653,269	308,182	47.2%	711,066	339,168	47.7%
Total/overall	596,308	240,385	40.3%	677,826	299,194	44.1%	1,200,320	655,895	54.6%	1,696,740	899,137	53.0%

During the Track Record Period, the gross profit margins for COVID-19 tests were generally higher than that of non-COVID-19 tests, primarily because of the significant market demand for COVID-19 tests due to the COVID-19 pandemic. Our gross profit margin for COVID-19 tests have decreased from 63.6% in 2020 to 56.8% in 2021 primarily because the prices of COVID-19 tests set by government pricing protocols were lowered as it became a routine test and we participated in the governmental COVID-19 full screening project in Guangdong province in mid-2021, resulting in a lower average selling price for the COVID-19 tests.

COMPETITIVE LANDSCAPE

According to Frost & Sullivan, China's medical operation service market has experienced rapid growth, increasing from RMB11,739.2 million in 2016 to RMB30,694.9 million in 2020 at a CAGR of 27.2%, and is expected to reach RMB47,946.1 million in 2025 at a CAGR of 9.3% from 2020. In addition, China's diagnostic outsourcing service market has grown from RMB11,121.6 million in 2016 to RMB28,494.0 million in 2020, and is expected to grow to RMB42,042.7 million in 2025. China's diagnostic testing services for medical institution alliances market has grown from RMB617.7 million to RMB2,200.9 million in 2020 at a CAGR of 37.4%, and is expected to grow to RMB5,903.4 million in 2025 at a CAGR of 21.8%.

Although the market leader in China's medical operation service market has already captured a significantly larger market share, we believe we can capture the market demand and increase our market share in light of the following considerations.

- With respect to diagnostic outsourcing service market, currently, ICLs in China are significantly under-penetrated. It is hard for many medical institutions to find qualified ICLs nearby and therefore they have to conduct diagnostic tests themselves, or rely on Class II/III hospitals for diagnostic testing. As such, there is significant growth potential for China's diagnostic outsourcing service market.

- With respect to the diagnostic testing services for medical institution alliances market, we have experienced rapid growth during the Track Record Period, assisting in establishing 32, 53, 68 and 76 new on-site diagnostic centers in 2018, 2019, 2020 and 2021, respectively. We believe we will continue to expand our on-site diagnostic center network, enabling us to capture a larger market share.

- Even if the market leader has already captured a significant market share, several regions in China, in particular lower-tiered cities in these regions, still lack penetration of qualified ICLs or on-site diagnostic centers, for example, Central China. Further, although several regions, such as Southern China and Eastern China in these regions have qualified ICLs or on-site diagnostic centers, the medical operation service market is significantly under-served in light of the large number of medical institutions in these regions. As such, we plan to deepen our penetration in these areas.

For details, see "Business—Competition."

OUR STRENGTHS

We believe that the following strengths differentiate us from our competitors, have contributed to our historical success and will drive our future growth: (i) we are a medical operation service provider in China, strategically focused on diagnostic testing to capture significant market opportunities; (ii) we are an expertise-driven platform in China, empowering hospitals to build up international-standard testing systems; (iii) we provide diagnostic testing services for medical institution alliances enabling scalable and rapid business growth; (iv) we established a loyal customer network with broad nationwide coverage; and (v) we have an experienced senior management and high caliber team.

OUR STRATEGIES

We strive to achieve our long-term goal of helping to optimize the allocation of medical resources and accelerate industry transformation. To achieve this goal, we intend to pursue the following strategies: (i) continue to expand and deepen our medical institution alliance network through assisting in establishing new on-site diagnostic centers, especially in regions where the current market leader lacks penetration; (ii) continue to upgrade and enhance our operational capabilities through building new small-scale self-operated ICLs, digitalizing diagnostic testing, pursuing potential acquisition and investment opportunities and upgrading headquarters; (iii) expand our portfolio of diagnostic capabilities through enhancing and upgrading our diagnostic testing technologies and equipment; and (iv) continue to attract and train our talent pool with a focus on technical and medical personnel as well as management personnel and continue to invest in Yunkang College.

OUR CUSTOMERS

During the Track Record Period, our customers primarily consisted of hospitals, community health clinics and non-medical institutions. The following table sets forth the number of our customers of medical institutions and non-medical institutions for the periods indicated:

	For the year ended December 31,			
	2018	2019	2020	2021
Medical institutions				
Diagnostic outsourcing services	2,619	2,296	2,634	2,922
Diagnostic testing services for medical institution alliances	184	219	262	334
Non-medical institutions	200	55	128	303
Total	3,003	2,570	3,024	3,559

For the years ended December 31, 2018, 2019, 2020 and 2021, we provided diagnostic outsourcing services to 2,619, 2,296, 2,634 and 2,922 customers, respectively, which primarily include hospitals and other medical institutions.

For the same periods, we also served 184, 219, 262 and 334 medical institution customers including lead hospitals and member hospitals that entered into service and collaboration agreements with us under our diagnostic testing services for medical institution alliances, respectively, and they directly settle payments with us. These customers included 79, 132, 199 and 275 lead hospitals that we assisted in establishing and operating on-site diagnostic centers for the provision of diagnostic testing services. For some medical institution alliances, there were member hospitals which did not directly enter into service and collaboration agreements with us but delivered their test samples to the on-site diagnostic centers at the corresponding lead hospitals. We provide services to these member hospitals according to the scope of services under the service and collaboration agreements we entered into with their corresponding lead hospitals and they settled payment with us through the corresponding lead hospitals. Under our diagnostic testing services for medical institution alliances we served a total of 267, 372, 450 and 693 medical institutions including lead hospitals and member hospitals altogether for the years ended December 31, 2018, 2019, 2020 and 2021, respectively.

As of the Latest Practicable Date, we had assisted in establishing and operating 322 on-site diagnostic centers, serving over 700 medical institutions under our diagnostic testing services for medical institution alliances.

SALES AND MARKETING

We adopt a direct sales model and establish a sales and marketing team of 266 personnel as of the Latest Practicable Date. We entered into service agreements directly with our customers during the Track Record Period. Our in-house sales and marketing team is mainly responsible for our marketing activities and regularly sponsors or participates in various academic conferences and seminars to promote our services. In addition, from time to time we also engage qualified and reputable third-party marketing service providers to promote our services to hospitals by visiting hospitals and organizing academic conferences.

During the Track Record Period, a majority of our revenue was generated from medical institutions located in the same provinces/municipalities as our ICLs, namely Guangdong, Sichuan, Shanghai, Anhui, Jiangxi and Yunnan. The following table sets forth a breakdown of our revenue by geographical location for the periods indicated.

	For the year ended December 31							
	2018		2019		2020		2021	
	Revenue	%	Revenue	%	Revenue	%	Revenue	%
	RMB in millions, except for percentage							
Region								
Guangdong	385.5	64.7	487.2	71.9	918.3	76.5	1,379.2	81.3
Sichuan	65.9	11.0	55.9	8.3	68.4	5.7	92.3	5.4
Shanghai	21.4	3.6	23,4	3.5	62.9	5.2	59.8	3.5
Anhui	17.7	3.0	13.5	2.0	35.7	3.0	50.2	3.0
Jiangxi	22.3	3.7	23.5	3.5	28.5	2.4	25.1	1.5
Yunnan	26.5	4.4	19.2	2.8	21.6	1.8	15.9	0.9
Henan	0.8	0.1	0.2	0.0	1.3	0.1	20.3	1.2
Jiangsu	15.8	2.6	11.9	1.8	11.7	1.0	10.0	0.6
Others	40.4	6.8	43.0	6.3	51.9	4.3	43.9	2.6
Total	596.3	100.0	677.8	100.0%	1,200.3	100.0%	1,696.7	100.0%

For details, see "Financial Information—Discussion of Key Items in Our Consolidated Statements of Comprehensive Income—Revenue."

RAW MATERIALS AND SUPPLIERS

During the Track Record Period, our major suppliers primarily consisted of suppliers of testing kits, raw materials, machinery and equipment and third-party marketing service providers. In addition, we also engage certain third-party laboratories as subcontractors to outsource a small portion of our testing services. We have maintained stable business relationships with our major suppliers for over five years.

Da An Gene Group, our connected person was our largest supplier throughout the Track Record Period. Our purchase amounts from Da An Gene Group were RMB80.1 million, RMB52.4 million, RMB81.9 million and RMB226.5 million for the years ended December 31, 2018, 2019, 2020 and 2021, respectively, representing 15.4%, 9.9%, 11.7% and 22.1% of our total purchases for the same period, respectively. In each of the years ended December 31, 2018, 2019 and 2020, our purchase amount from our five largest suppliers accounted for less than 30% of our total purchases. In 2021, our purchase amount from our five largest suppliers was RMB342.4 million, accounting for 33.4% of our total purchases. During each year of the Track Record Period, two of our five largest customers or suppliers are also our suppliers or customers during the same period. For details, see "Business—Suppliers and Procurement."

SUMMARY OF KEY FINANCIAL INFORMATION

The summary historical data of financial information set forth below have 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.

Summary of Key Items in Our Consolidated Statements of Comprehensive Income

	For the year ended December 31,							
	2018		2019		2020		2021	
	(RMB in thousands, except for percentages)							
Revenue	596,308	100.0%	677,826	100.0%	1,200,320	100.0%	1,696,740	100.0%
Cost of revenue[1]	(355,923)	(59.7)	(378,632)	(55.9)	(544,425)	45.4	(797,603)	(47.0)
Gross profit	240,385	40.3	299,194	44.1	655,895	54.6	899,137	53.0
Selling expenses	(187,080)	(31.4)	(192,655)	(28.4)	(219,015)	(18.2)	(273,304)	(16.1)
Administrative expenses	(104,639)	(17.5)	(112,749)	(16.6)	(104,753)	(8.7)	(152,078)	(9.0)
(Loss)/profit before income tax	(32,552)	(5.5)	(10,632)	(1.6)	322,828	26.9	451,220	26.6
(Loss)/profit from continuing operations	(28,744)	(4.8)	(11,389)	(1.7)	270,309	22.5	372,498	22.0
(Loss)/profit from discontinued operations[2]	(21,600)	(3.6)	(20,155)	(3.0)	(10,137)	(0.8)	9,395	0.6
(Loss)/profit for the year	(50,344)	(8.4)	(31,544)	(4.7)	260,172	21.7	381,893	22.5
(Loss)/profit attributable to:								
– Owners of our Company	(49,408)	(8.3)	(30,957)	(4.6)	255,334	21.3	380,932	22.5
– Non-controlling interests	(936)	(0.2)	(587)	–	4,838	0.4	961	0.1
	(50,344)	(8.4)	(31,544)	(4.7)	260,172	21.7	381,893	22.5
Total comprehensive (loss)/income for the year	(61,515)	(10.3)%	(21,157)	(3.1)%	275,977	23.0%	385,196	22.7

Notes:

(1) Our cost of revenue primarily consists of (i) staff costs; (ii) cost of reagents and pharmaceuticals consumed; and (iii) subcontracting costs, among others. For details, see "Financial Information—Description of Key Items in Our Consolidated Statements of Comprehensive Income—Cost of Revenue."

(2) (Loss)/profit from discontinued operations represents operating results derived from our hospital management business and research & development institution, both of which were disposed of in January 2021 as part of our Reorganization.

Business Sustainability

Historical Financials

We recorded accumulated losses of RMB83.3 million as of January 1, 2018. The accumulated loss as of January 1, 2018 was primarily due to the net losses from 2015 to 2017, which were attributable to (i) the lower gross profit margins from 2015 to 2017 primarily due to a significant portion of our diagnostic testing at that time were routine diagnostic tests, which generally have a lower gross profit margin, (ii) more selling expenses as we engaged more third-party marketing service providers to build up our sales network, and (iii) more administrative expenses attributable to (a) higher staff costs as we hired more employees to support our business and R&D activities; and (b) higher research and development expenses as the development of the Yunkang apps was expensed off in 2016 and 2017, among others. For details on our Yunkang apps, see "Business—Research and Development."

We recorded net losses attributable to the owners of our Company of RMB49.4 million and RMB31.0 million for the years ended December 31, 2018 and 2019, respectively. We have been able to shift our financial performance in 2020 and 2021, recording a net profit attributable to the owners of our Company of RMB255.3 million and RMB380.9 million, respectively. Our financial performance in 2018 and 2019 primarily reflected our efforts to promote our diagnostic testing services for medical institution alliances and to develop our diagnostic capabilities and platforms. We incurred substantial selling expenses and administrative expenses primarily because we conducted significant marketing and promotion activities to promote our medical operation services and we hired more employees to support our business expansion, among others.

Measures Taken

We have been taking the following measures to turnaround our business to be profit-making.

- ***Gradually shifting to tests with higher profit margins.*** In 2015, a significant portion of our diagnostic tests were routine diagnostic tests, which generally have a lower gross profit margin. Starting from 2016, we have gradually shifted our focus to infectious disease diagnostic tests, pathology tests and genetic disease diagnostic tests, which have a higher gross profit margin in light of their higher technical requirement. Our revenue generated from infectious disease diagnostic tests, pathology tests and genetic disease diagnostic tests (in aggregate) have increased steadily during the Track Record Period.

- ***Costs control.*** We have taken various measures to control our costs, in particular administrative expenses. We have streamlined our headcount, in particular in our IT department who were responsible for research and development activities. It decreased from 101 as of December 31, 2016 to 49 as of December 31, 2021, primarily because historically we engaged a number of employees to develop software and IT system for non-profit community health clinics which we gradually ceased to focus on. We have also decreased our R&D expenditure on reagent and pharmaceuticals consumed from RMB16.4 million in 2018 to RMB11.5 million in 2020 except there was a slight increase to RMB13.3 million in 2021 due to an overall business expansion as reflected in our revenue growth. Our consultancy and professional fees decreased from RMB18.5 million in 2019 to RMB11.5 million in 2021. The implementation of these cost control measures have resulted in a decrease in our administrative expenses as a percentage of revenue. In addition, we have improved our operational efficiency in terms of our in-house sales and marketing efforts, resulting in a steady decrease in our staff costs under selling expenses as a percentage of revenue.

- ***Quick response to COVID-19 tests demand.*** Leveraging our existing professional and standardized diagnostic capabilities and our experiences and insights in infectious disease diagnostic testing, we have been able to respond quickly to market demand for COVID-19 tests in 2020. We started to offer COVID-19 testing (nucleic acid testing) as early as January 2020. Our Guangzhou laboratory was included by the Guangdong Provincial Health Commission in the first batch of medical institutions with the COVID-19 nucleic acid testing capability.

- ***Expansion of on-site diagnostic centers.*** We also generated revenue from diagnostic testing services for medical institution alliances of RMB100.8 million, RMB166.1 million, RMB275.8 million and RMB619.4 million for the years ended December 31, 2018, 2019, 2020 and 2021, respectively. It reflected the expansion of our network of medical institution alliances. As of December 31, 2018, 2019, 2020 and 2021, we assisted in establishing and operating 79, 132, 199 and 275 on-site diagnostic centers, respectively.

As a result of the above, we have been able to turnaround our financials starting from 2020. In 2020, our gross profit and net profit amounted to RMB655.9 million and RMB260.2 million, respectively. In 2021, our gross profit and net profit amounted to RMB899.1 million and RMB381.9 million, respectively.

Directors' View

Our Directors are of the view that our business and profitability will maintain sustainable growth going forward, considering that:

Expected satisfactory growth of China's diagnostic testing services for medical institution alliances market.

China's diagnostic testing services for medical institution alliances market is expected to grow from RMB2,200.9 million in 2020 to RMB5,903.4 million in 2025 at a CAGR of 21.8%, which significantly outpaced the growth of the total China's medical operation service market, according to Frost & Sullivan. Through establishing on-site diagnostic centers at the lead hospitals, all the member hospitals within the same medical institution alliances can benefit from the standardized and professional diagnostic testing services provided and patients can be referred and directed to the most suitable medical institutions within the medical institution alliances based on their diagnostic testing results. We have been benefiting from the market growth historically, capturing a market share of 12.5% in terms of revenue in 2020 and we believe we will be able to continue to benefit from the market growth.

Expected continuous growth of China's diagnostic outsourcing service market.

According to Frost & Sullivan, there will also be significant market demand for our diagnostic outsourcing services, especially with respect to genetic disease diagnostic tests. As it is time- and cost-consuming for medical institutions to conduct these tests themselves, thus medical institutions will need to engage diagnostic outsourcing service providers for these tests. With our experience in providing various diagnostic testing services, especially in genetic disease diagnostic tests, we believe we can benefit from this market opportunity. According to Frost & Sullivan, China's diagnostic outsourcing service market is expected to grow from RMB28,494.0 million in 2020 to RMB42,042.7 million in 2025 at a CAGR of 8.1%.

Favorable laws and government policies.

Although it is expected the market demand for COVID-19 testing will gradually decrease as the COVID-19 outbreak in China is gradually alleviated, according to Frost & Sullivan, the COVID-19 outbreak has significantly enhanced awareness of diagnostic testing, especially with respect to infectious disease diagnostic tests. PRC governments also promulgated laws and policies, (such as the *Guidance on Promoting Medical Institution Alliances in China (關於推進醫療聯合體建設和發展的指導意見)* issued by the State Council ("**Guidance**"); the *Implementation Methods to Advance COVID-19 Nucleic Acid Tests (關於加快推進新冠病毒核酸檢測的實施意見) issued by the Disease Protection Bureau of CDC in China (中國疾病預防控制局)* ("**Implementation Methods**"); the *Interim Measures on Medical Institution Alliance Management (醫療聯合體管理辦法(試行))* issued by NHC ("**Interim Measures**"); and the *Notice on Continuous Improvement in the Management of Clinical Use of Antimicrobial Drugs (關於持續做好抗菌藥物臨床應用管理工作的通知)* issued by NHC ("**Notice**")), to encourage medical institutions to build up their diagnostic capacities, especially with respect to infectious diseases, as well as to join medical institution alliances to enhance the HDTS in China.

Since the Guidance was issued, we have been able to rapidly broaden our service network. The number of on-site diagnostic centers that we assisted in establishing and operating increased from 79 as of December 31, 2018 to 275 as of December 31, 2021. Moreover, with the *Interim Measures* that aims to accelerate the building of medical institution alliances, we are able to further promote diagnostic testing services for medical institution alliances by leveraging our established services platform. In addition, following the Implementation Measures and the Notice, we started to assist in establishing infectious disease diagnostic centers since 2020, having established 17 and 67 as of December 31, 2020 and 2021, respectively. According to Frost & Sullivan, currently there are over 8,000 medical institutions and ICLs that can provide such COVID-19 testing services, including over 800 in Guangdong province. As of the Latest Practicable Date, all of our six ICLs had obtained the PCR testing qualification for provision of COVID-19 tests, enabling them to serve these medical institutions.

Our early years' investments and economies of scale.

Our accumulated losses as of January 1, 2018 was primarily due to the net losses from 2015 to 2017. With our investments during these years gradually paying off and our gradual shift to diagnostic tests with higher gross profit margin, our business has experienced rapid growth. For example, the total number of diagnostic tests performed for all test types increased from 8.8 million in 2018 to 53.2 million in 2021, in which infectious disease diagnostic tests and pathology tests accounted for about 36% in 2018 to about 91% in 2021. Such increase in testing volume has enabled us to enjoy economies of scale and the average monthly number of diagnostic tests per staff related to our diagnostic testing services has increased since 2018, which in particular, for non-COVID-19 tests, increased from about 1,075 in 2018 to about 1,126 in 2021. As such, we believe we can achieve sustainable growth going forward.

For details, see "Financial Information—Business Sustainability."

Summary of Key Items in Our Consolidated Statements of Financial Position

	As of December 31,			
	2018	2019	2020	2021
	(RMB in thousands)			
Non-current assets				
Property and equipment	99,920	102,692	277,052	485,200
Intangible assets	39,726	55,095	6,509	5,675
Investments accounted for using the equity method	3,520	21,559	20,000	–
Prepayments and other receivables	288,000	400,620	10,000	17,227
Financial assets at fair value through other comprehensive income(1)	53,778	187,627	108,700	110,004
Financial assets at fair value through profit or loss(1)	47,532	57,362	59,244	58,243
Deferred income tax assets	24,412	25,739	40,182	35,809
	556,888	850,694	521,687	712,158
Current assets				
Inventories	17,191	15,156	24,553	41,697
Trade receivables	230,599	260,405	484,514	825,301
Prepayments and other receivables	27,519	48,736	351,048	44,416
Financial assets at fair value through profit or loss ("FVTPL")(1)	–	–	150,000	–
Restricted cash	30,004	30,300	42,041	31,146
Cash and cash equivalents	400,380	63,955	335,835	800,695
	705,693	418,552	1,387,991	1,743,255
Assets associated with the Disposal Group	–	–	47,053	–
	705,693	418,552	1,435,044	1,743,255
Total assets	1,262,581	1,269,246	1,956,731	2,455,413
Equity attributable to owners of our Company				
Share capital and share premium	–	7	1,395	21,126
Other reserves	929,194	939,388	954,899	955,382
(Accumulated losses)/retained earnings	(132,763)	(163,720)	91,614	475,196
	796,431	775,675	1,047,908	1,451,704
Non-controlling interests	15,126	14,732	18,476	(124)
Total equity	811,557	790,407	1,066,384	1,451,580
Non-current liabilities				
Borrowings	59,001	49,722	50,904	82,363
Deferred revenue	4,450	5,875	150	–
Lease liabilities	13,352	6,138	8,550	44,162
Deferred income tax liabilities	52	5,131	11,477	6,470
	76,855	66,866	71,081	132,995
Current liabilities				
Borrowings	128,070	136,526	421,272	208,322
Trade and other payables	233,657	258,208	328,569	556,663
Current income tax liabilities	1,088	1,282	33,149	71,932
Lease liabilities	11,354	15,957	16,500	27,171
Deferred revenue	–	–	7,175	6,750
	374,169	411,973	806,665	870,838
Liabilities associated with Disposal Group	–	–	12,601	–
	374,169	411,973	819,266	870,838
Total liabilities	451,024	478,839	890,347	1,003,833
Net current assets	331,524	6,579	615,778	872,417
Net assets	811,557	790,407	1,066,384	1,451,580

Note:

(1) During the Track Record Period, we invested and held minority interests in six companies with the view of developing our presence in the healthcare industry. Three of these companies primarily engage in healthcare related consulting services and the other three of these companies primarily engage in investment management business covering a full range of medical operation services. Besides, the Group invested in wealth management products for investment gains. These minority interests were recorded as financial assets at FVOCI or financial assets at FVTPL. For details, see "Financial Information—Description of Certain Items in the Consolidated Statements of Financial Position."

Net Current Assets

Our net current assets decreased from RMB331.5 million as of December 31, 2018 to RMB6.6 million as of December 31, 2019, primarily due to (i) a decrease in cash and cash equivalents; and (ii) an increase in trade and other payables, partially offset by increases in trade receivables and prepayments to suppliers.

Our net current assets increased from RMB6.6 million as of December 31, 2019 to RMB615.8 million as of December 31, 2020, primarily due to (i) an increase in trade receivables; (ii) an increase in prepayments and other receivables due to the prepayment for the construction materials for our new headquarters in Guangzhou; and (iii) an increase in cash and cash equivalents, partially offset by increases in trade and other payables, among others.

Our net current assets increased by 41.7% from RMB615.8 million as of December 31, 2020 to RMB872.4 million as of December 31, 2021, primarily due to (i) an increase in cash and cash equivalents and an increase in trade receivables, and was partially offset by a decrease in prepayments and other receivable; and (ii) a decrease in borrowings, partially offset by increases in trade and other payables, among others.

Net Assets

As of January 1, 2018, our net assets were RMB873.1 million. Our net assets decreased to RMB811.6 million as of December 31, 2018, primarily reflecting loss for the year of 2018 and negative changes in fair value of equity investments at FVOCI, net of tax.

Our net assets slightly decreased from RMB811.6 million as of December 31, 2018 to RMB790.4 million as of December 31, 2019, primarily reflecting our loss for the year of 2019, which was partially offset by positive changes in fair value of equity investments at FVOCI, net of tax.

Our net assets increased from RMB790.4 million as of December 31, 2019 to RMB1,066.4 million as of December 31, 2020, primarily reflecting our profit for the year of 2020 and positive changes in fair value of equity investments at FVOCI, net of tax.

Our net assets increased from RMB1,066.4 million as of December 31, 2020 to RMB1,451.6 million as of December 31, 2021, primarily reflecting our profit for the same period and positive changes in fair value of equity investments at FVOCI, net of tax.

Summary of Key Items in Our Consolidated Cash Flow Statement

	For the year ended December 31,			
	2018	**2019**	**2020**	**2021**
	(RMB in thousands)			
Cash generated from operations	34,946	21,362	236,035	414,890
PRC enterprises income tax paid	(574)	(320)	(11,088)	(44,805)
Discontinued operations	(17,991)	(16,195)	(21,863)	(626)
Net cash generated from operating activities	16,381	4,847	203,084[1]	369,459
Net cash generated from/(used in) investing activities	97,381	(322,815)	(191,094)	310,722
Net cash generated from/(used in) financing activities	98,791	(18,457)	260,992	(215,321)
Net increase/(decrease) in cash and cash equivalents	212,553	(336,425)	272,982	464,860
Cash and cash equivalents at beginning of year	187,827	400,380	63,955	335,835
Cash and cash equivalents of discontinued operations	–	–	(1,102)	–
Cash and cash equivalents at end of the year	400,380	63,955	335,835	800,695

Note:

1. Our net cash generated from operating activities was RMB203.1 million in 2020, reflecting cash generated from continuing operations of RMB236.0 million, as adjusted for non-cash and non-operating items and cash used in discontinued operations of RMB21.9 million. Adjustments for non-cash and non-operating items primarily included depreciation of property and equipment of RMB32.7 million and finance costs of RMB19.2 million. The amount was further adjusted for negative working capital changes, including an increase in trade receivables of RMB230.1 million, partially offset by (i) an increase in trade and other payables of RMB81.7 million; and (ii) a decrease in prepayments and other receivables of RMB15.9 million.

Key Financial Ratios

	For the year ended/ As of December 31,			
	2018	**2019**	**2020**	**2021**
Gross profit margin[1]	40.3%	44.1%	54.6%	53.0%
Current ratio[2]	1.9	1.0	1.8	2.0
Quick ratio[3]	1.8	1.0	1.7	2.0
Gearing ratio[4]	0.3	0.3	0.5	0.3

Notes:

(1) Gross profit margin is calculated based on gross profit divided by revenue and multiplied by 100%. Our gross profit margin increased from 44.1% in 2019 to 53.0% for the year ended December 31, 2021 primarily because of (i) the COVID-19 tests we performed, which generally have a higher profit margin, and (ii) economies of scale we achieved.

(2) Current ratio is calculated based on total current assets divided by total current liabilities. Our current ratio decreased from 1.9 as of December 31, 2018 to 1.0 as of December 31, 2019, primarily due to a decrease in cash and cash equivalents. Our current ratio increased from 1.0 as of December 31, 2019 to 1.8 as of December 31, 2020 and further increased to 2.0 as of December 31, 2021 primarily attributable to a decrease in borrowings and an increase in current assets as a result of increases in cash and cash equivalents and trade receivables.

(3) Quick ratio is calculated based on total current assets less inventories divided by total current liabilities. Our quick ratio decreased from 1.8 as of December 31, 2018 to 1.0 as of December 31, 2019, primarily due to a decrease in cash and cash equivalents. Our quick ratio increased from 1.0 as of December 31, 2019 to 1.7 as of December 31, 2020, and further increased to 2.0 as of December 31, 2021, primarily due to a decrease in borrowings and an increase in cash and cash equivalents and trade receivables.

(4) Gearing ratio is calculated by the total debt (which includes payables incurred not in the ordinary course of business), representing borrowings and lease liabilities divided by the total equity as at the end of each year and multiplied by 100%. The increase of our gearing ratio as of December 31, 2020 was primarily due to an increase in our bank borrowings as of December 31, 2020. Our gearing ratio decreased to 0.3 as of December 31, 2021 primarily due to a decrease in borrowings.

For details, see "Financial Information—Key Financial Ratios."

IMPACT OF THE COVID-19 OUTBREAK

Starting in January 2020, in response to the COVID-19 outbreak in China, the PRC government has introduced a series of measures, such as extending the Chinese New Year holidays and encouraging residents to work from home, in efforts to contain the outbreak. As a result of the COVID-19 outbreak, there were increasing market demands for COVID-19 tests in China. Observing these market demands, we started to offer COVID-19 tests in early 2020. In 2020 and 2021, we completed 7.5 million and 44.5 million COVID-19 tests, respectively. The offering of COVID-19 tests has a positive impact on our business. As a result, our total revenue increased by 77.1% from RMB677.8 million in 2019 to RMB1,200.3 million in 2020, primarily due to an increase in revenue generated from diagnostic outsourcing services, driven by an increase in revenue from infectious disease diagnostic tests, and diagnostic testing services for medical institution alliances. In 2020, we generated revenue of RMB547.1 million and gross profit of RMB347.7 million from COVID-19 tests, representing 45.6% of our total revenue and 53.0% of our gross profit for the same period, respectively. Our revenue and gross profit from COVID-19 tests further increased by 80.2% and 61.0% to RMB985.7 million and RMB560.0 million for the year ended December 31, 2021, representing 58.1% of our total revenue and 62.3% of our gross profit for the same period, respectively.

We cannot guarantee that the market demands for COVID-19 tests will continue to maintain at a high level. See "Risk Factors—Risks Relating to Our Financial Position and Prospects—Our revenue from COVID-19 tests may decrease in the future."

RISK FACTORS

Our operations and the [**REDACTED**] involve certain risks and uncertainties, 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 (i) our revenue from COVID-19 tests may decrease in the future; (ii) we incurred significant net losses in 2018 and 2019. Although we recorded net profit in 2020 and 2021, our historical financial and operating results may not be indicative of our future performance, and we may not be able to achieve and sustain the historical level of revenue growth and profitability; (iii) our financial prospects depends on the success of our service portfolio; (iv) we may need to obtain substantial financing for our operations; (v) if we cannot maintain existing relationships with our customers, or cannot expand our customer base in the future, our results of operations and prospects could be adversely affected; and (vi) if the PRC government deems that the Contractual Arrangements do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests received through the Contractual Arrangements.

OUR CONTROLLING SHAREHOLDERS

Immediately after the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), YK Development and Daan International will be interested in approximately [**REDACTED**]% and [**REDACTED**]% of the total issued share capital of our Company, respectively. YK Development is ultimately controlled by Mr. Zhang Yong, and Daan International is wholly-owned by Guangzhou Daan Gene Technology Co., Ltd (廣州市達安基因科技有限公司) ("**Guangzhou Daan Gene**") and ultimately controlled by Da An Gene, whose shares are listed on the Shenzhen Stock Exchange (stock code: 002030). Therefore, Mr. Zhang Yong, Daan International, Guangzhou Daan Gene and Da An Gene will be the Controlling Shareholders of the Company upon [**REDACTED**] as defined under the Listing Rules.

In addition, YK Development is an investment vehicle and is held as to approximately 64.04%, 23.47%, 6.95%, 3.04%, 0.50% and 2.00%, by Huizekx Limited, Mouduans Limited, Tongfuzc Limited, WJJR Investment Limited, Jin Jun Ying Limited and Source Capital RW Limited, respectively. Pursuant to paragraph 3.4.3 of HKEX-GL89-16, Mr. Zhang Yong and YK Development are a group of controlling shareholders of the Company together with Huizekx Limited, Mouduans Limited, Tongfuzc Limited, WJJR Investment Limited, Jin Jun Ying Limited and Source Capital RW Limited.

CONTRACTUAL ARRANGEMENT

Our Company is incorporated in the Cayman Islands and we control Yunkang Industry through a series of contractual arrangements entered into by, among others, WFOE and the Registered Shareholders. We are engaged in the provision of clinical genetic testing service and medical outpatient service where foreign investors are prohibited or restricted from holding equity interest pursuant to applicable PRC laws and regulations. Besides, Yunkang Industry holds an ICP license for value-added telecommunications service. Under the applicable PRC laws and regulations, foreign investors are not allowed to hold more than 50% of the equity interests in an enterprise providing value-added telecommunications service. To comply with the relevant PRC laws and regulations, we entered into a series of Contractual Arrangements with Yunkang Industry and its Registered Shareholders on October 22, 2019 which were restated and amended on December 29, 2020 and February 24, 2021. The underlying operating subsidiaries (the "**Operating Subsidiaries**") of Yunkang Industry became parties of the Contractual Arrangements on February 4, 2022. Pursuant to the Contractual Arrangements we acquired effective control over the Consolidated Affiliated Entities and consolidated the results of the Consolidated Affiliated Entities. For details, see "Contractual Arrangements" and "Risk Factors—Risks Relating to Contractual Arrangements."

[**REDACTED**] STATISTICS

The statistics in the following table are based on the assumptions that the Share Subdivision and the [**REDACTED**] are completed and [**REDACTED**] shares are issued in the [**REDACTED**], without taking into account any exercise of the [**REDACTED**].

	Based on an [REDACTED] of HK$[REDACTED] per Share
[**REDACTED**] of our Shares(1)	HK$[**REDACTED**] million
Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share(2)	HK$[**REDACTED**]

Notes:

(1) The calculation of [**REDACTED**] is based on a total of [**REDACTED**] Shares in issue immediately upon completion of the [**REDACTED**], without taking into account any exercise of the [**REDACTED**].

(2) The unaudited pro forma adjusted net tangible assets attributable to owners of the Company per Share is calculated after making adjustments referred to in "Appendix II— [**REDACTED**]" to this document.

[**REDACTED**]

[**REDACTED**]

DIVIDENDS

During the Track Record Period, the Company did not pay or declare any dividend. Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Companies Act. In addition, our Directors may from time to time pay such interim dividends as our Board considers to be justified by our profits and overall financial requirements, or special dividends of such amounts and on such dates as they think appropriate. No dividend shall be declared or payable except out of our profits, retained earnings or share premium, subject to a solvency test being satisfied.

Future dividend payments will also depend upon the availability of dividends received from our subsidiaries in China. PRC laws require enterprises incorporated in the PRC to set aside at least 10% of their after-tax profits based on the relevant accounting standards set out by the PRC regulatory authorities at the end of each year to fund certain statutory reserves until the statutory reserves reach and remain at or above 50% of the relevant PRC entity's registered capital. Distributions from our subsidiaries may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

[**REDACTED**]

The estimated total [**REDACTED**] (including [**REDACTED**] and other estimated expenses incurred in connection with the [**REDACTED**]) in relation to the [**REDACTED**] are approximately RMB[**REDACTED**] million, or HK$[**REDACTED**] million, representing approximately [**REDACTED**]% of the gross [**REDACTED**] from the [**REDACTED**], based on a fixed [**REDACTED**] of HK$[**REDACTED**]. Among the total [**REDACTED**], approximately RMB[**REDACTED**] million, or HK$[**REDACTED**] million is expected to be borne by us and approximately RMB[**REDACTED**] million, or HK$[**REDACTED**] million is expected to be borne by the [**REDACTED**]. Approximately RMB[**REDACTED**] million, or HK$[**REDACTED**] million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income, and approximately RMB[**REDACTED**] million, or HK$[**REDACTED**] million is expected to be accounted for as a deduction from equity upon the [**REDACTED**]. [**REDACTED**] to be borne by us include (i) [**REDACTED**] expenses, including [**REDACTED**], of RMB[**REDACTED**] million or HK$[**REDACTED**] million; (ii) fees and expenses of legal advisors and Reporting Accountants of RMB[**REDACTED**] million, or HK$[**REDACTED**] million; and (iii) other fees and expenses of RMB[**REDACTED**] million, or HK$[**REDACTED**] million. In 2020 and 2021, we incurred [**REDACTED**] of RMB[**REDACTED**] million and RMB[**REDACTED**] million, respectively. The [**REDACTED**] above are the latest practicable estimate for reference only, and the actual amount may differ from this estimate. Our Directors do not expect such [**REDACTED**] to have a material adverse impact on our results of operations for the years ending December 31, 2022.

NON-COMPLIANCE

During the Track Record Period, we did not make full social insurance and housing provident fund contributions for certain employees. As advised by our PRC Legal Advisers, the likelihood that we would be required by relevant authorities to pay any shortfall for social insurance is remote, and the likelihood that we would be subject to material administrative penalties by relevant authorities is remote. Save as disclosed in the section headed "Business—Legal Proceedings and Regulatory Compliance," we are advised by our PRC Legal Advisers that, during the Track Record Period and as of the Latest Practicable Date, we had complied with relevant PRC laws and regulations in all material respects. For details, see "Business—Legal Proceedings and Regulatory Compliance—Social Insurance and Housing Provident Funds."

RECENT REGULATORY DEVELOPMENTS IN CHINA

In 2021, the PRC governments enacted several laws and regulations in relation to data security and personal information protection, details of which are summarized as follows.

- The SCNPC promulgated the Data Security Law of the PRC (《中華人民共和國數據安全法》) (the "**Data Security Law**") on June 10, 2021, which came into effect on September 1, 2021. The Data Security Law applies to data processing activities, including the collection, storage, use, processing, transmission, availability and disclosure of data, and security supervision of such activities within the territory of the PRC. According to the Data Security Law, whoever carries out data processing activities shall establish a sound data security management system throughout the whole process, organize data security education and training, and take corresponding technical measures and other necessary measures to ensure data security. Important data shall also be categorized and protected more strictly.

- The Administrative Provisions on Security Vulnerability of Network Products (《網絡產品安全漏洞管理規定》) (the "**Provisions**") was jointly promulgated by the Ministry of Industry and Information Technology, the Cyberspace Administration for China and the Ministry of Public Security on July 12, 2021 and came into effect on September 1, 2021. Pursuant to the Provisions, an operator of critical information infrastructure shall (i) establish and improve the cyber security protection system and responsibility system, and ensure the input of manpower, financial and material resources; (ii) set up a special security management department, and review the security background of the person in charge of the special security management department and the personnel in key positions; (iii) guarantee the operation funds of the special security management department, allocate corresponding personnel, and have the personnel of the special security management department participate in the decision-making relating to cyber security and informatization; and (iv) give priority to the purchase of safe and reliable network products and services; network products and services procured that may affect the national security shall be subject to the security review in accordance with the national provisions on network security.

- The Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) (the "**Personal Information Protection Law**"), issued on August 20, 2021 by the SCNPC provided a comprehensive personal information protection system, under which in case of any personal information processing, individual prior consent must be obtained except in other circumstances stipulated therein to the contrary. Further, any data processing activities in relation to sensitive personal information including biometrics, religious beliefs, specific identities, medical health, financial accounts, whereabouts, personal information of teenagers under fourteen years old and other personal information once leaked or illegally used might easily lead to the infringement of personal dignity or harm of personal and property safety, are only allowed provided such activities are purpose-specified, highly necessary and strictly protected.

Although we, as a diagnostic testing service provider in China, do not directly collect personal information from individuals or process personal data, we may have limited access to personal information provided by our clients, namely medical institutions, who ultimately control and use individuals' data. As such, we may be subject to these recently enacted laws and regulations. We have in place various internal control measures on data privacy and personal information protection. For details, see "Business—Data Privacy and Protection." Considering that we are not directly involved in processing personal information which is instead processed and controlled by the medical institutions and we only have access to a limited amount of personal information, our Directors are of the view that these newly-enacted laws do not have a material and adverse impact on our business and operations. Our PRC Legal Advisors are of the view that, we have not been subject to any penalties or claims for violating the applicable PRC laws and regulations and we are in compliance with these laws and regulations in all material aspects. For details, see "Risk Factors—Risks Relating to Our Operations—Our business is subject to a variety of laws, rules, policies and other obligations regarding data protection."

More recently, certain draft regulations are issued in China, which include the following:

PRC Laws and Regulations relating to Overseas Listing

On December 24, 2021, the CSRC, together with other relevant government authorities in China issued the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)), and the Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (境內企業境外發行上市備案管理辦法(徵求意見稿)) (collectively the "**Draft VIE Regulations**"). The Draft VIE Regulations, if adopted in their current forms, will regulate both direct and indirect overseas offering and listing of PRC domestic companies' securities by adopting a filing-based regulatory regime. Please refer to "Contractual Arrangements—Background—PRC Laws and Regulations relating to Overseas Listing" for details.

In addition, on December 27, 2021, the NDRC published the latest revisions to the Special Administrative Measures for Access of Foreign Investment (Negative List) (the "**2021 Negative List**" or the "**Negative List on Access to Foreign Investment**"). Article 6 of the Interpretation Note of the 2021 Negative List ("**Article 6**") provides that "where a domestic enterprise engaged in the business in the prohibited areas of the Negative List on Access to Foreign Investment seeks to issue and list its shares overseas ("**Overseas Issuance and Listing by a Domestic Enterprise under 2021 Negative List**"), it shall complete the examination process and obtain approval of the relevant competent authorities of the State, the foreign investor shall not participate in the operation and management of the enterprise, and its shareholding percentage shall be subject to the relevant provisions on the administration of domestic securities investment by foreign investors." Please refer to "Contractual Arrangements—Background—PRC Laws and Regulations Relating to Overseas Listing" for details.

Our PRC Legal Advisors have advised that (1) as of the Latest Practicable Date, the [**REDACTED**] is not required to obtain any examination and approval from the CSRC and/or the relevant industry authorities in accordance with the relevant laws and regulations currently in effect explicitly; (2) if the Draft VIE Regulations become effective in their current forms, the Company is not required to complete any examination/filing procedures and/or obtain approval from the CSRC before the [**REDACTED**], provided that the Company has completed the [**REDACTED**] Committee hearing at the time the Draft VIE Regulations became effective; and (3) as confirmed by the CSRC, the [**REDACTED**] does not constitute an Overseas Issuance and [**REDACTED**] by a Domestic Enterprise under 2021 Negative List and, therefore, the Company is not required to complete any examination/filing procedures and/or obtain approval from the CSRC and/or the relevant industry authorities under Article 6 of the 2021 Negative List.

Further, our PRC Legal Advisors have conducted a full legal due diligence for the purpose of examining whether the Company is able to comply with the Draft VIE Regulations if they are implemented in their current forms. On the basis, details of which have been disclosed in the section headed "Contractual Arrangements," we and our PRC Legal Advisors do not foresee there would be any material legal obstacles for us to comply with each provision of the Draft VIE Regulations after they are implemented in their current forms.

Cybersecurity Regulations

On December 28, 2021, the Cyberspace Administration of China ("**CAC**") jointly with other government authorities released the revised Measures for Cybersecurity Reviews ("**Revised Measures**"), which came into force on February 15, 2022. Based on Article 7 of the Revised Measures, a network platform operator that has the personal information of more than one million users is required to apply for a cybersecurity review when it seeks to [**REDACTED**].

On January 11, 2022, our PRC Legal Advisers and the PRC legal advisers to the Joint Sponsors conducted a phone consultation with the China Cybersecurity Review Technology and Certification Center (the "**Center**"), the Center confirmed that Hong Kong [**REDACTED**] is not subject to the cybersecurity review requirement of the Revised Measures. As such, we believe, as advised by our PRC Legal Advisers, that we are not required to file an application for cybersecurity review under Article 7.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

As of the Latest Practicable Date, we entered into service and collaboration agreements and assisted in establishing and operating 322 on-site diagnostic centers in China.

In 2022, we expect that there would be a decrease in our net profit as less COVID-19 tests would be conducted with the gradual alleviation of the COVID-19 pandemic.

We have opened new ICLs located in Jinan, Shantou, Foshan and Zhuhai in early 2022 and are in preparation to open a new ICL located in Baiyun District of Guangzhou, which is expected to be completed in the second quarter of 2022. In addition, we are preparing to open several more ICLs in Shenzhen, Dongguan, Nanning and Huizhou in the second half of 2022.

Although there has been an increasing COVID-19 vaccination rate in the PRC, we believe it will not materially impact the demand for COVID-19 tests due to the following reasons.

- *Mutant Strains of COVID-19.* Starting from May 2020, several variant mutant strains have emerged globally and caused a recent wave of COVID-19 infections in several provinces in China. According to Frost & Sullivan, it is reported that the current vaccination schedule cannot protect fully from the infection of mutant strains (in particular, the Omicron variant) of COVID-19 diseases. These various mutant strain COVID-19 diseases will continue to grow the demand for COVID-19 tests.

- *Full Screening Process.* In order to prevent the spread of COVID-19, especially the mutant strains, which are generally more transmissible, many local governments in the PRC have conducted full screening projects for all the citizens and residents in the city or town, regardless of whether they have been fully vaccinated or not. For example, the local government of Guangzhou conducted full screening during the COVID-19 outbreak in May 2021 and the local government of Shanghai started the full screening project during the wave of the Omicron variant wave in April 2022. Thus, the demand for COVID-19 tests will not be materially affected by the increasing vaccination rate.

- *High Vaccinated Rate Countries with Fluctuation of Daily Confirmed New Cases.* As of December 31, 2021, the vaccination rate of people who received the first vaccine shot in United Kingdom and United States were 90.1% and 73%, respectively, according to Frost & Sullivan. However, their daily new confirmed COVID-19 cases did not decrease with the increasing vaccination rate. For example, according to the same source, United Kingdom recorded approximately 3,100 new confirmed cases on June 1, 2021 and increased to approximately 186,787 new confirmed cases on December 31, 2021. While in United States, the daily new confirmed cases varied from approximately 3,700 to 387,553 during the same period. Therefore, the demand for COVID-19 tests may not be materially affected by the increasing vaccination rate.

To meet the needs of our growing business in China, we plan to build our new headquarters in Guangzhou. We have entered into a collaboration agreement with a third-party developer for the construction and development of the new headquarters. We plan to fund our new headquarters using our operating cash inflows and bank loans. To date, we have obtained the construction permit and initiated the preliminary construction.

Considering that (i) the number of diagnostic tests we conducted increased significantly in 2021 as compared to that in 2020; and (ii) there have been no other incidents or events that have caused a material adverse impact on our business operation, and after reviewing the management accounts of the Group for the three months ended March 31, 2022, our Directors confirm after due and careful consideration, there has been no material and adverse change in our financial, operational or [**REDACTED**], prospects since December 31, 2021, being the latest date of our consolidated financial statements as set out in "Appendix I—Accountant's Report," and up to the date of this document.