The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this document. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of HKSIR 200, Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.

[Letterhead of PricewaterhouseCoopers] **[DRAFT]**

ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF YUNKANG GROUP LIMITED AND CMB INTERNATIONAL CAPITAL LIMITED AND SPDB INTERNATIONAL CAPITAL LIMITED

Introduction

We report on the historical financial information of Yunkang Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-85, which comprises the consolidated statements of financial position as at December 31, 2018, 2019, 2020 and 2021, the statements of financial position of the Company as at December 31, 2018, 2019, 2020 and 2021, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2018, 2019, 2020 and 2021 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-85 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "Document") in connection with the [**REDACTED**] on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountant's responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at December 31, 2018, 2019, 2020 and 2021 and the consolidated financial position of the Group as at December 31, 2018, 2019, 2020 and 2021 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to Note 33 to the Historical Financial Information which states that no dividends have been paid by Yunkang Group Limited in respect of the Track Record Period.

No statutory financial statements for the Company

No statutory financial statements have been prepared for the Company since its date of incorporation.

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong
[Date]

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "Underlying Financial Statements").

The Historical Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand of RMB("RMB'000") except when otherwise indicated.

Consolidated statements of comprehensive income

	Note	Year ended December 31, 2018	2019	2020	2021
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Continuing operations					
Revenue	*5*	596,308	677,826	1,200,320	1,696,740
Cost of revenue	*8*	(355,923)	(378,632)	(544,425)	(797,603)
Gross profit		240,385	299,194	655,895	899,137
Selling expenses	*8*	(187,080)	(192,655)	(219,015)	(273,304)
Administrative expenses	*8*	(104,639)	(112,749)	(104,753)	(152,078)
Net impairment losses on financial assets	*3*	(117)	(6,386)	(5,315)	(23,073)
Other income	*6*	22,513	6,115	14,056	7,869
Other losses	*7*	(851)	(289)	(1,288)	(1,121)
Fair value changes on financial assets at fair value through profit or loss	*23(b)*	2,532	9,830	1,882	264
Operating profit		(27,257)	3,060	341,462	457,694
Finance income	*10*	437	1,188	2,123	10,751
Finance costs	*10*	(5,247)	(12,919)	(19,198)	(17,225)
Finance costs – net	*10*	(4,810)	(11,731)	(17,075)	(6,474)
Share of net loss of associates accounted for using the equity method	*17*	(485)	(1,961)	(1,559)	–
(Loss)/profit before income tax		(32,552)	(10,632)	322,828	451,220
Income tax credit/(expenses)	*11*	3,808	(757)	(52,519)	(78,722)
(Loss)/profit from continuing operations		(28,744)	(11,389)	270,309	372,498
(Loss)/profit from discontinued operations	*13*	(21,600)	(20,155)	(10,137)	9,395
(Loss)/profit for the year		(50,344)	(31,544)	260,172	381,893
Other comprehensive (loss)/income, net of tax					
Items that will not be reclassified to profit or loss					
– Changes in the fair value of financial assets at fair value through other comprehensive income, net of tax	*23(a)*	(11,171)	10,387	15,805	3,303
Total comprehensive (loss)/income for the year		(61,515)	(21,157)	275,977	385,196

		Year ended December 31,			
	Note	**2018**	**2019**	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
(Loss)/profit attributable to:					
– Owners of the Company		(49,408)	(30,957)	255,334	380,932
– Non-controlling interests		(936)	(587)	4,838	961
		(50,344)	(31,544)	260,172	381,893
Total comprehensive (loss)/income attributable to:					
– Owners of the Company		(60,371)	(20,763)	270,845	384,065
– Non-controlling interests		(1,144)	(394)	5,132	1,131
		(61,515)	(21,157)	275,977	385,196
Total comprehensive (loss)/income for the year attributable to owners of the Company arises from:					
– Continuing operations		(39,173)	(983)	280,793	374,833
– Discontinued operations	*13*	(21,198)	(19,780)	(9,948)	9,232
		(60,371)	(20,763)	270,845	384,065
(Losses)/earnings per share for (loss)/profit from continuing operations attributable to the owners of the Company					
– Basic and diluted (in RMB)	*12*	(0.06)	(0.02)	0.54	0.75
(Losses)/earnings per share for (loss)/profit attributable to the owners of the Company					
– Basic and diluted (in RMB)	*12*	(0.10)	(0.06)	0.52	0.77

Consolidated statements of financial position

		As at December 31,			
	Note	**2018**	**2019**	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets					
Non-current assets					
Property and equipment	*14*	99,920	102,692	277,052	485,200
Intangible assets	*15*	39,726	55,095	6,509	5,675
Investments accounted for using the equity method	*17*	3,520	21,559	20,000	–
Prepayments and other receivables	*22*	288,000	400,620	10,000	17,227
Financial assets at fair value through other comprehensive income ("FVOCI")	*23(a)*	53,778	187,627	108,700	110,004
Financial assets at fair value through profit or loss ("FVTPL")	*23(b)*	47,532	57,362	59,244	58,243
Deferred income tax assets	*18*	24,412	25,739	40,182	35,809
		556,888	850,694	521,687	712,158
Current assets					
Inventories	*19*	17,191	15,156	24,553	41,697
Trade receivables	*21*	230,599	260,405	484,514	825,301
Prepayments and other receivables	*22*	27,519	48,736	351,048	44,416
Financial assets at fair value through profit or loss ("FVTPL")	*23(b)*	–	–	150,000	–
Restricted cash	*24*	30,004	30,300	42,041	31,146
Cash and cash equivalents	*24*	400,380	63,955	335,835	800,695
		705,693	418,552	1,387,991	1,743,255
Assets associated with the Disposal Group	*13*	–	–	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

	Note	As at December 31, 2018	2019	2020	2021
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity					
Equity attributable to owners of the Company					
Share capital and share premium	*25*	–*	7	1,395	21,126
Other reserves	*26*	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
Liabilities					
Non-current liabilities					
Borrowings	*28*	59,001	49,722	50,904	82,363
Deferred revenue	*27*	4,450	5,875	150	–
Lease liabilities	*16*	13,352	6,138	8,550	44,162
Deferred income tax liabilities	*18*	52	5,131	11,477	6,470
		76,855	66,866	71,081	132,995
Current liabilities					
Borrowings	*28*	128,070	136,526	421,272	208,322
Trade and other payables	*29*	233,657	258,208	328,569	556,663
Current income tax liabilities		1,088	1,282	33,149	71,932
Lease liabilities	*16*	11,354	15,957	16,500	27,171
Deferred revenue	*27*	–	–	7,175	6,750
		374,169	411,973	806,665	870,838
Liabilities associated with the Disposal Group	*13*	–	–	12,601	–
		374,169	411,973	819,266	870,838
Total liabilities		451,024	478,839	890,347	1,003,833
Total equity and liabilities		1,262,581	1,269,246	1,956,731	2,455,413

* The balance represents an amount less than RMB1,000.

Statements of financial position of the Company

		As at December 31,			
	Note	**2018**	**2019**	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets					
Non-current assets					
Investment in a subsidiary *(i)*		–*	784,346	785,734	805,465
Current assets					
Prepayments	22	–	–	4,010	9,426
Amount due from shareholders		–*	7	7	7
		–	7	4,017	9,433
Total assets		–*	784,353	789,751	814,898
Equity					
Equity attributable to owners of the Company					
Share capital and share premium	25	–*	7	1,395	21,126
Other reserves	26	–	784,346	784,346	784,346
Accumulated losses		–	–	(12,047)	(45,528)
Total equity		–*	784,353	773,694	759,944
Liabilities					
Current liabilities					
Trade and other payables	29	–	–	16,057	54,954
Total liabilities		–	–	16,057	54,954
Total equity and liabilities		–*	784,353	789,751	814,898

* The balance represents an amount less than RMB1,000.

(i) Investment in a subsidiary represents the investment in YK HK and subsequently with the completion of the Reorganization (Note 1.2), the increases in the investment were measured at the carrying amounts of the non-controlling equity interests at each acquisition date. Please refer to note 25(c) for details.

Consolidated statements of changes in equity

		Attributable to owners of the Company					
	Note	**Share capital and share premium**	**Other reserves**	**(Accumulated losses)/retained earnings**	**Subtotal**	**Non-controlling interests**	**Total**
		RMB'000 *(Note 25)*	*RMB'000* *(Note 26)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance as at January 1, 2018		–	940,157	(83,355)	856,802	16,270	873,072
Loss for the year		–	–	(49,408)	(49,408)	(936)	(50,344)
Other comprehensive loss							
– Changes in fair value of equity investments at FVOCI, net of tax	*23(a)*	–	(10,963)	–	(10,963)	(208)	(11,171)
Total comprehensive loss for the year		–	(10,963)	(49,408)	(60,371)	(1,144)	(61,515)
Transaction with owners:							
– Capital contributions from the shareholders of the Company	*25*	–*	–	–	–*	–	–*
Balance as at December 31, 2018		–*	929,194	(132,763)	796,431	15,126	811,557
Balance as at January 1, 2019		–*	929,194	(132,763)	796,431	15,126	811,557
Loss for the year		–	–	(30,957)	(30,957)	(587)	(31,544)
Other comprehensive income							
– Changes in fair value of equity investments at FVOCI, net of tax	*23(a)*	–	10,194	–	10,194	193	10,387
Total comprehensive income/(loss) for the year		–	10,194	(30,957)	(20,763)	(394)	(21,157)
Transaction with owners:							
– Capital contributions from the shareholders of the Company	*25*	7	–	–	7	–	7
Balance as at December 31, 2019		7	939,388	(163,720)	775,675	14,732	790,407

* The balance represents an amount less than RMB1,000.

	Note	Attributable to owners of the Company				Non-controlling interests	Total
		Share capital and share premium	Other reserves	(Accumulated losses)/retained earnings	Subtotal		
		RMB'000 *(Note 25)*	*RMB'000* *(Note 26)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2020		7	939,388	(163,720)	775,675	14,732	790,407
Profit for the year		–	–	255,334	255,334	4,838	260,172
Other comprehensive income							
– Changes in fair value of equity investments at FVOCI, net of tax	*23(a)*	–	15,511	–	15,511	294	15,805
Total comprehensive income for the year		–	15,511	255,334	270,845	5,132	275,977
Transaction with non-controlling interests	*25(c)*	1,388	–	–	1,388	(1,388)	–
Balance at December 31, 2020		1,395	954,899	91,614	1,047,908	18,476	1,066,384
Balance as at January 1, 2021		1,395	954,899	91,614	1,047,908	18,476	1,066,384
Profit for the year		–	–	380,932	380,932	961	381,893
Other comprehensive income							
– Changes in fair value of equity investments at FVOCI, net of tax	*23(a)*	–	3,133	–	3,133	170	3,303
Total comprehensive income for the year		–	3,133	380,932	384,065	1,131	385,196
Transfer of gain on disposal of equity investments at FVOCI to retained earnings		–	(2,650)	2,650	–	–	–
Transaction with non-controlling interests	*25(c)*	19,731	–	–	19,731	(19,731)	–
Balance as at December 31, 2021		21,126	955,382	475,196	1,451,704	(124)	1,451,580

Consolidated statements of cash flows

	Note	Year ended December 31, 2018	2019	2020	2021
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash flows of operating activities					
Continuing operations					
Cash generated from operations	*30(a)*	34,946	21,362	236,035	414,890
PRC enterprise income tax paid		(574)	(320)	(11,088)	(44,805)
		34,372	21,042	224,947	370,085
Discontinued operations		(17,991)	(16,195)	(21,863)	(626)
Net cash from operating activities		16,381	4,847	203,084	369,459
Cash flows of investing activities					
Continuing operations					
Purchases of property and equipment		(14,507)	(27,370)	(45,334)	(222,918)
Purchase of intangible assets		(322)	(3,004)	(297)	(2,935)
Addition of investment in an associate	*17*	(4,005)	(20,000)	–	–
Purchase of FVOCI	*3.3(a)*	(43,520)	(118,000)	–	(500)
Purchase of FVTPL	*3.3(a)*	(20,000)	–	(150,000)	–
Prepayments for land use rights	*22(e)*	–	(27,420)	(130,233)	–
Prepayments for development of the Health City Project	*22(b)*	(238,000)	(60,000)	–	–
Prepayment for equipment and IT system development	*22(c)*	(40,000)	(25,200)	–	–
Refund of prepayments due to the cancellation of the Health City Project	*22(b)*	–	–	128,000	170,000
Prepayments for construction materials	*22(d)*	–	–	(98,000)	–
Refund of prepayments for construction materials	*22(d)*	–	–	–	98,000
Refund of prepayments for IT system development and purchase of equipment	*22(c)*	–	–	65,200	–
Proceeds from disposal of FVOCI and FVTPL	*23*	–	–	100,000	154,865
Net proceeds from disposals of equipment		429	673	1,692	3,656
Net proceeds from disposal of the investment in an associate	*17*	–	–	–	20,000
Cash advance made to a third party	*22(a)*	–	(5,000)	(57,700)	–
Repayment of cash advance from a third party	*22(a)*	–	–	–	62,700
Interest received		19,795	–	–	–
Receipts from maturity of term deposits		450,000	–	–	–
		109,870	(285,321)	(186,672)	282,868
Discontinued operations		(12,489)	(37,494)	(4,422)	27,854
Net cash from/(used in) investing activities		97,381	(322,815)	(191,094)	310,722

		Year ended December 31,			
	Note	**2018**	**2019**	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash flows from financing activities					
Continuing operations					
Proceeds from borrowings		147,750	147,247	545,312	240,000
Repayments of borrowings		(40,679)	(148,070)	(259,384)	(421,491)
Interest paid		(3,727)	(12,276)	(18,081)	(15,669)
Principal elements and interest expenses of lease payments		(4,553)	(5,358)	(5,490)	(12,426)
Prepayment of [**REDACTED**]		–	–	(1,365)	(5,735)
Net cash 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 the Disposal Group		–	–	(1,102)	–
Cash and cash equivalents at end of year	*24*	400,380	63,955	335,835	800,695

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

Yunkang Group Limited (the "Company") was established in the Cayman Islands on July 20, 2018 as an exempted company with limited liability under the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company is an investment holding company, and its subsidiaries (collectively referred as the "Group") are primarily engaged in the provision of diagnostic testing services (the "[**REDACTED**] Business" or the "Continuing Business") in the People's Republic of China (the "PRC").

1.2 Reorganisation

Immediately prior to the Reorganisation (as defined below) and during the Track Record Period, the [**REDACTED**] Business was carried out by Yunkang Health Industry Investment Co., Ltd. ("Yunkang Industry"), a limited liability company incorporated on May 28, 2008 in the PRC which subsequently converted into a limited liability joint stock company in October 2017 (together with its subsidiaries, the "Consolidated Affiliated Entities").

In preparation for the [**REDACTED**] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "[**REDACTED**]"), a group reorganisation was undertaken pursuant to which the companies operating the [**REDACTED**] Business were transferred to the Group (the "Reorganisation").

The key steps of the Reorganisation mainly involved the following:

(a) On September 27, 2018, prior to the Reorganisation, Tianjin Gaoxin Yangguang Investment Co., Ltd. ("Gaoxin Yangguang") entered into a concert party agreement (the "Concert Party Agreement") with certain shareholders of Yunkang Industry, including Zhuhai Hengqin Mouduanshan Enterprise Management Center (Limited Partnership) ("Mouduanshan"), Shenzhen Tongfu Zhongchuang Investment Management Co., Ltd ("Tongfu Zhongchuang"), Guangzhou Huigang Investment Partnership (Limited Partnership) ("Guangzhou Huigang"), Beijing Heyuan Rongwei Equity Investment Center (Limited Partnership) ("Heyuan Rongwei"), Shenzhen Kangcheng Daan Investment Partnership (Limited Partnership) ("Kangcheng Daan"), Zhuhai Hengqin Haochuang Investment Center (Limited Partnership) ("Hengqin Haochuang") and Hengqin Jinjunying Investment Management Center (Limited Partnership) ("Hengqin Jinyunying," which has subsequently transferred all of its equity interest in Yunkang Industry to Mr. Lan Fu, on December 28, 2018) (collectively the "Other Concert Parties," together with Gaoxin Yangguang, the "Concert Parties"). Pursuant to the Concert Party Agreement, each of the Other Concert Parties agreed to act in concert with Gaoxin Yangguang, at general meetings of Yunkang Industry, by way of (i) exercising its voting rights based on the opinion of Gaoxin Yangguang, or (ii) entrusting Gaoxin Yangguang with full power to exercise its shareholder rights. As such, Gaoxin Yangguang is entitled to control 50.64% of the voting rights at the general meetings of Yunkang Industry and became the controlling shareholder of Yunkang Industry as well as the Consolidated Affiliated Entities. Gaoxin Yangguang is wholly-owned and controlled by Mr. Zhang Yong, who is the ultimate controlling shareholder accordingly.

(b) On July 20, 2018, the Company was incorporated in the Cayman Islands with limited liability. Upon incorporation, 7,000, 1,000, 1,000 and 1,000 shares were allotted and issued to Huizekx Limited, Mouduans Limited, Tongfuzc Limited and WJJR Investment Limited, respectively. Huizekx Limited is the offshore affiliate owned by Gaoxin Yangguang. Mouduans Limited, Tongfuzc Limited and WJJR Investment Limited are offshore affiliates owned by Other Concert Parties.

(c) On August 14, 2018, YK Healthcare (Hong Kong) Limited ("YK HK") was incorporated in Hong Kong as a limited liability company and directly wholly-owned subsidiary of the Company.

(d) On July 10, 2019, Guangzhou Yunkang Health Technology Co., Ltd. ("Yunkang Technology" or "WFOE") was incorporated in the PRC and wholly-owned by YK HK.

(e) Certain shareholders of Yunkang Industry (the "Registered Shareholders") has incorporated offshore affiliates ("Offshore Affiliates") respectively as stated in the table below.

The Registered Shareholders	Offshore Affiliates
Da An Gene Co., Ltd. of Sun Yat-Sen University	Daan International Holdings Limited
Tianjin Gaoxin Yangguang Investment Co., Ltd.	Huizekx Limited
Zhuhai Hengqin Mouduanshan Enterprise Management Center (Limited Partnership)	Mouduans Limited
Shenzhen Tongfu Zhongchuang Investment Management Co. Ltd	Tongfuzc Limited
Guangzhou Huigang Investment Partnership (Limited Partnership)	WJJR Investment Limited
Guangzhou Anjianxin Medical and Health Industry Equity Investment Fund (Limited Partnership)	Anjianxin Limited
Beijing Heyuan Rongwei Equity Investment Center (Limited Partnership)	Source Capital RW Limited
Guangzhou Guoju Venture Capital Co., Ltd.	Handclass Industries Limited
Lan Fu	Jin Jun Ying Limited
Yujiang Anjin Venture Capital Center (Limited Partnership)	Aagen Limited

On October 22, 2019, WFOE has entered into a series of contractual arrangements ("2019 Contractual Arrangements") with Yunkang Industry and the respective Registered Shareholders as defined and stated in the table above. As a result, WFOE has rights to variable returns from its involvement with Yunkang Industry and has ability to affect those returns through its power over Yunkang Industry. As such, the WFOE indirectly entitled to 98.14% of the return of Yunkang Industry while the remaining shareholders of Yunkang Industry with equity interests of 1.86% were deemed as the non-controlling interests of the Group.

On the same date, the Company entered into a series of share subscription agreement with the offshore affiliates of the Registered Shareholders as defined and stated in the table above and YK Development Limited ("YK Development"). Upon the completion of series of shares allotments and transfer, YK Development, Daan International Holdings Limited, Anjianxin Limited, Handclass Industries Limited, Aagen Limited and Huizekx Limited owned 50.64%, 46.96%, 1.04%, 0.87%, 0.11% and 0.38% of the equity interest of the Company respectively, of which YK Development was owned by Huizekx Limited, Mouduans Limited, Tongfuzc Limited, WJJR Investment Limited, Jin Jun Ying Limited and Source Capital RW Limited and ultimately controlled by Mr. Zhang Yong.

(f) On December 29, 2020, Guangzhou Qiyi entered into an equity transfer agreement with Guangzhou Huigang, pursuant to which Guangzhou Qiyi transferred its interest in Yunkang Industry to Guangzhou Huigang at a consideration of approximately RMB6.5 million. On the same date, WFOE has entered into a series of contractual arrangements with Yunkang Industry and Guangzhou Huigang ("2020 Contractual Arrangements") and indirectly entitled additional 0.13% of the return from Yunkang Industry through its rights to variable returns from its involvement with Yunkang Industry and ability to affect those returns through its power over Yunkang Industry.

(g) On February 1, 2021, Kefeng Touan entered into a letter of intention for share transfer with Gaoxin Yangguang, pursuant to which it agreed to transfer its 0.25% interest in Yunkang Industry to Gaoxin Yangguang at a proposed consideration of not less than RMB11.5 million, subject to the final agreement between the parties. The aforesaid transfer had been completed in May 2021.

(h) On February 20, 2021, Kangcheng Daan and Hengqin Haochuang entered into an equity transfer agreement with Gaoxin Yangguang respectively, pursuant to which Kangcheng Daan and Hengqin Haochuang transferred their interest, in aggregate 1.48% equity interest, in Yunkang Industry to Gaoxin Yangguang at a consideration of approximately RMB45.76 million.

(i) On February 24, 2021, WFOE has entered into a series of supplemental contractual arrangements to the 2019 Contractual Arrangements with Yunkang Industry and respective Registered Shareholders ("2021 Supplemental Contractual Arrangements"). Upon the completion of (g) and (h) above and the signing of 2021 Supplemental Contractual Arrangements, WFOE indirectly entitled additional 1.73% of Yunkang Industry.

Pursuant to contractual arrangements among the WFOE, the Consolidated Affiliated Entities and the Registered Shareholders, the WFOE is able to effectively control, recognise and receive substantial economic benefit of the business and operations of the Consolidated Affiliated Entities to the extent permitted by the PRC laws and regulations. Accordingly, the Consolidated Affiliated Entities are treated as controlled structured entities of the Company and consolidated by the Company. Further details of the Contractual Arrangements are defined and set out in Note 2.2.1 below.

During the Track Record Period and as at the date of this report, the Company has direct or indirect interests in the following principal subsidiaries:

Name of the Subsidiaries	Place and date of incorporation/ establishment	Issued and paid-up capital	Principal activities	Equity interest held as at					*Note*
				December 31,				Date of this report	
				2018	2019	2020	2021		
Directly held by the Company									
YK HK	Hong Kong August 14, 2018	USD10,000	Investment holding	100%	100%	100%	100%	100%	*(ii)*
Indirectly held by the Company									
Yunkang Technology	PRC July 10, 2019	USD1	Investment holding	N/A	100%	100%	100%	100%	*(i)*
Yunkang Industry (雲康健康產業投資股份有限公司)	PRC May 28, 2008	RMB920,000,000	Investment holding	98.14%	98.14%	98.27%	100%	100%	*(iii)*
Hefei Daan Medical Laboratory Co., Ltd. (合肥達安醫學檢驗實驗室有限公司)	PRC January 4, 2009	RMB10,000,000	Diagnostic testing	98.14%	98.14%	98.27%	100%	100%	*(iii)*
Chengdu Gaoxin Daan Medical Laboratory Co., Ltd. (成都高新達安醫學檢驗有限公司)	PRC June 10, 2009	RMB20,000,000	Diagnostic testing	98.14%	98.14%	98.27%	100%	100%	*(iii)*
Guangzhou Daan Clinical Laboratory Center Co. Ltd. (廣州達安臨床檢驗中心有限公司)	PRC February 28, 2006	RMB26,586,000	Diagnostic testing	98.14%	98.14%	98.27%	100%	100%	*(iii)*
Shanghai Daan Medical Laboratory Co., Ltd. (上海達安醫學檢驗所有限公司)	PRC July 28, 2006	RMB50,000,000	Diagnostic testing	98.14%	98.14%	98.27%	100%	100%	*(iii)*
Jiangxi Yunkang Daan Medical Laboratory Co., Ltd. (江西雲康達安醫學檢驗實驗室有限公司)	PRC November 29, 2009	RMB10,000,000	Diagnostic testing	98.14%	98.14%	98.27%	100%	100%	*(iii)*
Kunming Gaoxin Daan Medical Laboratory Co., Ltd. (昆明高新達安醫學檢驗所有限公司)	PRC October 26, 2010	RMB10,000,000	Diagnostic testing	98.14%	98.14%	98.27%	100%	100%	*(iii)*
Yunkang Lingnan (Guangzhou) Medical Health Technology Development Co., Ltd. (雲康嶺楠(廣州)醫療健康科技發展有限公司)	PRC September 19, 2019	RMB100,000,000	Project investment	N/A	98.14%	98.27%	100%	100%	*(i)*

Name of the Subsidiaries	Place and date of incorporation/ establishment	Issued and paid-up capital	Principal activities	Equity interest held as at					*Note*
				December 31,					
				2018	2019	2020	2021	Date of this report	
Yunkang Health Industry Group Co., Ltd. (雲康健康產業集團有限公司)	PRC July 15, 2010	RMB50,505,000	Supporting services including information technology, medical logistics and medical equipment procurement services	98.14%	98.14%	98.27%	100%	100%	*(iii)*
Guangzhou Medical Road Logistics Co., Ltd. (廣州醫路物流有限公司)	PRC November 7, 2016	–	Medical logistics services	98.14%	98.14%	98.27%	100%	100%	*(iii)*
Guangzhou Yilu Trading Co., Ltd. (廣州醫路貿易有限公司)	PRC November 29, 2017	–	Medical logistics services	98.14%	98.14%	98.27%	100%	100%	*(iii)*
Guangzhou Huashengda Rescue Biotechnology Co., Ltd. (廣州華生達救援生物技術有限公司)	PRC August 26, 2008	RMB5,000,000	Reagent and medical equipment procurement services	98.14%	98.14%	98.27%	N/A	N/A	*(iii), (v)*
Guangzhou Yunxie Baiyi Biomedical Technology Co., Ltd. (廣州雲協佰醫生物醫療科技有限公司)	PRC December 30, 2016	RMB10,000,000	Reagent and medical equipment procurement services	98.14%	98.14%	98.27%	100%	100%	*(iii)*
Guangzhou Zhunyun Information Technology Co., Ltd. (廣州諄韻信息科技有限公司)	PRC June 4, 2015	–	Sales and marketing	98.14%	98.14%	98.27%	100%	100%	*(iii)*
Ganjiang Yunzhou Information Technology Service Co., Ltd. (贛江雲舟信息技術服務有限公司)	PRC September 7, 2017	RMB500,000	Sales and marketing	98.14%	98.14%	98.27%	100%	100%	*(iii)*
Guangzhou Bingkang Biological Technology Co., Ltd. (廣州秉康生物科技有限公司)	PRC June 4, 2015	RMB500,000	Sales and marketing	98.14%	98.14%	98.27%	100%	100%	*(iii)*
Guangzhou Yunkang Clinic Co., Ltd. (廣州雲康門診有限公司)	PRC January 29, 2019	RMB3,000,000	Outpatient service	N/A	98.14%	98.27%	100%	100%	*(iii)*
Guangzhou Daan Miaoyizhai Biotechnology Co., Ltd. (廣州達安妙醫齋生物科技有限公司)	PRC August 31, 2010	RMB3,530,000	Outpatient service	98.14%	98.14%	98.27%	N/A	N/A	*(iii), (v)*
Guangzhou Daan Miaoyizhai Medical Clinics Co., Ltd. (廣州達安妙醫齋醫療門診部有限公司)	PRC May 20, 2011	RMB1,000,000	Outpatient service	98.14%	98.14%	N/A	N/A	N/A	*(iii), (v)*
Jinan Daan Health Management Service Co., Ltd. (濟南達安健康管理服務有限公司)	PRC June 1, 2012	RMB5,100,000	Outpatient service	98.14%	98.14%	98.27%	100%	100%	*(iii)*
Guangzhou Yunkang Medical Laboratory Development Co., Ltd. (廣州雲康醫學檢 驗發展有限公司)	PRC July 28, 2020	–	No substantial business	N/A	N/A	98.27%	100%	100%	*(i)*
Guangzhou Yunkang Medical Technology Research Institute Co., Ltd. (廣州雲康醫學科技研究院有限公司)	PRC August 26 2015	RMB61,500,000	Research and development of reagent	98.14%	98.14%	98.27%	N/A	N/A	*(iii), (iv)*
Shenzhen Yunkang Medical Service Co., Ltd. (深圳雲康醫學服務有限公司)	PRC May 12, 2017	RMB100,000,000	Non-profit community health clinics management	98.14%	98.14%	98.27%	N/A	N/A	*(iii), (iv)*
Zhuhai Yinhua Trade Development Co., Ltd. (珠海市銀樺貿易發展有限公司)	PRC November 6, 2006	RMB500,000	Non-profit community health clinics management	98.14%	98.14%	98.27%	N/A	N/A	*(ii), (iv)*

Name of the Subsidiaries	Place and date of incorporation/ establishment	Issued and paid-up capital	Principal activities	Equity interest held as at December 31, 2018	2019	2020	2021	Date of this report	*Note*
Zhuhai Zhuchang Trading Co., Ltd. (珠海市珠暢貿易有限公司)	PRC December 04, 2007	RMB30,000	Non-profit community health clinics management	98.14%	98.14%	98.27%	N/A	N/A	*(i), (iv)*
Hainan Yunkang Health Industry Co., Ltd. (海南雲康健康產業有限公司)	PRC October 22, 2018	–	Non-profit community health clinics management	N/A	98.14%	98.27%	N/A	N/A	*(iii), (iv)*
Guangzhou Hongkang Hospital Management Co., Ltd. (廣州市宏康醫院管理有限公司)	PRC January 05, 2010	RMB100,000	Non-profit community health clinics management	N/A	98.14%	98.27%	N/A	N/A	*(i), (iv)*
Shenzhen Qianhai Yunkang Medical and Laboratory Management Service Co., Ltd. (深圳前海雲康醫學與實驗室管理服務有限公司)	PRC October 23, 2015	RMB1,520,000	No substantial business	98.14%	98.14%	98.27%	100%	100%	*(iii)*
Guangzhou Yunkang Biological Technology Co., Ltd. (廣州雲康生物科技有限公司)	PRC May 05, 2014	RMB1,000,000	No substantial business	98.14%	98.14%	98.27%	100%	100%	*(iii)*
Zhuhai Hengqin Qihe Life Science Research Institute Co., Ltd. (珠海橫琴齊合生命科學研究院有限公司)	PRC July 29, 2016	RMB2,000,000	No substantial business	98.14%	98.14%	98.27%	N/A	N/A	*(i), (v)*
Shenzhen Yunkang Doctor Group Co. Ltd (深圳雲康醫生集團有限公司)	PRC May 18, 2017	RMB100,000,000	No substantial business	98.14%	98.14%	98.27%	100%	100%	*(iii)*
Shenzhen Yunkang Health Industry Research Center Co. Ltd (深圳雲康健康產業研究中心有限公司)	PRC May 24, 2017	RMB10,000,000	No substantial business	98.14%	98.14%	98.27%	100%	100%	*(iii)*
Yunkang Primary Medical and Health Research Center of Wuhou District, Chengdu (成都市武侯區雲康基層醫療衛生研究中心)	PRC January 17, 2019	RMB30,000	No substantial business	N/A	98.14%	98.27%	N/A	N/A	*(ii), (v)*
Kailu (Shanghai) Venture Incubator Co., Ltd. (凱鷺(上海)創業孵化器有限公司)	PRC January 16, 2019	RMB2,000,000	No substantial business	N/A	98.14%	98.27%	100%	100%	*(ii)*
Shanghai Ranfei Medical Technology Co., Ltd. (上海然飛醫療科技有限責任公司)	PRC September 23, 2019	–	No substantial business	N/A	N/A	78.62%	80%	80%	*(i)*
Shanghai Tangze Medical Technology Co., Ltd. (上海棠澤醫療科技有限責任公司)	PRC October 09, 2019	–	No substantial business	N/A	N/A	83.53%	85%	85%	*(i)*
Yunkang Smart Medical Service (Guangzhou) Partnership (Limited Partnership) (雲康智慧醫療服務(廣州)合夥企業(有限合夥))	PRC May 16, 2019	–	No substantial business	N/A	N/A	98.27%	N/A	N/A	*(i), (v)*
Guangzhou Tengzhi Technical Service Co., Ltd (廣州騰致技術服務有限公司)	PRC July 8, 2015	–	No substantial business	98.14%	98.14%	N/A	N/A	N/A	*(ii), (v)*
Guangzhou Yunkang Biotechnology Co., Ltd. Comprehensive Outpatient Department (廣州雲康生物科技有限公司綜合門診部)	PRC August 07, 2018	–	No substantial business	98.14%	N/A	N/A	N/A	N/A	*(i), (v)*
Guangzhou Yunkang Precision Medical Technology Service Co., Ltd. (廣州雲康精準醫療科技服務有限公司)	PRC January 27, 2021	–	No substantial business	N/A	N/A	N/A	N/A	100%	*(i)*

Name of the Subsidiaries	Place and date of incorporation/ establishment	Issued and paid-up capital	Principal activities	Equity interest held as at					*Note*
				December 31,				Date of this report	
				2018	2019	2020	2021		
Sichuan Yunkang Life Health Technology Co., Ltd. (四川蕓康生命健康科技有限公司)	PRC April 28, 2021	–	No substantial business	N/A	N/A	N/A	N/A	100%	*(i)*
Dongguan Yunteng Technology Service Co., Ltd. (東莞雲騰科技服務有限公司)	PRC May 12, 2021	RMB500,000	Sales and marketing	N/A	N/A	N/A	100%	100%	*(i)*
Sichuan Yunkang Xinchuan Health Technology Co., Ltd. (四川雲康新川健康科技有限公司)	PRC May 13, 2021	RMB100,000,000	IT and healthcare technology development	N/A	N/A	N/A	100%	100%	*(i)*
Guangzhou Yunlu Technology Service Co., Ltd. (廣州雲鷺技術服務有限公司)	PRC June 22, 2021	–	Sales and marketing	N/A	N/A	N/A	100%	100%	*(i)*
Huizhou Yunli Technology Service Co., Ltd. (惠州雲翳技術服務有限公司)	PRC June 23, 2021	RMB500,000	Sales and marketing	N/A	N/A	N/A	100%	100%	*(i)*
Jinan Yunkang Daan Medical Laboratory Co., Ltd. (濟南雲康達安醫學檢驗實驗室有限公司)	PRC July 16, 2021	RMB8,000,000	Diagnostic testing	N/A	N/A	N/A	100%	100%	*(i)*
Shenzhen Daan Medical Laboratory Co., Ltd. (深圳雲康達安醫學檢驗實驗室)	PRC July 20, 2021	–	Diagnostic testing	N/A	N/A	N/A	100%	100%	*(i)*
Guangxi Daan Medical Laboratory Co., Ltd. (廣西雲康達安醫學檢驗有限公司)	PRC July 30, 2021	RMB8,000,000	Diagnostic testing	N/A	N/A	N/A	100%	100%	*(i)*
Dongguan Daan Medical Laboratory Co., Ltd. (東莞雲康達安醫學檢驗有限公司)	PRC September 28, 2021	RMB5,000,000	Diagnostic testing	N/A	N/A	N/A	100%	100%	*(i)*
Huizhou Daan Medical Laboratory Co., Ltd. (惠州雲康達安醫學檢驗有限公司)	PRC October 31, 2021	RMB2,000,000	Diagnostic testing	N/A	N/A	N/A	100%	100%	*(i)*
Guangzhou Baiyun Yukang Daan Medical Laboratory Co., Ltd. (廣州白雲雲康達安醫學檢驗實驗室有限公司)	PRC November 3, 2021	RMB10,000,000	Diagnostic testing	N/A	N/A	N/A	51%	51%	*(i)*
Shenzhen Nanke Yunkang Technology Development Co., Ltd. (深圳南科雲康科技發展有限公司)	PRC November 10, 2021	RMB500,000	Diagnostic testing	N/A	N/A	N/A	51%	51%	*(i)*
Shantou Yunkang Daan Medical Laboratory Co., Ltd. (汕頭雲康達安醫學檢驗實驗室有限公司)	PRC November 12, 2021	RMB10,000,000	Diagnostic testing	N/A	N/A	N/A	100%	100%	*(i)*
Guiyang Yunkang Daan Medical Laboratory Co., Ltd. (貴陽雲康達安醫學檢驗有限公司)	PRC November 19, 2021	RMB5,000,000	Diagnostic testing	N/A	N/A	N/A	100%	100%	*(i)*
Foshan Yunkang Daan Medical Laboratory Co., Ltd. (佛山雲康達安醫學檢驗實驗室有限公司)	PRC November 22, 2021	RMB2,000,000	Diagnostic testing	N/A	N/A	N/A	100%	100%	*(i)*
Zhuhai Yunkang Daan Medical Laboratory Co., Ltd. (珠海雲康達安醫學檢驗有限公司)	PRC November 29, 2021	RMB2,000,000	Diagnostic testing	N/A	N/A	N/A	100%	100%	*(i)*

(i) No audited financial statements have been prepared for these companies since they are either newly incorporated or not required to issue audited financial statements under statutory requirements of their respective places of incorporation.

(ii) No audited statutory financial statements were prepared for these subsidiaries for the years ended December 31, 2018, 2019, 2020 and 2021.

(iii) The statutory financial statements of the subsidiaries established in the PRC were prepared in accordance with China Accounting Standards and relevant financial regulations applicable to the PRC enterprises for each of the years ended December 31, 2018, 2019 and 2020 and audited by various certified public accountants in China. Up to the date of this report, no auditor's reports have been issued on the financial statements of those subsidiaries for the year ended 31 December 2021.

(iv) The subsidiaries which were engaged in hospital management business and research and development of testing kits (collectively the "Disposal Group") were disposed of to a related party in January 2021 and were presented as discontinued operations as disclosed in Note 13.

(v) The subsidiaries were deregistered.

1.3 Basis of presentation

Immediately prior and after the Reorganisation, the [**REDACTED**] Business has been conducted through the Consolidated Affiliated Entities and controlled by the controlling shareholder. Pursuant to the Reorganisation, both the Consolidated Affiliated Entities and the [**REDACTED**] Business are under the effective control of the WFOE and ultimately the Company through the Contractual Arrangements. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business. The Reorganisation is merely a recapitalisation of the [**REDACTED**] Business with no change in management of such business and the ultimate owners of the [**REDACTED**] Business remain the same.

Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the [**REDACTED**] Business conducted through the Company and the Historical Financial information of the companies now comprising the Group have been prepared on a consolidated basis and is presenting using the respective carrying value of the [**REDACTED**] Business for all periods presented.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in preparation of the Historical Financial Information are set out as below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information have been prepared in accordance with the Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of certain financial assets which are measured at fair value.

The preparation of Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4.

(i) New standards and amendments to standards that have been issued but are not effective

Standards and amendments that have been issued but not yet effective for the Track Record Period and not been early adopted by the Group are as follows:

		Effective for annual periods beginning on or after
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
Amendments to HKAS 8	Definition of Accounting Estimates	January 1, 2023

		Effective for annual periods beginning on or after
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
HKFRS 17 and Amendments to HKFRS 17	Insurance Contract	January 1, 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
HK Interpretation 5	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	January 1, 2023
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations	January 1, 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	January 1, 2022
Amendments to HKAS 16	Property, Plant and Equipment Proceeds before Intended Use	January 1, 2022
Amendments to HKAS 37	Onerous Contracts – Costs of Fulfilling a Contract	January 1, 2022
Amendment to HKFRS 16	Covid-19 – Related Rent Concessions beyond 30 June 2021	April 1, 2021
Annual Improvements	Annual Improvements to HKFRS Standards 2018-2020 Cycle	January 1, 2022
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined

The Group has already commenced an assessment of the impact of these new or amended standards, interpretation and annual improvements. According to the preliminary assessment made by the Group, no significant impact on the financial performance and position of the Group is expected when the aforesaid new or amended standards and annual improvements become effective.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are entities (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statements of financial position and statement of changes in equity respectively.

(a) Subsidiaries controlled through Contractual Arrangements

As described in Note 1.2, the WFOE, has entered into the 2019 Contractual Arrangements, 2020 Contractual Arrangements, and 2021 Supplemental Contractual Arrangements (collectively "Contractual Arrangements") with Yunkang Industry and its Registered Shareholders, which enable the WFOE and the Group to:

- Exercise effective control over the Consolidated Affiliated Entities;
- Exercise equity holders' voting rights of the Consolidated Affiliated Entities;

- Receive substantially all of the economic interests and returns generated by the Consolidated Affiliated Entities in consideration for the technical support, consulting and other services provided exclusively by the WFOE, at the WFOE's discretion;

- Obtain an irrevocable and exclusive right to purchase all equity interests in Yunkang Industry from its Registered Shareholders at a minimum purchase price permitted under PRC laws and regulations unless the relevant government authorities request that another amount be used as the purchase consideration and in which case the purchase consideration shall be such amount. At the WFOE's request, the Registered Shareholders of Yunkang Industry will promptly and unconditionally transfer their respective equity interests of Yunkang Industry to the WFOE (or its designee within the Group) after the WFOE exercises its purchase right;

- Obtain pledges over the entire equity interests in Yunkang Industry from its Registered Shareholders to secure, among others, performance of their obligations under the Contractual Arrangements.

The Group does not have any equity interest in the Consolidated Affiliated Entities. However, as a result of the Contractual Arrangements, the Group has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities and is considered to control the Consolidated Affiliated Entities. Consequently, the Company regards the Consolidated Affiliated Entities as controlled structure entities and consolidated the financial position and results of operations of these entities in the Historical Financial Information of the Group during the Track Record Period.

Nevertheless, there are still uncertainties regarding the interpretation and application of current and future PRC laws and regulations. The Directors of the Group, based on the advice of its legal counsel, consider that the use of Contractual Arrangements does not constitute a breach of relevant laws and regulations.

2.2.2 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

2.2.3 Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.3 Business combination

Except for the Reorganisation, the acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group, if any;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity, and the acquisition date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.4 Separate financial statements

In the Company's statement of financial position, the investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Historical Financial Information are presented in RMB, which is the Company's functional currency and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented as finance income/(costs). All other foreign exchange gains and losses are presented on a net basis with in other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(c) Group entities

The results and financial positions of the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities of each statement of financial position of the group entities are translated at the closing rate at the date of that statement of financial position;
- income and expenses of each statement of comprehensive income of the group entities are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken into equity holders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the profit or loss as part of the gain or loss on sale.

2.7 Property and equipment

Property and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives or, in case of leasehold improvements, and certain leased properties, the shorter lease term, as follows:

– Properties and buildings	30-35 years
– Medical equipment	3-10 years
– Vehicles, furniture and office equipment	3-10 years
– Leasehold improvement	3-5 years
– Right-of-use assets for land use right	40 years
– Right-of-use assets for leased properties, equipment and vehicles	2-8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains/losses" in the statement of comprehensive income.

Construction in progress are stated at historical cost less accumulated impairment losses, if any. Historical cost includes direct costs of construction, amortisation of land use rights being developed and finance costs arising from borrowings used to finance these assets during the period of construction. No provision for depreciation is made on assets under construction. When the construction activities necessary to prepare the assets for their intended use are completed, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in the preceding paragraphs.

2.8 Intangible assets

(a) Software

Acquired and self-developed software are capitalised on the basis of the costs incurred to develop, acquire and bring to use the specific software.

Self-developed software is recognised as intangible assets on the basis of development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use,
- management intends to complete the software and use or sell it,
- there is an ability to use or sell the software,
- it can be demonstrated how the software will generate probable future economic benefits,
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include staff costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

(b) Contractual rights to provide management services

Contractual rights to provide management services are the rights to provide management services to hospitals. These contractual rights acquired are recognised on the basis of the costs incurred to acquire at the acquisition date. These contractual rights have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the contractual rights over their useful lives of 40 years as referenced to the contract period stipulated in the management agreements.

(c) Research and development

Research expenditure and development expenditure that do not meet the criteria in (a) above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(d) Amortisation methods and periods

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

– Software	3-5 years
– Contractual rights to provide management services	40 years

2.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or when there is an indication of impairment. Other assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash-generating unit"). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred income tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

2.11 Financial assets

2.11.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2.11.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.11.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

(a) Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group only held debt instruments classified as financial assets at amortised costs and fair value through profit or loss.

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated statements of comprehensive income within "Fair value changes on financial assets at fair value through profit or loss" in the period in which it arises.

(b) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss accounts. Dividends from such investments continue to be recognised in profit or loss accounts as other income when the Group's right to receive payments is established. Changes in the fair value of financial assets at fair value through profit or loss are recognised as "Fair value changes on financial assets at fair value through profit or loss" in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.11.4 Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets, see Note 3.1.2 for further details. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment of other receivables are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

2.15 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. Majority of other receivables are amounts due from related parties, loans receivable, cash advance to employees and deposit receivables. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds trade and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

2.16 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand and at banks, and term deposits with financial institutions that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.17 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of [**REDACTED**] are shown in equity as a deduction, net of tax, from the [**REDACTED**].

2.18 Trade and other payables

Trade and other payables represent liabilities for goods or services that have been acquired in the ordinary course of business from suppliers and amounts to be repaid from the Group to its counterparties. These amounts are classified as current liabilities if payment is due within 12 months or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid to the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that part or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2.20 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.21 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company, its subsidiaries and associates indirectly held operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.22 Employee benefits

(a) Pension obligations

The Group only operates defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(b) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(c) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

(d) Bonus plan

The expected cost of bonuses is recognised as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

(e) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2.23 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.24 Revenue recognition

During the Track Record Period, the Group operates three types of business, namely:

- Diagnostic testing business
- Hospital management business; and
- Research and Development Institution ("R&D institutions"), which have not yet generated revenue

Revenue is measured at the fair value of the consideration received or receivable for the goods or services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales between the Group's companies. The Group recognises revenue when it transfers control of the goods or services to a customer.

(a) Diagnostic testing business

The Group offered diagnosis testing service and charge diagnostic testing service fees to different types of customers in relation to:

i. Diagnostic outsourcing services provided to clients directly through independent clinical laboratory, including hospitals, other medical institutions and public institutions;

ii. Diagnostic testing services for medical institution alliances. The Group offered diagnostic testing services to medical institutions through integrating with the daily activities of on-site diagnostic centers. Besides, the Group also provides certain diagnostic outsourcing services to these medical institutions when the on-site diagnostic centers are not capable of performing certain diagnostic tests;

iii. Diagnostic testing services for non-medical institutions through independent clinical laboratories and clinics, including financial institutions, insurance companies and individuals.

Revenue from diagnosis testing business is recognised when diagnostic testing reports were delivered and accepted by customer.

(b) Hospital management services

The Group provides the management related services to non-profit community health clinics over the service period—the usual period of service lasts for 40 years. These clinics receives and consumes the benefits provided by the Group's performance as the Group performs. Revenue from provision of hospital management services is recognised over the period in which the services are rendered.

For revenue from hospital management services, service fee is charged at a percentage of the hospital's revenue.

2.25 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.26 Leases

The Group leases various land and properties. Rental contracts are typically made for a fixed period of 2 to 8 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognised as "right-of-use assets" and presented in "property and equipment" (Note 14) and corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments (if applicable):

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following (if applicable):

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office equipment.

Lease income from operating leases where the Group is a lessor is recognised on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature.

2.27 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.28 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to property and equipment, and other non-current assets are included in the current liabilities and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3.1 Financial risk factors

3.1.1 Market risk

(i) Foreign exchange risk

The Group's normal operating activities are principally conducted in RMB since most of the Consolidated Affiliated Entities are based in the PRC. The Group has no significant foreign currency risk as all of the operations of the group entities are denominated in RMB which is also the functional currency of the relevant group entities.

(ii) Cash flow and fair value interest rate risk

The Group's interest-rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

Other than interest-bearing short-term deposits, the Group has no other significant interest-bearing assets. The directors of the Company do not anticipate there is any significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of short-term deposits are not expected to change significantly.

As at December 31, 2018 and 2021, bank borrowings of the Group which bear floating interest rates amounted to approximately RMB100,000,000 and RMB30,000,000 respectively. There was no such floating rate bank borrowings as at December 31, 2019 and 2020. For the years ended December 31, 2018, 2019, 2020 and 2021, if the floating interest rate on borrowings had been higher/lower by 0.5% with all other variables held constant, the post-tax profit would have changed mainly as a result of higher/lower interest expenses on floating rate borrowings.

Details of changes are as follows:

	Year ended December 31,			
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
(Decrease)/increase				
– 0.5% higher	(375)	–	–	(113)
– 0.5% lower	375	–	–	113

The interest rates and terms of repayment of borrowings of the Group are disclosed in Note 28.

3.1.2 Credit risk

The Group is exposed to credit risk in relation to its trade and other receivables, debt instruments measured at FVTPL and cash deposits at banks. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

(i) Risk management

The credit risk of debt instruments measured at FVTPL and cash deposits at bank is considered to be low because the counterparties are state-owned or reputable institution which are high-credit-quality financial institutions located in mainland China. The directors of the Company do not expect any losses and no loss allowance provision for debt instrument at FVTPL and cash deposits at bank.

Majority of the Group's trade receivables are from providing diagnostic testing service to hospitals, as well as financial or insurance institutions. For the receivables from the hospitals and financial or insurance institutions, the Group has grant credit terms of 0-180 days and would follow up actively on the settlement with respective counter-parties to avoid any overdue receivables.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of such receivables based on historical settlement records and past experience. In view of history of cooperation with debtors, the directors believe that there is no material credit risk inherent in the Group's remaining outstanding balance of other receivables as the Group closely monitors their repayment, except for the loan receivables from the Community Clinics which was impaired in 2020 resulting from the changes of operating conditions.

(ii) Impairment

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the Group and changes in the operating results of the debtor.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the company.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	**Group definition of category**	**Basis for recognition of expected credit loss provision**
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and principal repayments are 180 days past due	Lifetime expected losses
Non-performing	Interest and principal repayments are 365 days past due	Lifetime expected losses

The Group accounts for its credit risk by appropriately providing for expected credit losses ("ECL") on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking information.

Cash deposits at banks

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited at banks with high credit rating. Management does not expect that there will be any significant losses from non-performance by these counterparties.

Trade receivables

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and aging of trade receivables. The expected credit losses also incorporate forward looking information affecting the ability of the customers to settle the receivables.

Other receivables

For other receivables and amounts due from related parties, management makes periodic collective assessments as well as individual assessment on the recoverability of such receivables based on historical settlement records and past experience. The directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables and amounts due from related parties as the Group closely monitors their repayment, except for the loan receivables from the Community Clinics which were impaired in 2020 with the changes of operating conditions.

The relevant macroeconomic factors and the Group's business in terms of customer base, pricing strategy and market size were relatively stable before 2020. With the outbreak of COVID-19 in 2020, the Group experienced a fast and significant business development. Although there is an increase in the number of the customers, including Chinese Center for Disease Control and Prevention ("CDC"), the Group considered that the risk profile remains before the outbreak of COVID-19 as the major customer base are state-owned medical institutions. These customers normally require long period for settlement of their outstanding balances as they are state-owned institutions which involves prolonged internal administrative procedures for bill payment, which is in line with the industry norm. In addition, the trade receivables due from CDC, which were free charge for individuals and fully borne by government, resulted in more prolonged internal administrative procedures for bill payment. However, the management considers the risk of default of the trade receivables is relatively low as most of these customers are state-owned entities.

Trade receivables are categorised in two groups such as medical institutions and others, and CDC for assessment purpose.

In respect of the trade receivables due from medical institutions and others, the expected loss rates were based on the historical loss rates and adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the most relevant factors (e.g. money supply and population percent change from a year earlier), and accordingly adjusted the historical loss rates based on expected changes in these factors.

In respect of the trade receivables due from CDC, the credit risk associated with these trade receivables are considered to be low because the payments would be funded through government finance which has strong ability to fulfil its contractual cash flow responsibilities. The expected credit loss rate was estimated as 0.10% after taking into account of the probability of default and loss given default and forward-looking information.

As such, the Group are of the view that the expected credit loss rate remained stable during the years ended December 31, 2018, 2019 and 2020. During the year ended December 31, 2021, the Group had slightly adjusted the forward-looking information and the expected credit loss since the situation of COVID-19 are yet to be controlled as expected which would to some extent increase the uncertainty of future economic conditions.

The following table shows the loss allowance provision for the Group's trade receivables as of December 31, 2018, 2019, 2020 and 2021.

Trade receivables	**Up to 180 days**	**181 to 365 days**	**1 to 2 years**	**2 to 3 years**	**over 3 years**	**Total**
At December 31, 2018						
medical institutions and others						
Expected loss rate	1.00%	5.00%	30.00%	50.00%	100.00%	
Gross carrying amount (RMB'000)	199,544	23,339	13,960	3,708	7,958	248,509
Loss allowance provision (RMB'000)	(1,995)	(1,167)	(3,893)	(1,847)	(7,948)	(16,850)
Individually impaired receivables (RMB'000)	(52)	–	(984)	(14)	(10)	(1,060)
	(2,047)	(1,167)	(4,877)	(1,861)	(7,958)	(17,910)
At December 31, 2019						
medical institutions and others						
Expected loss rate	1.00%	5.00%	30.00%	50.00%	100.00%	
Gross carrying amount (RMB'000)	230,400	27,232	14,480	4,010	8,684	284,806
Loss allowance provision (RMB'000)	(2,305)	(1,088)	(4,337)	(1,513)	(8,660)	(17,903)
Individually impaired receivables (RMB'000)	–	(5,467)	(23)	(984)	(24)	(6,498)
	(2,305)	(6,555)	(4,360)	(2,497)	(8,684)	(24,401)
At December 31, 2020						
medical institutions and others						
Expected loss rate	1.12%	5.27%	30.00%	50.00%	100.00%	
Gross carrying amount (RMB'000)	387,825	33,621	22,890	5,384	10,138	459,858
Loss allowance provision (RMB'000)	(4,351)	(1,774)	(5,227)	(2,680)	(9,130)	(23,162)
Individually impaired receivables (RMB'000)	–	–	(5,467)	(23)	(1,008)	(6,498)
CDC						
Expected loss rate						0.10%
Gross carrying amount (RMB'000)						54,370
Loss allowance provision (RMB'000)						(54)
						(29,714)

Trade receivables	Up to 180 days	181 to 365 days	1 to 2 years	2 to 3 years	over 3 years	Total
At December 31, 2021						
medical institutions and others						
Expected loss rate	0.80%	5.91%	30.02%	55.48%	100.00%	
Gross carrying amount (RMB'000)	540,316	105,833	61,032	12,713	12,094	731,988
Loss allowance provision (RMB'000)	(4,322)	(6,226)	(17,935)	(3,363)	(8,001)	(39,847)
Individually impaired receivables (RMB'000)	(112)	(489)	(1,288)	(6,651)	(4,093)	(12,633)
CDC						
Expected loss rate						0.10%
Gross carrying amount (RMB'000)						145,939
Loss allowance provision (RMB'000)						(146)
						(52,626)

As at December 31, 2018, 2019, 2020 and 2021, the loss allowance provision for trade and other receivables reconciles to the opening loss allowance for that provision as follows:

	Trade receivables	Other receivables	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2018	16,336	1,576	17,912
Net impairment losses/(reversal) recognised in profit or loss relating to continuing operations	1,574	(1,457)	117
Net impairment losses recognised in profit or loss relating to discontinued operations	–	–	–
At December 31, 2018	17,910	119	18,029
At January 1, 2019	17,910	119	18,029
Net impairment losses/(reversal) recognised in profit or loss relating to continuing operations	6,484	(98)	6,386
Net impairment losses recognised in profit or loss relating to discontinued operations	7	–	7
At December 31, 2019	24,401	21	24,422

	Trade receivables	Other receivables	Total
	RMB'000	*RMB'000*	*RMB'000*
At January 1, 2020	24,401	21	24,422
Net impairment losses/(reversal) recognised in profit or loss relating to continuing operations	5,320	(5)	5,315
Net impairment losses recognised in profit or loss relating to discontinued operations	69	4,794	4,863
Transfer to assets associated with Disposal Group	(76)	(4,794)	(4,870)
At December 31, 2020	29,714	16	29,730
At January 1, 2021	29,714	16	29,730
Net impairment losses recognised in profit or loss relating to continuing operations	22,912	161	23,073
At December 31, 2021	52,626	177	52,803

3.1.3 Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The table below analyses the Group's financial liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2018					
Borrowings	137,871	11,844	11,898	42,780	204,393
Lease liabilities	12,247	8,325	3,592	2,195	26,359
Trade and other payables (excluding accrued staff costs and other taxes payable)	202,218	–	–	–	202,218
	352,336	20,169	15,490	44,975	432,970

	Less than 1 year	Between 1 and 2 years	Between 2 and 3 years	Over 3 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At December 31, 2019					
Borrowings	143,639	11,898	1,468	41,312	198,317
Lease liabilities	17,455	4,025	3,293	1,167	25,940
Trade and other payables (excluding accrued staff costs and other taxes payable)	203,313	–	–	–	203,313
	364,407	15,923	4,761	42,479	427,570
At December 31, 2020					
Borrowings	429,155	9,302	6,281	39,856	484,594
Lease liabilities	17,093	5,190	2,243	2,166	26,692
Trade and other payables (excluding accrued staff costs and other taxes payable)	261,597	–	–	–	261,597
	707,845	14,492	8,524	42,022	772,883
At December 31, 2021					
Borrowings	213,255	7,739	41,169	36,432	298,595
Lease liabilities	30,176	13,602	12,122	24,438	80,338
Trade and other payables (excluding accrued staff costs and other taxes payable)	452,823	–	–	–	452,823
	696,254	21,341	53,291	60,870	831,756

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue [**REDACTED**] or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net (cash)/debt is calculated as total borrowings and lease liabilities less cash and cash equivalents. Total capital comprises all components of equity as shown in the consolidated statements of financial position plus net (cash)/debts. As of December 31, 2018, 2019, 2020 and 2021, the gearing ratio of the Group was as follows:

	As at December 31,			
	2018	2019	2020	2021
Net (cash)/debt (RMB'000)	(188,603)	144,388	161,391	(438,677)
Total capital (RMB'000)	622,954	934,795	1,227,775	1,012,903
Gearing ratio	Not applicable	15%	13%	Not applicable

3.3 Fair value estimation

The Group made judgements and estimates in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

As at December 31, 2018, 2019, 2020 and 2021, the Group had no level 1 and level 2 financial instruments and had level 3 instruments which are the Group's financial assets at FVOCI and FVTPL respectively (Notes 23(a) and 23(b)).

There were no changes in valuation techniques during the years ended December 31, 2018, 2019, 2020 and 2021.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the years ended December 31, 2018, 2019, 2020 and 2021.

(a) The following table presents the changes in level 3 instruments.

	Year ended December 31,			
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
FVOCI				
Balance at beginning of the year	21,153	53,778	187,627	108,700
Additions	47,520	120,000	–	500
Changes in fair value	(14,895)	13,849	21,073	4,404
Disposals	–	–	(100,000)	(3,600)
Balance at end of the year	53,778	187,627	108,700	110,004
FVTPL				
Balance at beginning of the year	25,000	47,532	57,362	209,244
Additions	20,000	–	150,000	–
Changes in fair value	2,532	9,830	1,882	264
Disposals	–	–	–	(151,265)
Balance at end of the year	47,532	57,362	209,244	58,243

(b) Valuation process, inputs and relationship to fair value

The Group has a team that manages the valuation of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case by case basis. At least once a year, the team uses valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including:

- the latest round financing, i.e. the prior transaction price or the third-party pricing information; and
- a combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc..

There was no change to valuation techniques during the Track Record Period.

The following table summarises the quantitative information about the significant unobservable inputs used in the recurring level 3 fair value measurements.

	Fair value					Range of inputs				
	As at December 31,				Significant unobservable input	As at December 31,				Relationship of unobservable input to fair value
	2018	2019	2020	2021		2018	2019	2020	2021	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*						
Investments in unlisted companies and a limited liability partnership measured at FVOCI	53,778	187,627	108,700	110,004	Discounted for lack of marketability ("DLOM")	10%	10%	10%	10%	The higher the DLOM, the lower the fair value
					Price per book value ("P/B") multiple	1.01-3.40	1.01-3.80	1-3.10	1-2.70	The higher the P/B multiple, the higher the fair value
Investments in unlisted companies measured at FVTPL	47,532	57,362	59,244	58,243	DLOM	10%-29%	10%-29%	10%-29%	10%-29%	The higher the DLOM, the lower the fair value
					Price per earnings ("P/E") multiple	22.73	29.76	30.38	32.50	The higher the P/E multiple, the higher the fair value
					P/B multiple	1-3.40	1-3.80	1-3.10	1-2.70	The higher the P/B multiple, the higher the fair value
Wealth management product measured at FVTPL	–	–	150,000	–	Expected rate of return	N/A	N/A	4.2%	N/A	The higher the expected rate of return, the higher the fair value

If the fair value of the Group's FVOCI had been 10% higher/lower, other comprehensive income before income tax for the years ended December 31, 2018, 2019, 2020 and 2021 would have been approximately RMB5,378,000, RMB18,763,000, RMB10,870,000 and RMB11,000,000 higher/lower.

If the fair value of the Group's FVTPL had been 10% higher/lower, the profit before income tax for the years ended December 31, 2018, 2019, 2020 and 2021 would have been approximately RMB4,753,000, RMB5,736,000, RMB20,924,000 and RMB5,824,000 higher/lower.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Provision for expected credit losses of trade and other receivables

The Group makes provision for expected credit losses of trade and other receivables based on assumptions about risk of default and expected loss rates. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and loss allowance for impairment in the periods in which such estimate has been changed. For details of the key assumptions and inputs used, see Note 3.1.2 above.

(b) Fair value measurement of FVOCI and FVTPL

The fair value assessment of FVOCI and FVTPL that are measured at level 3 fair value hierarchy requires significant estimates, which include risk-free rates, expected volatility, DLOM, comparable P/B or P/E multiples, relevant underlying financial projections, market information of recent transactions (such as recent fund raising transactions undertaken by the investees) and other assumptions. Changes in these assumptions and estimates could materially affect the respective fair value of these investments. For details of the valuation techniques, key inputs used, see Note 3.3 above.

(c) Assessment of controls over the non-profit community health clinics (the "Community Clinics") founded by the Group

During the Track Record Period, there were total 31 Community Clinics, which was founded by the Group. Despite the fact that the Group invested in the Community Clinics, the Group does not have the power over those Community Clinics. The Group have entered into agreements with those Community Clinics in which the Group obtains contractual rights to provide management services of the Community Clinics for certain periods and is entitled to receive performance based management fees. The Group disposed the Community Clinics management business in January 2021 as disclosed in Note 13.

(d) Current and deferred income tax

The Group is subject to corporate income taxes in the PRC. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

(e) Impairment of non-financial assets

The Group performed the impairment testing related the non-current assets including investments in associates (Note 17), prepayments (Note 22) and contractual rights to provide management services (Note 15) on an annual basis or when there is an indication of impairment. Investment in associates, prepayment and intangible assets are tested whenever events or changes in circumstances indicate that the carrying amount of those assets exceed its recoverable amount. The recoverable amount is determined based on the higher of fair value less cost to sell and value in use.

Determination of the value in use is an area involving management judgement in order to assess whether the carrying value of the intangible development assets not available for use or investment in associates can be supported by the net present value of future cash flows. In calculating the net present value of the future cash flows, certain assumptions are required to be made including management's expectations of (i) timing of commercialisation, productivity and market size; (ii) revenue compound growth rate; (iii) costs and operating expenses; and (iv) the selection of discount rates to reflect the risks involved.

5 SEGMENT INFORMATION AND REVENUE

(a) Description of segments and principal activities

Management has determined the operating segments based on the reports reviewed by CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company.

The CODM examines the Group's performance from service line perspective and has identified three reportable segments of its business:

- Diagnosis testing – providing diagnosis testing to hospital and non-medical clients, mainly including routine diagnostic testing, routine pathological examination, infectious disease diagnostic testing, genetic disease diagnostic testing and early cancer detection.

- Hospital management business – providing management services for the Community Clinics.

- R&D institution – research and development of testing kits.

The CODM assesses the performance of the operating segments mainly based on the segment revenue and profit/(loss) after income tax. Assets and liabilities dedicated to a particular segment's operations are included in that segment's total assets and liabilities. Assets and liabilities are regularly reviewed on a consolidated basis.

(b) Segment revenue and results

For the year ended December 31, 2018

	Continuing operations	**Discontinued operations** *(Note 13(a))*		
	Diagnosis testing	**Hospital management**	**R&D institution**	**Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	596,308	–	–	596,308
– at a point in time	596,308	–	–	596,308
Segment results	(28,744)	(6,180)	(15,420)	(50,344)
Depreciation	21,936	–	–	21,936
Amortisation	7,053	225	–	7,278

For the year ended December 31, 2019

	Continuing operations	Discontinued operations *(Note 13(a))*		
	Diagnosis testing	**Hospital management**	**R&D institution**	**Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	677,826	869	–	678,695
– at a point in time	677,826	–	–	677,826
– over time	–	869	–	869
Segment results	(11,389)	(6,265)	(13,890)	(31,544)
Depreciation	26,011	29	–	26,040
Amortisation	7,028	971	–	7,999

For the year ended December 31, 2020

	Continuing operations	Discontinued operations *(Note 13(a))*		
	Diagnosis testing	**Hospital management**	**R&D institution**	**Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	1,200,320	1,062	–	1,201,382
– at a point in time	1,200,320	–	–	1,200,320
– over time	–	1,062	–	1,062
Segment results	270,309	(9,592)	(545)	260,172
Depreciation	32,702	125	–	32,827
Amortisation	7,287	943	–	8,230

For the year ended December 31, 2021

	Continuing operations	Discontinued operations *(Note 13(a))*		
	Diagnosis testing	**Hospital management**	**R&D institution**	**Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	1,696,740	–	–	1,696,740
– at a point in time	1,696,740	–	–	1,696,740
Segment results	372,498	10,120	(725)	381,893
Depreciation	52,069	–	–	52,069
Amortisation	3,769	72	–	3,841

(c) Segment assets and liabilities

	Continued operations	Discontinued operations			
	Diagnosis testing	**Hospital management**	**R&D institution**	**Inter-segment elimination**	**Group**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2018					
Segment assets	1,286,995	91,741	439	(116,594)	1,262,581
Total assets					1,262,581
Segment liabilities	(519,053)	(17,557)	(31,008)	116,594	(451,024)
Total liabilities					(451,024)
Capital expenditure	33,304	22,428	–	–	55,732
As at December 31, 2019					
Segment assets	1,310,170	110,131	605	(151,660)	1,269,246
Total assets					1,269,246
Segment liabilities	(563,134)	(22,201)	(45,164)	151,660	(478,839)
Total liabilities					(478,839)
Capital expenditure	32,810	20,266	–	–	53,076
As at December 31, 2020					
Segment assets	1,940,352	70,290	9,632	(63,543)	1,956,731
Total assets					1,956,731
Segment liabilities	(925,564)	(19,388)	(8,938)	63,543	(890,347)
Total liabilities					(890,347)
Capital expenditure	210,770	–	320	–	211,090
As at December 31, 2021					
Segment assets	2,455,413	–	–	–	2,455,413
Total assets					2,455,413
Segment liabilities	(1,003,833)	–	–	–	(1,003,833)
Total liabilities					(1,003,833)
Capital expenditure	270,243	–	–	–	270,243

(d) Revenue by customer type

	Year ended December 31,			
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recognised at a point in time:				
Diagnostic outsourcing services	449,278	463,105	857,733	1,024,274
Diagnostic testing services for medical institution alliances	100,811	166,064	275,768	619,356
Diagnostic testing services for non-medical institutions	46,219	48,657	66,819	53,110
	596,308	677,826	1,200,320	1,696,740

(e) Revenue by region

	Year ended December 31,			
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Southern China	399,679	504,127	931,149	1,393,409
Southwestern China	100,474	81,178	101,825	115,246
Eastern China	83,664	83,440	147,946	156,547
Other regions in Mainland China	12,491	9,081	19,400	31,538
	596,308	677,826	1,200,320	1,696,740

The Company is domiciled in the Cayman Islands while the Group's non-current assets and revenues are substantially located in and derived from the PRC.

(f) Information about major customers

All the revenues derived from single external customers were less than 10% of the Group's total revenues during the Track Record Period.

(g) Unsatisfied performance obligations

For diagnostic testing services, they are rendered in short period of time, which is generally within hours or a couple of days, which unsatisfied performance obligations are immaterial and the Group has elected the practical expedient for not to disclose the remaining performance obligations for these type of contracts.

6 OTHER INCOME

	Year ended December 31,			
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Government grants *(a)*	4,708	5,880	2,885	6,195
Interest income *(b)*	17,462	–	–	–
Sales of equipment and reagent	–	–	10,969	1,524
Others	343	235	202	150
	22,513	6,115	14,056	7,869

(a) The government grants include those grants from the local government in recognition of the entitlement of high and new technology enterprises, and the hospital contribution to local economy's development. There are no unfulfilled conditions or other contingencies attached to these grants.

(b) Interest income arose from investments in bank deposits with original terms of over three months.

7 OTHER LOSSES

	Year ended December 31,			
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Losses on disposal of equipment	640	223	1,174	666
Others	211	66	114	455
	851	289	1,288	1,121

8 EXPENSES BY NATURE

Expenses included in cost of revenue, selling expenses and administrative expenses are analysed as follows:

	Year ended December 31,			
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost of reagent and pharmaceuticals consumed *(Note 19)*	165,942	163,840	286,229	431,935
Staff costs *(Note 9)*	172,791	191,056	198,541	289,747
Marketing and promotion expenses	105,008	117,990	139,780	169,292
Subcontracting costs	81,408	81,153	80,633	95,041
Depreciation and amortisation charges *(Notes 14 and 15)*	28,989	33,039	39,989	55,838
Transportation expenses	14,347	17,851	31,656	43,955
Travelling and entertainment expenses	22,368	23,533	22,575	38,589
Office expenses	14,316	15,363	20,970	23,823
Consultancy and professional service fees	15,667	19,119	11,434	13,085
Insurance	3,875	3,727	2,498	2,087
Outsourced research and development expenses	3,300	4,440	1,205	3,198
[**REDACTED**]	–	–	12,047	33,481
Auditors' remuneration	1,024	988	993	250
Rental expenses *(Note 16)*	1,050	936	1,049	2,351
Other expenses	17,557	11,001	18,594	20,313
	647,642	684,036	868,193	1,222,985

Research and development expenses during the years ended December 31, 2018, 2019, 2020 and 2021 were RMB38,230,000, RMB36,480,000, RMB33,364,000 and RMB43,943,000, respectively, which mainly included cost of reagent and pharmaceuticals consumed, related staff costs and outsourced research and development expenses. Research and development activities included internal-use software upgrade and maintenance, improvement in advanced diagnostic testing practice. No research and development expenses had been capitalised for the years ended December 31, 2018, 2019, 2020 and 2021.

9 STAFF COSTS

	Year ended December 31,			
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Salaries, bonuses and other benefits	143,390	157,282	179,060	248,294
Social security and provident fund *(a)*	29,401	33,774	19,481	41,453
	172,791	191,056	198,541	289,747

(a) The Group received a partial exemption of social security according to social insurance relief policy of the local municipal governments during the COVID-19 outbreak for a period from February to December 2020.

(b) Five highest paid individuals

No director was included in the five highest paid individuals and the emoluments payable to the five highest paid individuals during the years ended December 31, 2018, 2019, 2020 and 2021 are as follows:

	Year ended December 31,			
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Salaries, bonuses and other benefits	3,118	3,219	3,293	4,751
Social security and provident fund	198	216	204	363
	3,316	3,435	3,497	5,114

The emoluments of these five highest paid individuals of the Group fell within the following emolument bands:

Number of individuals

	Year ended December 31,			
	2018	2019	2020	2021
Emolument bands (HKD)				
Nil – 1,000,000	4	5	5	–
1,000,001 – 1,500,000	1	–	–	5
	5	5	5	5

10 FINANCE COSTS – NET

	Year ended December 31,			
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Finance income				
Interest income from bank deposits	437	1,188	2,123	10,751
Finance costs				
Interest expenses on borrowings	(4,010)	(11,936)	(18,559)	(15,557)
Interest expenses on lease liabilities *(Note 16)*	(1,237)	(983)	(639)	(1,668)
	(5,247)	(12,919)	(19,198)	(17,225)
Finance costs – net	(4,810)	(11,731)	(17,075)	(6,474)

11 INCOME TAX (CREDIT)/EXPENSES

	Year ended December 31,			
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Continuing operations				
Current income tax	805	467	43,247	83,588
Deferred income tax	(4,613)	290	9,272	(4,866)
	(3,808)	757	52,519	78,722
Discontinued operations				
Current income tax	–	2	–	–
Deferred income tax *(Note 13(a))*	–	–	(22,637)	3,131
	–	2	(22,637)	3,131

The Group's principal applicable taxes and tax rates are as follows:

Cayman Islands

Under the prevailing laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, no Cayman Islands withholding tax is payable on dividend payments by the Company to its shareholders.

Hong Kong

Hong Kong profits tax rate is 16.5% up to April 1, 2018 when the two-tiered profits tax regime took effect, under which the tax rate is 8.25% for assessable profits on the first HK$2 million and 16.5% for any assessable profits in excess. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the Track Record Period.

PRC corporate income tax ("CIT")

CIT was made on the estimated assessable profits of the entities within the Group incorporated in the PRC and was calculated in accordance with the relevant tax rules and regulations of the PRC after considering the available tax refunds and allowances. The general CIT rate is 25% for the years ended December 31, 2018, 2019, 2020 and 2021.

Certain of the Group's entities in PRC, which generated most of the Group's profit, have been approved as high technology enterprises under the relevant tax rules and regulations, and accordingly, are subjected to a reduced preferential CIT rate of 15% from 2018 to 2021.

Certain of the Group's entities in PRC meet the standards for small enterprises under the relevant tax rules and regulations, and accordingly, the part of their taxable income not exceeding RMB3 million are subjected to a reduced CIT rate of 20%.

The tax on the Group's (loss)/profit before income tax differs from the theoretical amount that would arise using the statutory CIT rate of 25%, being the tax rate applicable to the majority of consolidated entities as follows:

	Year ended December 31,			
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
(Loss)/profit from continuing operations before income tax expenses	(32,552)	(10,632)	322,828	451,220
Tax calculated at statutory CIT rate of 25%	(8,138)	(2,658)	80,707	112,805
Effect of preferential tax rates	2,021	2,366	(29,000)	(41,794)
Expenses not deductible for tax purposes	4,204	5,270	5,768	16,445
Super deduction on research and development expenses *(a)*	(4,660)	(6,372)	(6,256)	(8,239)
Tax losses and deductible temporary differences for which no deferred income tax assets were recognised	2,765	2,151	1,406	733
Utilisation of previously unrecognised tax losses	–	–	(106)	(1,228)
Income tax (credit)/expenses for continuing operations	(3,808)	757	52,519	78,722

(a) According to the relevant laws and regulations promulgated by the State Council of the PRC, during the period from 2018 to 2023, enterprises engaging in research and development activities are entitled to claim 175% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year ("Super Deduction"). The Group has made its best estimate for the Super Deduction to be claimed for the Group's entities in ascertaining their assessable profits during the Track Record Period.

12 (LOSSES)/EARNINGS PER SHARE

(a) Basic (losses)/earnings per share

The basic (losses)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the years ended December 31, 2018, 2019, 2020 and 2021. In determining the weighted average number of ordinary shares in issue, total 9,813,990 shares issued as a result of the Reorganisation were deemed to have been in issue since January 1, 2018 and the proposed share subdivision (Note 36(a)) has been reflected in the calculations of the basic and diluted (losses)/earnings per share retrospectively.

	Year ended December 31,			
	2018	2019	2020	2021
(Loss)/profit attributable to owners of the Company (RMB'000)				
– From continuing operations	(28,210)	(11,177)	265,282	371,700
– From discontinued operations	(21,198)	(19,780)	(9,948)	9,232
	(49,408)	(30,957)	255,334	380,932
Weighted average number of ordinary shares in issue	490,699,500	490,699,500	490,703,050	498,520,300
Basic (losses)/earnings per share attributable to the owners of the Company (expressed in RMB per share)				
– From continuing operations	(0.06)	(0.02)	0.54	0.75
– From discontinued operations	(0.04)	(0.04)	(0.02)	0.02
	(0.10)	(0.06)	0.52	0.77

(b) Diluted (losses)/earnings per share

Diluted (losses)/earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The Company had no dilutive potential shares in issue, thus the diluted (losses)/earnings per share for the years ended December 31, 2018, 2019, 2020 and 2021 are the same as basic (losses)/earnings per share of the respective years.

13 DISCONTINUED OPERATIONS

To enhance the concentration in diagnosis testing business, the Group decided to dispose the Disposal Group in September 2020. The disposal was completed on January 27, 2021 (the "Disposal Date") and the Disposal Group is reported as discontinued operations accordingly during the Track Record Period. The associated assets and liabilities relating to the Disposal Group, excluding amounts due to other companies of the Group, were classified as assets and liabilities associated with the Disposal Group as at December 31, 2020.

(a) Financial performance

The financial performance of the discontinued operations during the years ended December 31, 2018, 2019, 2020 and 2021 was shown as follows:

	Year ended December 31,			
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Discontinued operations				
Revenue (i)	–	869	1,062	–
Cost of revenue (ii)	(4,321)	(8,070)	(14,170)	(157)
Gross loss	(4,321)	(7,201)	(13,108)	(157)
Selling expenses	(113)	(76)	(87)	–
Administrative expenses	(2,503)	(424)	(1,026)	(35)
Research and development expenses	(15,183)	(13,760)	(15,167)	(949)
Net impairment losses on financial assets (iii)	–	(7)	(4,863)	20
Other income	110	1,306	1,465	42
Other gains ((b)(i))	–	–	–	13,605
Operating (loss)/profit	(22,010)	(20,162)	(32,786)	12,526
Finance income	410	9	12	–
(Loss)/profit before income tax	(21,600)	(20,153)	(32,774)	12,526
Income tax (expenses)/credit (iv)	–	(2)	22,637	(3,131)
(Loss)/profit from discontinued operations	(21,600)	(20,155)	(10,137)	9,395
Attributable to:				
– Owners of the Company	(21,198)	(19,780)	(9,948)	9,232
– Non-controlling interests	(402)	(375)	(189)	163

(i) Revenue mainly represents the management service fee.

(ii) Cost of revenue consists of amortisation of contractual rights to provide management services and staff costs. For the year ended December 31, 2020, cost of revenue also included an impairment of contractual rights to provide management services of RMB7,790,000 (Note 15(b)).

(iii) For the year ended December 31, 2020, provision for impairment on the loan receivables due from those Community Clinics which were suspended or ceased to operation amounted to RMB4,782,000.

(iv) For the year ended December 31, 2020, the deferred income tax credit arose from the tax impact of the outside basis difference between the carrying amount of the net assets of the Disposal Group and the tax base of the investment of RMB22,637,000 were recognised and credited to profit or loss in the consolidated statement of comprehensive income. Such related deferred income tax benefit is allocated to the discontinued operations in the profit or loss, because the deferred income tax relates to changes in the discontinued operations' net assets.

(b) Assets and liabilities associated with Disposal Group

The assets and liabilities relating to the Disposal Group on disposal date was listed as follows:

	As at disposal date
	RMB'000
Consideration	85,000
Carrying amount of assets and liabilities of the Disposal Group	
Intangible assets (ii)	32,791
Other receivables (iii)	12,177
Amount due from the Group	54,314
Cash and cash equivalents	2,832
Trade receivables	346
Properties and equipment	725
Assets associated with the Disposal Group	103,185
Trade and other payables	(12,037)
Current tax liabilities	(3)
Amount due to the Group	(19,750)
Liabilities associated with the Disposal Group	(31,790)
Total carrying amount of net assets of the Disposal Group	71,395
Gain on disposal of the Group	13,605
Cash received	
Cash and cash equivalents disposed	(2,832)
Cash payment of amount due from the Group	(54,314)
Cash receipt of consideration	85,000
Net cash inflow for the disposal of subsidiaries for the year ended December 31, 2021	27,854

(i) In December 2020, the Group has completed a capital injection to the Disposal Group of RMB61,000,000 and the Disposal Group were subsequently disposed of to a related party in January 2021 at cash considerations of RMB85,000,000 in aggregate. Such cash considerations were collected by February 2021. As at disposal date, the total net assets of the Disposal Group, including amounts due from/to other companies of the Group, was RMB71,395,000. The considerations exceed the net assets of the Disposal Group, amounting to RMB13,605,000, has been recognised as a disposal gain in profit or loss in the consolidated statements of comprehensive income. In addition, the amounts due from/to other companies of the Group should be settled after the disposal. During the year ended December 31, 2021, the Group has fully settled the balance due to the Disposal Group of RMB54,314,000, and the Group's remaining balance due from the Disposal Group of RMB19,750,000 was recognised as other receivables as at December 31, 2021 (Note 22).

(ii) Intangible assets of the Disposal Group represented contractual rights to provide management services with carrying amount of RMB32,791,000.

(iii) Other receivables represented the loans provided to the Community Clinics under the Group's management which bear interests at the rate of 4% per annum (Note 22(a)).

14 PROPERTY AND EQUIPMENT

	Properties and buildings	Medical equipment	Vehicles, furniture and office equipment	Leasehold improvement	Construction in progress	Right-of-use assets for land use rights *(Note 22(e))*	Right-of-use assets for leased properties, equipment and motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2018								
Cost	46,809	72,088	19,086	11,496	–	–	9,547	159,026
Accumulated depreciation	(11,457)	(39,900)	(12,719)	(5,007)	–	–	–	(69,083)
Net book amount	35,352	32,188	6,367	6,489	–	–	9,547	89,943
Year ended December 31, 2018								
Opening net book amount	35,352	32,188	6,367	6,489	–	–	9,547	89,943
Additions	–	11,090	932	2,485	–	–	18,475	32,982
Disposals	–	(938)	(131)	–	–	–	–	(1,069)
Depreciation charge	(1,561)	(8,015)	(1,631)	(2,708)	–	–	(8,021)	(21,936)
Closing net book amount	33,791	34,325	5,537	6,266	–	–	20,001	99,920
As at December 31, 2018								
Cost	46,809	76,467	18,690	13,981	–	–	28,022	183,969
Accumulated depreciation	(13,018)	(42,142)	(13,153)	(7,715)	–	–	(8,021)	(84,049)
Net book amount	33,791	34,325	5,537	6,266	–	–	20,001	99,920

	Properties and buildings	Medical equipment	Vehicles, furniture and office equipment	Leasehold improvement	Construction in progress	Right-of-use assets for land use rights *(Note 22(e))*	Right-of-use assets for leased properties, equipment and motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Year ended December 31, 2019								
Opening net book amount	33,791	34,325	5,537	6,266	–	–	20,001	99,920
Additions	–	22,626	2,039	3,279	–	–	1,764	29,708
Disposals	–	(762)	(134)	–	–	–	–	(896)
Depreciation charge	(1,560)	(10,209)	(1,695)	(3,752)	–	–	(8,824)	(26,040)
Closing net book amount	32,231	45,980	5,747	5,793	–	–	12,941	102,692
As at December 31, 2019								
Cost	46,809	96,651	20,267	17,260	–	–	29,786	210,773
Accumulated depreciation	(14,578)	(50,671)	(14,520)	(11,467)	–	–	(16,845)	(108,081)
Net book amount	32,231	45,980	5,747	5,793	–	–	12,941	102,692
Year ended December 31, 2020								
Opening net book amount	32,231	45,980	5,747	5,793	–	–	12,941	102,692
Additions	–	34,516	2,047	8,771	–	157,653	7,806	210,793
Disposals	–	(2,502)	(364)	–	–	–	–	(2,866)
Depreciation charge	(1,561)	(16,967)	(2,016)	(3,505)	–	(460)	(8,318)	(32,827)
Transfer to the Disposal Group	–	(310)	(430)	–	–	–	–	(740)
Closing net book amount	30,670	60,717	4,984	11,059	–	157,193	12,429	277,052

	Properties and buildings	Medical equipment	Vehicles, furniture and office equipment	Leasehold improvement	Construction in progress	Right-of-use assets for land use rights *(Note 22(e))*	Right-of-use assets for leased properties, equipment and motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at December 31, 2020								
Cost	46,809	123,372	18,348	26,031	–	157,653	37,592	409,805
Accumulated depreciation	(16,139)	(62,655)	(13,364)	(14,972)	–	(460)	(25,163)	(132,753)
Net book amount	30,670	60,717	4,984	11,059	–	157,193	12,429	277,052
Year ended December 31, 2021								
Opening net book amount	30,670	60,717	4,984	11,059	–	157,193	12,429	277,052
Additions	–	121,168	7,340	18,889	62,870	–	57,041	267,308
Disposals	–	(3,835)	(488)	–	–	–	–	(4,323)
Transfer	–	–	–	6,912	(6,912)	–	–	–
Depreciation charge	(1,560)	(28,782)	(1,837)	(7,240)	–	(4,089)	(11,329)	(54,837)
Closing net book amount	29,110	149,268	9,999	29,620	55,958	153,104	58,141	485,200
As at December 31, 2021								
Cost	46,809	232,986	23,654	51,832	55,958	157,653	94,633	663,525
Accumulated depreciation	(17,699)	(83,718)	(13,655)	(22,212)	–	(4,549)	(36,492)	(178,325)
Net book amount	29,110	149,268	9,999	29,620	55,958	153,104	58,141	485,200

Depreciations charged to different expenses categories in the consolidated statements of comprehensive income and capitalised in construction in progress were as followed:

	Year ended December 31,			
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Continuing operations				
Cost of revenue	12,255	16,727	23,858	39,004
Administrative expenses	8,355	8,526	8,192	11,476
Selling expenses	1,326	758	652	1,589
	21,936	26,011	32,702	52,069
Discontinued operations				
Selling expenses	–	29	125	–
Total expenses	21,936	26,040	32,827	52,069
Depreciation capitalised in construction in progress	–	–	–	2,768
Total	21,936	26,040	32,827	54,837

All the properties and buildings were located in the PRC. The buildings with net book amount of RMB33,791,000 as at December 31, 2018 were pledged as collateral for the Group's bank borrowings (Note 28(b)). No buildings were pledged for the Group's borrowings as at December 31, 2019 and 2020 and 2021.

As at December 31, 2018, 2019 and 2020, the carrying amount of medical equipment of RMB31,347,000, RMB23,826,000 and RMB16,305,000 respectively were pledged to secure the other borrowing of the Group (Note 28(a)). No medical equipment was pledged as at December 31, 2021.

15 INTANGIBLE ASSETS

	Software	Contractual rights to provide management services	Total
	RMB'000	*RMB'000*	*RMB'000*
As at January 1, 2018			
Cost	38,234	–	38,234
Accumulated amortisation	(13,980)	–	(13,980)
Net book amount	24,254	–	24,254
Year ended December 31, 2018			
Opening net book amount	24,254	–	24,254
Additions	322	22,428	22,750
Amortisation charge	(7,053)	(225)	(7,278)
Closing net book amount	17,523	22,203	39,726
As at December 31, 2018			
Cost	38,556	22,428	60,984
Accumulated amortisation	(21,033)	(225)	(21,258)
Net book amount	17,523	22,203	39,726
Year ended December 31, 2019			
Opening net book amount	17,523	22,203	39,726
Additions	3,102	20,266	23,368
Amortisation charge	(7,046)	(953)	(7,999)
Closing net book amount	13,579	41,516	55,095
As at December 31, 2019			
Cost	41,658	42,694	84,352
Accumulated amortisation	(28,079)	(1,178)	(29,257)
Net book amount	13,579	41,516	55,095
Year ended December 31, 2020			
Opening net book amount	13,579	41,516	55,095
Additions	297	–	297
Amortisation charge	(7,367)	(863)	(8,230)
Impairment *(b)*	–	(7,790)	(7,790)
Transfer to the Disposal Group	–	(32,863)	(32,863)
Closing net book amount	6,509	–	6,509
As at December 31, 2020			
Cost	41,955	–	41,955
Accumulated amortisation	(35,446)	–	(35,446)
Net book amount	6,509	–	6,509

	Software	Contractual rights to provide management services	Total
	RMB'000	*RMB'000*	*RMB'000*
Year ended December 31, 2021			
Opening net book amount	6,509	–	6,509
Additions	2,935	–	2,935
Amortisation charge	(3,769)	–	(3,769)
Closing net book amount	5,675	–	5,675
As at December 31, 2021			
Cost	44,890	–	44,890
Accumulated amortisation	(39,215)	–	(39,215)
Net book amount	5,675	–	5,675

(a) Amortisation expenses were charged to the following categories in the consolidated statements of comprehensive income:

	Year ended December 31,			
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Continuing operations				
Cost of revenue	6,787	6,675	6,390	2,550
Administrative expenses	206	280	770	811
Selling expenses	60	73	127	408
	7,053	7,028	7,287	3,769
Discontinued operations				
Cost of revenue	225	953	923	72
Administrative expenses	–	18	20	–
	225	971	943	72
Total	7,278	7,999	8,230	3,841

(b) Amortisation and impairment test for contractual rights to provide management services

During the Track Record Period, the Group entered into management agreements with 31 Community Clinics. Pursuant to these agreements, the Group provide management services to these hospitals for a period of 40 years respectively. The contractual rights to provide management services are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of contractual rights over their useful lives of 40 years.

The assets that are subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Taking into account that certain Community Clinics were still in the stage with marginal net income, management consider there were indicators for impairment and performed impairment testing as of December 31, 2018, 2019 and 2020. Except those contractual rights related to 9 Community Clinics were early terminated during February and September 2020 due to their operations were impacted adversely by the Covid-19, remaining contractual rights had been disposed by the Group along with the disposal of the subsidiary engaged in the management of Community Clinics in January 2021 as disclosed in Note 13.

The recoverable amount of contractual rights to provide management services relating to individual Community Clinic is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year forecast period. Cash flows beyond the five-year forecast period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long-term average growth rate for the business in which individual Community Clinic operates.

The key assumptions, long-term growth rate and discount rate used in the value-in-use calculations as at December 31, 2018, 2019 and 2020 are as follows:

	As at December 31,		
	2018	**2019**	**2020**
Revenue (% compound growth rate) *(i)*	14.2%-30.5%	14.4%-30.2%	14.1%-29.1%
Long-term growth rate *(ii)*	5%	5%	5%
Pre-tax discount rate *(iii)*	15.6%-17.4%	15.6%-17.4%	15.6%-17.4%

(i) Revenue compound growth rate is for the five-year forecast period. It is based on past performance and management's expectations of market development, taking into account the resident density near each Community Clinics, average outpatient rate to be achieved, charge rate per patient and etc.

(ii) The long-term growth rate is for the remaining management service period, which exclude first five-year forecast period. It does not exceed the long-term average growth rate for the business in which the Community Clinics operate.

(iii) The discount rates used are pre-tax and reflect specific risks relating to the individual Community Clinic. The future cash flows used in value-in-use calculations to assess the contractual rights impairment did not include income tax receipts or payments, and thus the management of the Company used the pre-tax discount rate to match the future cash flows when calculating the recoverable amount of the certain Community Clinics.

During the Track Record Period, the performances of the Community Clinics were generally in line with management's expectations. In addition, the industry in which the hospital operated and the market and regulatory environment were also largely stable during the Track Record Period. Hence, there were no significant changes in the operating risk and the expected returns required by investors, which have resulted in relatively stable pre-tax discount rates during the Track Record Period.

The results of the impairment test reveal that no impairment was required to be recognised for the year ended December 31, 2018 and 2019 with the headrooms of RMB5,357,000 and RMB9,932,000. While nine Community Clinics had suspended or ceased their operations during February to September 2020 respectively due to their operations were adversely impacted by the unexpected COVID-19 outbreak in 2020, management has assessed and considered that an impairment of RMB7,790,000 was required to be recognised, which was the carrying amounts of the intangible assets related to those nine Community Clinics as of the respective dates of their closures.

16 LEASES

(a) Amounts recognised in the consolidated statements of financial position

	As at December 31,			
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Right-of-use assets included in "Property and equipment"				
– Leased properties	15,884	9,986	11,064	57,543
– Leased equipment and motor vehicle	4,117	2,955	1,365	598
– Land use right	–	–	157,193	153,104
	20,001	12,941	169,622	211,245
Lease liabilities				
– Current	11,354	15,957	16,500	27,171
– Non-current	13,352	6,138	8,550	44,162
	24,706	22,095	25,050	71,333

(b) Amounts recognised in profit or loss

	Year ended December 31,			
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Depreciation charge of right-of-use assets				
– Leased properties	6,855	7,216	6,728	10,135
– Leased equipment and vehicles	1,166	1,608	1,590	1,194
– Land use right	–	–	460	4,089
	8,021	8,824	8,778	15,418
Less: capitalised in construction in progress	–	–	–	(2,768)
	8,021	8,824	8,778	12,650
Interest expense (included in finance costs)	1,237	983	639	1,668
Expense relating to short-term and low-value leases (included in cost of revenue and administrative expenses)	1,050	936	1,049	2,351

The Group operates six independent clinical laboratories, five of which were leased properties and these lease liabilities were measured at net present value of the lease payments during the lease terms that are not yet paid. In 2021, the Group started the preparations of open another ten new independent clinical laboratories and increased the leased properties for operation. Besides, the Group leased certain diagnostic testing machines and motor vehicles. No extension options are included in such property, equipment and motor vehicle leases across the Group.

The total cash outflow for leases (including short-term leases) during the years ended December 31, 2018, 2019 and 2020 and 2021 amounted to RMB5,603,000, RMB6,294,000, RMB6,539,000, and RMB14,777,000, respectively.

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Movements of the Group's investments in associates during the Track Record Period were as below:

	Year ended December 31,			
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Opening carrying amount	–	3,520	21,559	20,000
Additions in investment costs	4,005	20,000	–	–
Share of net loss	(485)	(1,961)	(1,559)	–
Disposals	–	–	–	(20,000)
Closing carrying amount	3,520	21,559	20,000	–

The Group invested in two private companies with initial investment costs of RMB4,005,000 and RMB20,000,000, respectively. Both associates are not material to the Group, in the opinion of the directors, as the associates either did not carry out any substantial business or still in its start-up stage.

Share of loss during the Track Record Period with aggregate amount of RMB4,005,000 recognised in relation to an associate with its start-up expenditures, which would not be recovered as the associate was planned to be engaged in the Health City Project while such plan has been aborted in the late 2020 (Note 22(b)).

In September 2021, the Group withdrew its investment in the associates with no substantial business commenced and received the refund of the investment amounting RMB20 million.

18 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred liabilities is as follows:

	As at December 31,			
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred income tax assets:				
– To be recovered within 12 months	21,008	19,175	16,756	10,281
– To be recovered after more than 12 months	3,404	6,564	23,426	25,528
	24,412	25,739	40,182	35,809
Deferred income tax liabilities				
– To be released after more than 12 months	(52)	(5,131)	(11,477)	(6,470)
	24,360	20,608	28,705	29,339

The movement in deferred income tax assets/(liabilities) during the Track Record Period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Deferred income tax assets – ECL on receivables	Deferred income tax assets – tax losses	Deferred income tax assets – temporary differences of deferred revenue	Deferred income tax assets – temporary differences of investment in subsidiaries (Note 13(a(iv)))	Deferred income tax assets – lease liabilities	Deferred income tax liabilities – right-of-use assets	Deferred income tax liabilities – FVOCI and FVTPL	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at January 1, 2018	3,691	15,437	58	–	2,387	(2,387)	(3,163)	16,023
Credited/(charged) to profit or loss	171	4,298	–	–	3,390	(2,613)	(633)	4,613
Charged to other comprehensive income	–	–	–	–	–	–	3,724	3,724
At December 31, 2018	3,862	19,735	58	–	5,777	(5,000)	(72)	24,360
As at January 1, 2019	3,862	19,735	58	–	5,777	(5,000)	(72)	24,360
Credited/(charged) to profit or loss	576	507	364	–	(1,045)	1,766	(2,458)	(290)
Charged to other comprehensive income	–	–	–	–	–	–	(3,462)	(3,462)
At December 31, 2019	4,438	20,242	422	–	4,732	(3,234)	(5,992)	20,608
As at January 1, 2020	4,438	20,242	422	–	4,732	(3,234)	(5,992)	20,608
Credited/(charged) to profit or loss	532	(10,065)	218	22,637	387	127	(471)	13,365
Charged to other comprehensive income	–	–	–	–	–	–	(5,268)	(5,268)
As at December 31, 2020	4,970	10,177	640	22,637	5,119	(3,107)	(11,731)	28,705
As at January 1, 2021	4,970	10,177	640	22,637	5,119	(3,107)	(11,731)	28,705
Credited/(charged) to profit or loss	3,404	3,170	(86)	(3,131)	10,886	(12,758)	250	1,735
Charged to other comprehensive income	–	–	–	–	–	–	(1,101)	(1,101)
Transfer upon completion of disposal of the discontinued operations *(i)*	–	19,506	–	(19,506)	–	–	–	–
As at December 31, 2021	8,374	32,853	554	–	16,005	(15,865)	(12,582)	29,339

(i) After the disposal of the Disposal Group, the deferred income tax assets from the temporary differences of investment in subsidiaries had been realised and the investment companies of the disposed subsidiaries were entitled to utilize the tax losses in 5-10 years and deferred tax assets in respect tax losses were recognised for the year ended December 31, 2021.

As at December 31, 2018, 2019, 2020 and 2021, the Group did not recognise deferred income tax assets in respect of cumulative tax losses of RMB16,605,000, RMB25,045,000, RMB29,867,000, and RMB26,701,000, respectively, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

Unused tax losses for which no deferred income tax asset was recognised are expiring as follows:

	As at December 31,			
Expiry year	**2018**	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2019	164	–	–	–
2020	387	387	–	–
2021	1,514	1,514	1,192	–
2022	3,480	3,480	3,451	2,085
2023	11,060	11,060	11,024	8,165
2024	–	8,604	8,576	7,895
2025	–	–	5,624	5,624
2026	–	–	–	2,932
	16,605	25,045	29,867	26,701

According to CIT Law, a withholding income tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividends out of profits earned after 1 January 2008. A lower 5% withholding income tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil requirements under the tax treaty agreements between the relevant authorities of the PRC and Hong Kong.

As at December 31, 2018, 2019, 2020 and 2021, the Group has unrecognised deferred income tax liabilities amounted to RMB940,000, RMB2,327,000, RMB25,633,000 and RMB58,341,000, respectively, which arising from undistributed profits from the Group's subsidiaries in the PRC to its immediate holding company in Hong Kong. No provision has been made in respect of such withholding tax as the directors have confirmed that such profits will not be distributed in the foreseeable future. Unremitted earnings of these subsidiaries in the PRC amounted to approximately RMB9,397,000, RMB23,268,000, RMB256,327,000, and RMB583,406,000, respectively.

19 INVENTORIES

	As at December 31,			
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Reagent and pharmaceuticals	17,191	15,156	24,553	41,697

Inventories consumed recognised as expenses and were included in "cost of revenue" and "administrative expenses" were as follows:

	Year ended December 31,			
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost of revenue	149,590	149,459	274,697	418,586
Administrative expenses	16,352	14,381	11,532	13,349
	165,942	163,840	286,229	431,935

20 FINANCIAL INSTRUMENTS BY CATEGORY

	As at December 31,			
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Financial assets at amortised cost:				
Restricted cash *(Note 24)*	30,004	30,300	42,041	31,146
Cash and cash equivalents *(Note 24)*	400,380	63,955	335,835	800,695
Trade receivables *(Note 21)*	230,599	260,405	484,514	825,301
Other receivables *(Note 22)*	15,978	31,656	248,240	28,123
	676,961	386,316	1,110,630	1,685,265
Financial assets at fair value:				
FVOCI *(Note 23(a))*	53,778	187,627	108,700	110,004
FVTPL *(Note 23(b))*	47,532	57,362	209,244	58,243
	101,310	244,989	317,944	168,247
	778,271	631,305	1,428,574	1,853,512
Financial liabilities				
Financial Liabilities at amortised cost:				
Trade and other payables excluding non-financial liabilities *(Note 29)*	202,218	203,313	261,597	452,823
Borrowings *(Note 28)*	187,071	186,248	472,176	290,685
Lease liabilities *(Note 16)*	24,706	22,095	25,050	71,333
	413,995	411,656	758,823	814,841

21 TRADE RECEIVABLES

	As at December 31,			
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables				
– Third parties	245,774	283,030	512,411	877,604
– Related parties *(Note 31(d))*	2,735	1,776	1,817	323
	248,509	284,806	514,228	877,927
Less: allowance for impairment of trade receivables *(Note 3.1.2)*	(17,910)	(24,401)	(29,714)	(52,626)
	230,599	260,405	484,514	825,301

(a) As at December 31, 2018, 2019, 2020 and 2021, the ageing analysis of the trade receivables based on invoice date were follows:

	As at December 31,			
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Up to 180 days	199,544	230,400	440,301	628,062
181 days to 1 year	23,339	27,232	35,515	154,530
1 to 2 years	13,960	14,480	22,890	70,528
2 to 3 years	3,708	4,010	5,384	12,713
More than 3 years	7,958	8,684	10,138	12,094
	248,509	284,806	514,228	877,927

(b) The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. The detail information please refer to Note 3.1.2.

(c) The Group's trade receivables were denominated in RMB and their carrying amounts approximated their fair values.

22 PREPAYMENTS AND OTHER RECEIVABLES

The Group

	As at December 31,			
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Included in current assets				
Prepayments				
– Prepayments to third parties suppliers	19,576	23,147	9,330	4,901
– Prepayments to related parties suppliers *(Note 31(d))*	–	68	710	–
– Other tax recoverable	1,965	3,865	758	1,966
– Prepayment for the construction materials *(d)*	–	–	98,000	–
– Prepayments for [**REDACTED**]	–	–	4,010	9,426
	21,541	27,080	112,808	16,293
Other receivables				
– Receivables for the Health City Project *(b)*	–	–	170,000	–
– Loans receivable *(a)*	1,765	16,103	62,700	–
– Deposits receivables	1,892	2,956	4,050	5,662
– Cash advance to employees	2,136	1,427	291	1,418
– Amounts due from related parties *(Note 31(d))*	30	471	1,199	21,220
– Others	274	720	16	–
	6,097	21,677	238,256	28,300
Less: allowance for impairment of other receivables *(Note 3.1.2)*	(119)	(21)	(16)	(177)
	5,978	21,656	238,240	28,123
	27,519	48,736	351,048	44,416

	As at December 31,			
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Included in non-current assets				
Prepayments				
– Prepayment for the Health City Project *(b)*	238,000	298,000	–	–
– Prepayment for equipment and IT system development *(c)*	40,000	65,200	–	–
– Prepaid consideration of land use rights *(e)*	–	27,420	–	–
– Prepayments for equipment to third parties suppliers	–	–	–	15,419
	278,000	390,620	–	15,419
Other receivables				
– Amount due from a related party *(Note 31(d))*	10,000	10,000	10,000	–
– Deposits	–	–	–	1,808
	10,000	10,000	10,000	1,808
	288,000	400,620	10,000	17,227
Total	315,519	449,356	361,048	61,643

The Company

	As at December 31,			
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments for [**REDACTED**]	–	–	4,010	9,426

(a) As of December 31, 2018 and 2019, the loan receivables represented amounts due from the Community Clinics which bore interests at fixed interest rate of 4% per annum, and these loan receivables were reclassified as the "Assets associated with the Disposal Group" as of December 31, 2020 with outstanding balances of approximately RMB11.3 million.

In addition, the Group provided interest-free loans of RMB5 million and RMB57.7 million to a shareholder of Guangzhou Yunjia Health and Medical Technology Co., Ltd. in 2019 and 2020, respectively. Such loans had been repaid to the Group in February 2021.

(b) In 2018, the Group, Yunnan Metropolitan Construction Investment Group Co., Ltd. ("Yunnan Construction," a state-owned company under Yunnan provincial government) and other two independent project companies (the "Relevant Parties"), entered into several agreements regarding the development of Yunnan International Health Medical City which was initiated by Yunnan provincial government (the "Health City Project").

The Group prepaid RMB238 million in 2018 and RMB60 million in 2019 respectively to the Relevant Parties, and the amounts approximated to 30% of the estimated consideration of land use rights for the purpose of construction of the Health City Project.

In early 2020, the cooperation of the Health City Project was held up by Yunnan Construction due to the impact of COVID-19 and a change of strategy, resulting in uncertainty for future development of the project. At the end of November 2020, given that there was no substantial development of the Health City Project, the Group and the Relevant Parties had agreed to cease the cooperation. Partial of the prepayment amount of RMB128 million was repaid to the Group in November 2020 while the remaining balances of RMB170 million was subsequently repaid to the Group in February 2021.

(c) In November 2018, the Group has prepaid RMB40 million to a third party in relation to IT system development in order to accommodate the Group's five-year development plan of obtaining over 200 management contracts from the Community Clinics. However, given the performance of hospital management business was underperformed, the Group has suspended the IT development plan and informed the IT service provider accordingly. The Group has negotiated with the IT service provider and mutually agreed to terminate the cooperation. As such, the prepayments were repaid to the Group by installment in April 2020 and November 2020, respectively.

In January 2019, the Group purchased a batch of medical equipment and reagent from the United States and prepaid RMB22 million and RMB3.2 million respectively. However, both procurement orders were cancelled by the Group since the suppliers could not provide the import service due to the international trade restrictions and the global impact of COVID-19. The corresponding amounts of prepayments were all repaid to the Group in 2020.

(d) In December 2020, a subsidiary of the Group prepaid RMB98 million to a third-party supplier for purchase of construction materials for the development of the land described in Note 22(e), which had been refunded to the Group in February 2021 after termination of the related procurement.

(e) In November 2019, a subsidiary of the Group entered into a purchase agreement with local government for a parcel of land use right at a cost of approximately RMB158 million. Pursuant to the purchase agreement, the Group had prepaid a deposit of approximately RMB27 million in 2019 and subsequently settled the remaining consideration in June 2020 and September 2020. Before obtaining the land certificate from government authority, the aforesaid deposits or considerations prepaid were recognised as "prepayment" in the Group's consolidated statement of financial position. In November 2020, the Company has obtained the land certificate and the prepayment has been reclassified and recognised as land use right accordingly. Please refer to Notes 14 and 16 for details.

On December 23, 2020, the Group entered into a supplemental agreement with local government, pursuant to which, the Group is required to commence construction work no later than April 30, 2021. The construction work was commenced in late April 2021 and is expected to be completed by end of 2022 with an budgeted construction cost of approximately RMB300 million.

(f) The Group's other receivables are denominated in RMB and their carrying amounts are approximated their fair values.

23 FINANCIAL ASSETS AT FAIR VALUE

(a) FVOCI

The Group's FVOCI included equity investments which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

Equity investments at FVOCI included the following:

	As at December 31,			
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted				
– Private company A *(i)*	52,258	84,057	102,565	106,762
– Private company B *(ii)*	1,520	1,520	2,535	2,742
– Private company C *(iii)*	–	–	–	500
– A limited liability partnership *(iv)*	–	102,050	3,600	–
	53,778	187,627	108,700	110,004

(i) The private company A is engaged in investment activities and portfolio management, with concentration in healthcare industry. The company A is also an associate of Da An Group.

(ii) The private company B invested an equity instrument which is principally engaged in sales of medical imaging diagnostic equipment.

(iii) The private company C is principally engaged in pathological research.

(iv) The limited liability partnership agreement was terminated in late 2020 and the Group received repayment of RMB100,000,000 in November 2020 and RMB3,600,000 in February 2021 respectively. On disposal of the equity investments, the balance within the FVOCI reserve was reclassified to retained earnings.

Amounts recognised in other comprehensive income is as following:

The table below shows the (losses)/gains as recognised in other comprehensive income:

	Year ended December 31,			
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
(Losses)/gains recognised in other comprehensive income	(14,895)	13,849	21,073	4,404
Less: income tax impact	3,724	(3,462)	(5,268)	(1,101)
	(11,171)	10,387	15,805	3,303

(b) FVTPL

The Group's FVTPL comprised debt investments and equity investments that do not qualify for measurement at either amortised cost or FVOCI.

Financial assets measured at FVTPL include the following:

	As at December 31,			
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Unlisted companies *(i)*	47,532	57,362	59,244	58,243
Wealth management product *(ii)*	–	–	150,000	–
	47,532	57,362	209,244	58,243

(i) During the year ended December 31, 2018, the Group had invested in three private companies, at a consideration of RMB20 million, RMB20 million and RMB5 million, either through shares with redemption rights or debt instrument with conversion rights as issued by these invested companies. Two of these investees are principally engaged in provision of consultancy services and the remaining one is engaged in investment management.

(ii) On December 31, 2020, a subsidiary of the Group entered into an agreement with an asset management company, pursuant to which the Group has invested in a principal-guaranteed wealth management product of RMB150 million. The return was not guaranteed hence the contractual cash flow did not qualify for solely payment of principal and interest. Therefore, it was measured at fair value through profit or loss. The fair value was based on cash flow discounted using the expected return based on management judgement and was within level 3 of the fair value hierarchy.

The Group has redeemed such wealth management product in late February 2021 and the cash received from the redemption including the related interest amounted to approximately RMB151,265,000.

Amounts recognised in profit or loss

	Year ended December 31,			
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Fair value gains recognised in profit or loss	2,532	9,830	1,882	264

(c) Fair value, impairment and risk exposure

Information about the methods and assumptions used in determining fair value have been set out in Note 3.3.

24 CASH AND CASH EQUIVALENTS

	As at December 31,			
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank	430,363	94,234	377,856	831,821
Cash on hand	21	21	20	20
	430,384	94,255	377,876	831,841
Less: Restricted cash in relation to:				
– Deposits for letter of guarantee	–	–	(21,118)	(21,118)
– Government grants received on behalf of joint applicants *(Note 29 (b))*	(26,400)	(26,400)	(17,393)	(7,396)
– Specific fund from government grants	(3,600)	(3,600)	(2,924)	(1,898)
– Others	(4)	(300)	(606)	(734)
	(30,004)	(30,300)	(42,041)	(31,146)
Cash and cash equivalents	400,380	63,955	335,835	800,695

The carrying amounts of cash and cash equivalents were denominated in the following currencies:

	As at December 31,			
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
RMB	400,359	63,934	335,815	800,675
USD	21	21	20	20
	400,380	63,955	335,835	800,695

Restricted cash are all denominated in RMB.

Cash and cash equivalents held in the PRC are subject to local exchange control regulations. These regulations provide for restriction on exporting capital from the PRC, other than through normal dividend.

As of December 31, 2020 and 2021, restricted deposits of approximately RMB20,564,000 and RMB554,000 were held at bank as performance guarantee for purchase of the land use right described in Note 22(e) and were pledged to the bank for letters of guarantee, respectively.

25 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Share capital	Equivalent share capital	Share premium
		USD	*RMB*	*RMB*
Authorised				
As at July 20, 2018 (date of incorporation), December 31, 2018 and 2019 and 2020 and December 31, 2021 *(a)*	500,000,000	50,000	338,355	–
Issued and paid				
As at July 20, 2018 (date of incorporation) and December 31, 2018 *(a)*	10,000	1	7	–
Issue of new ordinary shares on March 26, 2019 *(b)*	5,000	1	4	–
Issue of new ordinary shares on October 22, 2019 *(c)*	9,984,990	998	7,056	–
Excluding: shares issued but not yet paid (c)	(186,000)	(19)	(131)	–
Balance at December 31, 2019	9,813,990	981	6,936	–
Transaction with non-controlling interests *(c)*	13,000	1	9	1,388,277
Balance at December 31, 2020	9,826,990	982	6,945	1,388,277
Transaction with non-controlling interests *(c)*	173,000	18	122	19,731,012
Balance at December 31, 2021	9,999,990	1,000	7,067	21,119,289

(a) The Company was incorporated in the Caymans Islands under the Cayman Companies Act as an exempted company with limited liability on July 20, 2018 with an authorised share capital of US$50,000 divided into 500,000,000 ordinary shares with a par value of US$0.0001 each. Immediately after the incorporation date of July 20, 2018, the Company allotted and issued 7,000, 1,000, 1,000 and 1,000 shares at par value to Huizekx Limited, Mouduans Limited, Tongfuzc Limited and WJJR Investment Limited, respectively.

(b) On March 26, 2019, the Company allotted and issued 3,000, 1,000 and 1,000 shares at par value to Huizekx Limited, Aagen Limited and Jin Jun Ying Limited.

(c) On October 22, 2019, the Company entered into a series of share subscription agreement with the offshore affiliates of the Registered Shareholders and YK Development Limited ("YK Development"). Upon the completion of series of shares allotments and transfer, YK Development, Daan International Holdings Limited, Anjianxin Limited, Handclass Industries Limited, Aagen Limited and Huizekx Limited owned 50.64%, 46.96%, 1.04%, 0.87%,0.11% and 0.38% of the equity interest of the Company respectively, of which YK Development was owned by Huizekx Limited, Mouduans Limited, Tongfuzc Limited, WJJR Investment Limited, Jin Jun Ying Limited and Source Capital RW Limited and ultimately controlled by Mr. Zhang Yong.

Among the total 9,984,990 shares issued on October 22, 2019, 186,000 shares approximating 1.86% of the equity interests of the Company which were originally entitled by non-controlling interest shareholders, had been issued to Huizekx Limited without fully paid up. Huizekx Limited has settled such outstanding shares through the consideration paid by Gaoxing Yanguang to the non-controlling interest shareholders as mentioned in Note 1.2. In December 2020, February 2021, and May 2021, 0.13%, 1.48% and 0.25% out of the above mentioned 1.86% of the equity interests of the Company which corresponding net book value amounting to RMB1,388,286, RMB16,737,084 and RMB2,994,050 had been transferred and completed, respectively. Such transactions with non-controlling equity interests would be deemed as settlement of the paid-up capital of Group previously allotted to Huizekx Limited and account for increased in share premium of the Company and the Group as well as investment in a subsidiary of the Company upon completion.

26 OTHER RESERVES

The Group

	Capitalisation reserves *(Note)*	Reserves for financial assets at FVOCI	Total
	RMB'000	*RMB'000*	*RMB'000*
Balance at January 1, 2018	930,845	9,312	940,157
Changes in fair value of FVOCI	–	(10,963)	(10,963)
Balance at December 31, 2018	930,845	(1,651)	929,194
Balance at January 1, 2019	930,845	(1,651)	929,194
Changes in fair value of FVOCI	–	10,194	10,194
Balance at December 31, 2019	930,845	8,543	939,388
Balance at January 1, 2020	930,845	8,543	939,388
Changes in fair value of FVOCI	–	15,511	15,511
Balance at December 31, 2020	930,845	24,054	954,899
Balance at January 1, 2021	930,845	24,054	954,899
Changes in fair value of FVOCI	–	3,133	3,133
Transfer of gain on disposal of FVOCI to retained earnings (Note 23(a))	–	(2,650)	(2,650)
Balance at December 31, 2021	930,845	24,537	955,382

Note:

Capitalisation reserves represented the registered capital and capital premium of Yunkang Industry attributable to owners of the Company in aggregate of approximately RMB931 million as of January 1, 2018, as the Group obtained the equity interest in Yunkang Industry through a series of contractual arrangements other than any cash considerations, which were considered as deemed contribution from the shareholders.

The Company

	As at December 31,			
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Other reserves – deemed contribution from shareholders	–	784,346	784,346	784,346

Other reserves represented the excess of the aggregate net asset values of the [**REDACTED**] Business attributable to owners of the Company over the par value of the Company's shares as issued in exchange for the [**REDACTED**] Business pursuant to the Reorganisation, which were considered as deemed contribution from the shareholders.

27 DEFERRED REVENUE

	As at December 31,			
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Government grant	4,450	5,875	7,325	6,750
To be realised within 12 months	–	–	7,175	6,750
To be realised after more than 12 months	4,450	5,875	150	–

The deferred revenue mainly represented the government grants obtained to assist the Group's research and development activities with attached conditions from the government. The deferred revenue is recognised in profit or loss when the Group comply with the attached conditions.

28 BORROWINGS

	As at December 31,			
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Borrowings included in non-current liabilities:				
Bank borrowings	–	–	–	69,900
– Guaranteed *(b)*	–	–	–	69,900
– Unsecured	–	–	–	–
Other borrowings *(a, b)*	67,071	59,001	68,220	50,785
Less: current portion of non-current borrowings	(8,070)	(9,279)	(17,316)	(38,322)
	59,001	49,722	50,904	82,363
Borrowings included in current liabilities:				
Bank borrowings	120,000	127,247	403,956	170,000
– Secured or/and guaranteed *(b)*	100,000	127,247	391,956	170,000
– Unsecured	20,000	–	12,000	–
Current portion of non-current borrowings	8,070	9,279	17,316	38,322
	128,070	136,526	421,272	208,322
Total borrowings	187,071	186,248	472,176	290,685

	As at December 31,			
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings repayables				
Within 1 year	120,000	127,247	403,956	200,200
Between 1 and 2 years	–	–	–	200
Between 2 and 5 years	–	–	–	39,500
Over 5 years	–	–	–	–
	120,000	127,247	403,956	239,900
Other borrowings repayables				
Within 1 year	8,070	9,279	17,316	8,122
Between 1 and 2 years	9,279	10,722	8,241	5,663
Between 2 and 5 years	12,722	3,000	7,663	3,000
Over 5 years	37,000	36,000	35,000	34,000
	67,071	59,001	68,220	50,785

(a) In December 2015, a subsidiary of the Group entered into an arrangement with CDB Development Fund Co., Ltd. ("CDB Development Fund"), pursuant to which CDB Development Fund invested RMB40 million and injected directly to the subsidiary. Accordingly, 6.18% equity interests of the subsidiary were held by CDB Development Fund as collateral of which the Group is obligated to redeem at predetermined prices. The fund bears fixed interest rate at 1.2% per annum and has fixed repayment terms of 15 years, which was also guaranteed by Da An Group, a related party.

In November 2018, the Group entered into a 3-year loan agreement with a financial institution, pursuant to which the Group borrowed total amounts of approximately RMB28 million with interest at 14.98% per annum. According to the aforesaid loan agreement, the borrowing was secured by the medical equipment of the Group and guaranteed by certain subsidiaries of the Group. As at December 31, 2018, 2019, 2020 and 2021, the remaining balances were approximately RMB27,071,000, RMB19,001,000, RMB9,722,000 and nil, respectively.

In September 2020, the Group entered into a 3-year loan agreement with another financial institution, pursuant to which the Group borrowed total amounts of approximately RMB20 million with interest at 8.00% per annum. According to the aforesaid loan agreement, the borrowing was guaranteed by Mr. Zhang Yong and a subsidiary of the Group. As at December 31, 2020 and 2021, the remaining balances were approximately RMB18,498,000 and RMB11,785,000 respectively.

(b) The secured and guarantee situations of the bank and other borrowings are as follows:

	As at December 31,			
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bank borrowings				
Secured by the buildings and guaranteed by a subsidiary of the Group	80,000	–	–	–
Guaranteed by subsidiaries of the Group	–	127,247	341,456	239,900
Guaranteed by a subsidiary of the Group and Mr. Zhang Yong	20,000	–	50,500	–
	100,000	127,247	391,956	239,900
Other borrowings				
Guaranteed by Da An Group	40,000	40,000	40,000	39,000
Secured by the equipment and guaranteed by subsidiaries of the Group	27,071	19,001	9,722	–
Guaranteed by a subsidiary of the Group and Mr. Zhang Yong	–	–	18,498	–
Guaranteed by a subsidiary of the Group	–	–	–	11,785
	67,071	59,001	68,220	50,785

(c) As at December 31, 2018, 2019, 2020 and 2021, the effective interest rate of the borrowings was 5.61%, 5.50%, 2.90% and 4.28% per annum, respectively.

29 TRADE AND OTHER PAYABLES

The Group

	As at December 31,			
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables *(a)*				
– Third parties	80,601	98,999	136,996	168,369
– Related parties *(Note 31(d))*	34,478	38,854	39,490	192,175
	115,079	137,853	176,486	360,544
Other payables				
– Related parties *(Note 31(d))*	12,454	8,442	7,056	9,937
– Government grants received on behalf of joint applicants *(b)*	26,400	26,400	17,393	7,396
– Marketing and promotion expenses payable	14,520	8,910	26,894	36,030
– Other accrued expenses	10,370	7,202	9,161	19,175
– Unpaid considerations of contractual rights to provide management services	11,704	4,486	–	–
– Unpaid consideration of FVOCI *(c)*	4,000	6,000	6,000	6,000
– Interests payables	713	373	851	739
– [**REDACTED**] payables	–	–	10,597	5,397
– Others	6,978	3,647	7,159	7,605
	87,139	65,460	85,111	92,279
Accrued staff costs	27,121	47,557	59,764	92,043
Other taxes payable	4,318	7,338	7,208	11,797
	233,657	258,208	328,569	556,663

The Company

	As at December 31,			
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
[**REDACTED**]	–	–	10,597	5,397
Amount due to a subsidiary	–	–	5,460	49,557
	–	–	16,057	54,954

(a) As at December 31, 2018, 2019, 2020 and 2021, the ageing analysis of the trade payables based on goods and services received were follows:

	As at December 31,			
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Up to 6 months	89,062	101,722	140,179	279,984
6 months to 1 year	18,657	21,160	28,431	72,811
1 to 2 years	3,878	8,769	5,838	6,942
2 to 3 years	1,073	2,735	723	216
More than 3 years	2,409	3,467	1,315	591
	115,079	137,853	176,486	360,544

(b) In 2018, the Group jointly with other 9 entities applied for government subsidies in relation to a digital pilot project. As an initiator, the Group received the government subsidies totalling RMB30 million on behalf of all the applicants, in which the Group was entitled with RMB3.6 million in 2019 and an additional amount of RMB1.3 million in October 2020 due to the withdrawal of a project participant. As at December 31, 2018 and 2019, the balances collected on behalf of a related party, Sun Yat-Sen University, were amounting to approximately RMB3.6 million and RMB3.6 million, respectively (Note 31(d)). Sun Yat-sen University had been a third party since December 2020, because it had transferred its equity interest in Da An Gene and was no longer the parent company of Da An Gene.

(c) Such unpaid consideration was settled by the Group in January 2022.

(d) As at December 31, 2018, 2019, 2020 and 2021, trade and other payables were all denominated in RMB and the carrying amounts of trade and other payables approximated their fair values.

30 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended December 31,			
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
(Loss)/profit before income tax of the continuing operation	(32,552)	(10,632)	322,828	451,220
Adjustments for:				
– Finance costs	5,247	12,919	19,198	17,225
– Net impairment losses on financial assets	117	6,386	5,315	23,073
– Depreciation of property and equipment	21,936	26,011	32,702	52,069
– Amortisation of intangible assets	7,053	7,028	7,287	3,769
– Fair value gains on FVTPL	(2,532)	(9,830)	(1,882)	(264)
– Share of net loss of associates	485	1,961	1,559	–
– Losses on disposal of equipment	640	223	1,174	666
– Interest income	(17,462)	–	–	–
	(17,068)	34,066	388,181	547,758
Changes in working capital:				
– Restricted cash	(29,665)	(296)	(11,741)	10,895
– Trade receivables	(1,359)	(36,961)	(230,059)	(363,699)
– Inventories	19,414	2,035	(9,397)	(17,144)
– Prepayments and other receivables	4,792	(6,694)	15,936	9,129
– Trade and other payables	54,770	27,787	81,665	228,526
– Deferred revenue	4,062	1,425	1,450	(575)

	Year ended December 31,			
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash generated from operations	**34,946**	**21,362**	**236,035**	**414,890**

(b) The reconciliation of liabilities arising from financial activities is as follow:

	Borrowings and interest payables	**Lease liabilities**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
As at January 1, 2018	80,430	9,547	89,977
Additions of leases	–	18,475	18,475
Accrued interest expenses	4,010	1,237	5,247
Cash flows	103,344	(4,553)	98,791
As at December 31, 2018	187,784	24,706	212,490
As at January 1, 2019	187,784	24,706	212,490
Additions of leases	–	1,764	1,764
Accrued interest expenses	11,936	983	12,919
Cash flows	(13,099)	(5,358)	(18,457)
As at December 31, 2019	186,621	22,095	208,716
As at January 1, 2020	186,621	22,095	208,716
Additions of leases	–	7,806	7,806
Accrued interest expenses	18,559	639	19,198
Cash flows	267,847	(5,490)	262,357
As at December 31, 2020	473,027	25,050	498,077
As at January 1, 2021	473,027	25,050	498,077
Additions of leases	–	57,041	57,041
Accrued interest expenses	15,557	1,668	17,225
Cash flows	(197,160)	(12,426)	(209,586)
As at December 31, 2021	291,424	71,333	362,757

31 RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

Related parties are those parties that have the ability to control, jointly control or exercise significant influence over the other party in holding power over the investee; exposure or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

Save as disclosed elsewhere in this report, the directors of the Company are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the years ended December 31, 2018, 2019, 2020 and 2021:

Name of related parties	Relationship with the Group
Mr. Zhang Yong	The Controlling Shareholder of the Group
Da An Gene and its subsidiaries ("Da An Group")	The shareholder with significant influence to the Group
Sun Yat-Sen University	The shareholder of Da An Group *(i)*
Zhuhai Hengqin Shiwei Kangjie Life Science Research Institute Co., Ltd. and its subsidiaries ("Shiwei Kangjie")	Controlled by Mr. Zhang Yong

(i) On December 18, 2020, Sun Yat-sen University, the controlling shareholder of Da An Group, transferred all its 100% equity interests in Da An Group to Guangzhou International Holding Group Co., Ltd. After the above-mentioned equity transfer is completed, Sun Yat-sen University is no longer a related party of the Group.

(b) Key management compensation

	Year ended December 31,			
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Salaries, bonuses and other benefits	2,525	2,605	2,670	3,995
Contribution to pension scheme expenses	156	182	176	309
	2,681	2,787	2,846	4,304

(c) Transactions with related parties

	Year ended December 31,			
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Continuing:				
Revenue from				
– Da An Group	911	1,319	1,492	2,977
– Sun Yat-Sen University	93	597	1,055	Not applicable
	1,004	1,916	2,547	2,977

	Year ended December 31,			
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Purchase of goods and services				
– Da An Group	57,786	45,884	78,959	215,958
– Sun Yat-Sen University	101	278	120	Not applicable
	57,887	46,162	79,079	215,958
Continuing:				
Lease of right-of-use assets				
– Da An Group	10,101	–	–	7,055
Interest expense paid/payable on lease liabilities due to related parties				
– Da An Group	571	389	165	312
Commercial property management services fee due to related parties				
– Da An Group	2,504	2,281	2,601	3,155
Lease expense related to short-term lease				
– Da An Group	220	220	118	–
Discontinued:				
Purchase of goods and services				
– Da An Group	8,906	3,593	21	–
Disposal of discontinued operation				
– Shiwei Kangjie	–	–	–	85,000

All of the transactions above were carried out in the normal course of the Group's business and on terms as agreed between the transacting parties.

(d) Balances with related parties

	As at December 31,			
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related parties				
Trade				
Trade receivables				
– Da An Group	2,706	1,718	1,817	323
– Sun Yat-Sen University	29	58	Not applicable	Not applicable
	2,735	1,776	1,817	323
Other receivables				
– Da An Group	24	459	1,167	1,441
– Mr. Zhang Yong	6	12	32	29
	30	471	1,199	1,470
Prepayments				
– Da An Group	–	68	710	–
Non-trade				
Other receivables				
– Da An Group	10,000	10,000	10,000	–
– Shiwei Kangjie *(Note 13(b)(i))*	–	–	–	19,750
	12,765	12,315	13,726	21,543
Amounts due to related parties				
Trade				
Trade payables				
– Da An Group	(34,478)	(38,854)	(39,490)	(192,175)
Other payables				
– Da An Group	(12,446)	(8,440)	(7,056)	(9,937)
– Sun Yat-Sen University	(3,608)	(3,600)	Not applicable	Not applicable
– Mr. Zhang Yong	–	(2)	–	–
	(16,054)	(12,042)	(7,056)	(9,937)
	(50,532)	(50,896)	(46,546)	(202,112)
Lease liabilities due to related parties				
– Da An Group	(8,483)	(4,840)	(637)	(3,661)

As at December 31, 2018, 2019, 2020 and 2021, the balances due from/to related parties are unsecured, interest-free, and are denominated in RMB. Apart from the non-trade balances of RMB10 million due from Da An Group were with repayment period of ten years, others were collectable/payable on demand. Except for the non-trade receivables with Shiwei Kangjie, other non-trade balances with related parties had been subsequently settled in September 2021. Other receivables primarily include deposits in relation to transactions with related parties. Other payables primarily represent payable commercial property management service fees in relation to the leased offices and amount payable for equipment purchase from Da An Group and government grants received on behalf of Sun Yat-Sen University which is one of the joint applicants in the digital pilot project (Note 29(b)).

(e) Guarantees from the related parties

	As at December 31,			
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Guarantees provided by				
– Mr. Zhang Yong	20,000	–	68,998	–
– Da An Group	40,000	40,000	40,000	39,000
	60,000	40,000	108,998	39,000

Other borrowing provided by CDB Development Fund (Note 28(a)) is guaranteed by Da An Group, which will remain after the [**REDACTED**].

As at December 31, 2018, 2019, 2020 and 2021, there were no guarantees provided to the related parties and no pledges provided by/to the related parties.

32 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The emoluments of Mr. He Yunshao, Mr. Zhou Xinyu, Mr. Guo Yunzhao, and Mr. Zhou Weiqun, non-executive directors in relation to their services rendered for the Group for the Track Record Period were borne by related parties of the Group. There emoluments were not allocated to the Group as the management of the Company considers there is no reasonable basis of allocation.

The remuneration of each director during the Track Record Period is set out below:

Name	Salaries, bonuses and other benefits	Contribution to pension scheme	Total
	RMB'000	*RMB'000*	*RMB'000*
Year ended December 31, 2018			
Executive Director			
Mr. Zhang Yong	24	–	24
Non-executive Directors			
Mr. He Yunshao	–	–	–
Mr. Zhou Xinyu	–	–	–
Mr. Guo Yunzhao	–	–	–
Mr. Zhou Weiqun	–	–	–
	24	–	24

Name	Salaries, bonuses and other benefits	Contribution to pension scheme	Total
	RMB'000	*RMB'000*	*RMB'000*
Year ended December 31, 2019			
Executive Director			
Mr. Zhang Yong	24	11	35
Non-executive Directors			
Mr. He Yunshao	–	–	–
Mr. Zhou Xinyu	–	–	–
Mr. Guo Yunzhao	–	–	–
Mr. Zhou Weiqun	–	–	–
	24	11	35

Name	Salaries, bonuses and other benefits	Contribution to pension scheme	Total
	RMB'000	*RMB'000*	*RMB'000*
Year ended December 31, 2020			
Executive Director			
Mr. Zhang Yong	24	12	36
Non-executive Directors			
Mr. He Yunshao	–	–	–
Mr. Zhou Xinyu	–	–	–
Mr. Guo Yunzhao	–	–	–
Mr. Zhou Weiqun	–	–	–
	24	12	36

Name	Salaries, bonuses and other benefits	Contribution to pension scheme	Total
	RMB'000	*RMB'000*	*RMB'000*
Year ended December 31, 2021			
Executive Director			
Mr. Zhang Yong	24	15	39
Non-executive Directors			
Mr. He Yunshao	–	–	–
Mr. Zhou Xinyu	–	–	–
Mr. Guo Yunzhao	–	–	–
Mr. Zhou Weiqun	–	–	–
	24	15	39

(i) Mr. Zhang Yong was appointed as the executive director and chief executive chairman of the Company on July 20, 2018.

(ii) Mr. He Yunshao, Mr. Zhou Xinyu, Mr. Guo Yunzhao and Mr. Zhou Weiqun were appointed as the Company's non-executive directors on October 22, 2019.

(iii) Mr. Yu Shiyou, Mr. Yang Hongwei and Mr. Xie Shaohua were appointed as the Company's independent non-executive directors on February 20, 2022.

(iv) Mr. He Yunshao has resigned as non-executive director of the Company on April 15, 2022.

(b) Directors' retirement and termination benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries' undertaking during the Track Record Period.

No payment was made to the directors as compensation for early termination of appointment during the Track Record Period.

(c) Consideration provided to their parties for making available directors' services

No payment was made to any former employers of the directors for making available the services of them as a director of the Company during the Track Record Period.

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There were no other loans, quasi-loans and other dealings in favour of the directors, controlled bodies corporate by and connected entities with such directors during the Track Record Period.

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the Track Record Period.

33 DIVIDENDS

No dividends have been paid or declared by the Company during each of the years ended December 31, 2018, 2019, 2020 and 2021.

34 COMMITMENTS

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	As at December 31,			
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted but not provided for:				
– Property and equipment	–	–	–	323,176

As at December 31, 2021, the Group's capital commitments mainly related to the construction of the land in Guangzhou acquired in 2019 (Note 22(e)) and equipment procurements and decorations for the preparation of opening of new independent clinical laboratories.

35 CONTINGENT LIABILITIES

As at December 31, 2018, 2019, 2020 and 2021, the Group did not have any material contingent liabilities.

36 SUBSEQUENT EVENTS

Saved as disclosed in this report, subsequent to December 31, 2021, the following subsequent events took place:

(a) On February 20, 2022, the Company conducted share subdivision pursuant to which each share in the issued and unissued share capital was subdivided into fifty shares with par value US$0.000002 each, following which the issued share capital was 499,999,500 shares with par value of US$0.000002 each. The share subdivision has been completed and become effective on February 20, 2022.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2021 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to December 31, 2021.