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## CONTRACTUAL ARRANGEMENTS

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### INTRODUCTION

We conduct our ICL business in the PRC through the PRC Operating Entities, namely Hangzhou Adicon and its subsidiaries. As of the Latest Practicable Date, the PRC Operating Entities operated 32 laboratories across the PRC in Beijing, Changsha, Chengdu, Chongqing, Fuzhou, Guangzhou, Guizhou, Hangzhou, Hefei, Heilongjiang, Henan, Jilin, Jinan, Kunming, Nanchang, Nanjing, Nanning, Qingdao, Quzhou, Sanming, Shanghai, Shangrao, Shenyang, Shenzhen, Suzhou, Tianjin, Wenzhou, Wuhan, Xi’an, Xinyang, Xiamen and Zhengzhou. Our laboratories provide a variety of ICL testing services, many of which involved a technology called “polymerase chain reaction (“PCR” or 基因擴增技術 in Chinese)”, a mature and advanced laboratory technology widely used for genetic testing services, which require rapidly making millions to billions of copies of a specific DNA sample.

Due to foreign investment restrictions, our Company and our indirect wholly foreign owned subsidiary, Aidiken WFOE, as foreign investors, are prohibited from holding any equity interests in laboratories performing ICL testing services with PCR (the “**Relevant Business**”). In order to conduct the Relevant Business in the PRC, since December 26, 2008, our Company has been, through Aidiken WFOE, controlled Hangzhou Adicon and its subsidiaries as the subsidiaries of our Company through the Contractual Arrangements.

### PRC LAWS AND REGULATIONS ON FOREIGN OWNERSHIP RESTRICTIONS

Foreign investment activities in the PRC were mainly governed by (i) the Encouraged Industry Catalogue for Foreign Investment (2022 version) (《鼓勵外商投資產業目錄(2022年版)》) (the “**Catalogue**”), which was promulgated and is amended from time to time jointly by the MOFCOM and the NDRC; and (ii) the Special Administrative Measures on Access of Foreign Investment (Negative List) (《外商投資准入特別管理措施(負面清單)》), the latest amended version of which was jointly promulgated by the MOFCOM and the NDRC on December 27, 2021 and took effect as of January 1, 2022 (the “**Negative List**”). The Catalogue and the Negative List stipulate industries in which foreign investment is restricted and prohibited.

Our PRC Legal Advisor has confirmed that, pursuant to the Negative List and based on interviews with competent government authorities, foreign investors are prohibited from investing in the Relevant Business.

### Recent Regulatory Development in China

According to Article 6 of the 2021 Negative List which took effect on January 1, 2022, where a domestic company engaging in business prohibited in the Negative List seeks to offer shares and list securities in an overseas market, such offering and listing shall be approved by relevant competent PRC authorities. Foreign investors must not participate in the operation and management of the company, and their shareholding percentage shall be subject to relevant provisions on the administration of domestic securities investment by foreign investors. On December 27, 2021, a spokesman from the NDRC held a press conference in relation to the 2021 Negative List. During the conference, it was held that the supervision and administration of the overseas issuance and listing by a domestic enterprise under 2021 Negative List shall be led by CSRC and the CSRC will seek the view of the competent authority in the relevant industry or sector after receipt of the application materials for an “overseas listing” (“境外上市”).

On January 18, 2022, the NDRC held another press conference, to further clarify the 2021 Negative List, during which the spokesperson of NDRC make it clear that Article 6 of the Negative List shall only be applicable where a domestic company is seeking a direct overseas issuance and listing. With reference to the definition under the Overseas Listing Trial Measures, a direct overseas issuance and listing of a domestic company refers to a PRC-incorporated joint stock company issues shares or seeks to be listed overseas, where the listed company is the domestic company itself, such

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as H shares listing (the “**Direct Overseas Listing**”). Based on the clarification made by the NDRC, our PRC Legal Advisor is of the view that our proposed [REDACTED] does not constitute a Direct Overseas Listing, which is a case applicable under the Article 6 of the Negative List.

On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) (the “**Overseas Listing Trial Measures**”) and five supporting guidelines, which will come into effect on March 31, 2023. The Overseas Listing Trial Measures will regulate both direct and indirect overseas offering and listing of PRC domestic companies’ securities by adopting a filing-based regulatory regime. Where an issuer submits an application for initial public offering to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted.

On the same day, the CSRC also held a press conference for the release of the Overseas Listing Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (關於境內企業境外發行上市備案管理安排的通知), which, among others, clarifies that companies that satisfy all of the following conditions shall be deemed as “Existing Applicants (存量企業)” and are not required to complete the overseas listing filing immediately, but shall complete filings as required if they conduct refinancing or are involved in other circumstances that require filing with the CSRC (i) the application for overseas offering or listing shall have been approved by the relevant overseas regulatory authority or stock exchange (such as passing the hearing for the listing application of its shares on the Stock Exchange) prior to March 31, 2023, (ii) the company is not required to reapply for offering and listing procedures to the overseas regulatory authority or securities exchanges (such as a new hearing for the listing application of its shares on the Stock Exchange) after March 31, 2023, and (iii) such overseas securities offering or listing shall be completed on or prior to September 30, 2023. The CSRC will solicit opinions from relevant regulatory authorities and complete the filing of the overseas listing of companies with contractual arrangements which duly meet the compliance requirements, and support the development and growth of these companies by enabling them to utilize two markets and two kinds of resources. See “Regulatory Overview – Regulations Relating to Foreign Investment”.

Based on the foregoing and as advised by our PRC Advisor, if we are not deemed as an Existing Applicant, we will be required to complete the filing procedures with the CSRC in connection with the [REDACTED].

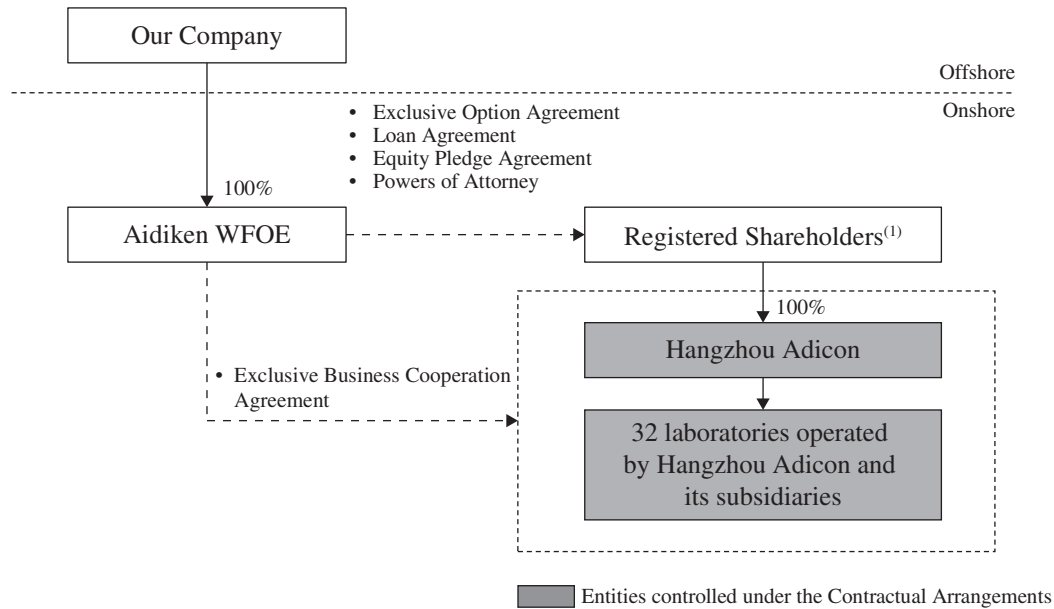
If we fail to complete the filing with the CSRC in a timely manner or at all for any capital raising activities, which are subject to the filings under the Overseas Listing Trial Measures, due to our Contractual Arrangements, our ability to raise or utilize funds could be materially and adversely affected, and we may even need to unwind our Contractual Arrangements or restructure our business operations to rectify the failure to complete the filings. However, given that the Overseas Listing Trial Measures were recently promulgated, there remains substantial uncertainties as to their interpretation, application, and enforcement and how they will affect our operations and our future financing. See “Risk Factors – Risks Relating to Doing Business in China – Filing with the CSRC may be required in connection with the [REDACTED], and, if required, we cannot predict whether we will be able to complete such filing.”

Although as of the date of this document, we had not received any inquiry, notice, warning, or sanctions regarding the proposed [REDACTED] or our corporate structure from the CSRC or any other PRC government authorities with respect to the filing requirement under the new regulatory regime or with respect to the VIE structure, we cannot guarantee that new rules or regulations promulgated in the future will not impose any additional requirements on us or otherwise tighten the regulations on companies with a VIE structure. For further details, see “Risk Factors – Risks Relating to Our Contractual Arrangements”.

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### OUR CONTRACTUAL ARRANGEMENTS

The following simplified diagram illustrates the existing structure of the Contractual Arrangements:



*Note:*

- (1) Mr. LIN Jixun and Mr. LIN Feng, through their respective holding company, were the registered shareholders of Hangzhou Adicon prior to October 2018. After the investment of Pearl Group Limited in October 2018, Ms. LAN Jia and Ms. LIAN Hailun were designated by our [REDACTED] Investors to become the Registered Shareholders of Hangzhou Adicon in October 2018. Ms. LAN Jia is the chief compliance officer of our Group and is the general manager and legal representative of Hangzhou Adicon. Ms. LIAN Hailun is a principal of Carlyle’s Asia Buyout Fund and is a supervisor of Hangzhou Adicon and Aidiken WFOE. On October 14, 2020, Hangzhou Kangming, on behalf of certain PRC senior management of our Company (namely Mr. GAO Song, Mr. PAN Chao, Mr. WANG Chengdong and four other existing and previous senior employees who are neither our Directors nor our senior management, see the section headed “Directors and Senior Management” in this document for details), subscribed 0.36% equity interests in Hangzhou Adicon. Since then, Hangzhou Adicon has been owned as to 49.82%, 49.82% and 0.36% by Ms. LAN Jia, Ms. LIAN, Hailun and Hangzhou Kangming, respectively.

If the applicable PRC laws and regulations allow the Relevant Business to be conducted by laboratories with foreign investments, we will, as soon as practicable, unwind and terminate the Contractual Arrangements, and directly hold the maximum percentage of ownership interests of the PRC Operating Entities to the extent permissible under applicable PRC laws and regulations.

Our Directors believe that the Contractual Arrangements are fair and reasonable as (i) the Contractual Arrangements were freely negotiated and entered into between Hangzhou Adicon, Aidiken WFOE and the Registered Shareholders; (ii) by entering into the Exclusive Business Cooperation Agreement (as defined below), Hangzhou Adicon will enjoy better economic and technical support from Aidiken WFOE, and (iii) a number of other foreign-owned companies use similar arrangements to accomplish the same purpose.

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### SUMMARY OF THE CONTRACTUAL ARRANGEMENTS

#### Exclusive Business Cooperation Agreement

Under the amended and restated exclusive business cooperation agreement dated November 23, 2020 (the “**Exclusive Business Cooperation Agreement**”) entered into among Aidiken WFOE, Hangzhou Adicon and the Registered Shareholders, Hangzhou Adicon agreed to engage Aidiken WFOE as its exclusive provider of comprehensive business support, technical services and consultancy services, in exchange for service fees. Under this agreement, the yearly service fees shall be all the after-tax profit of Hangzhou Adicon (including all the distributable profit obtained by Hangzhou Adicon from its subsidiaries) in the financial year, but Aidiken WFOE is entitled to adjust the service fees at its sole discretion based on the quantity and content of the services provided.

Pursuant to the Exclusive Business Cooperation Agreement, Aidiken WFOE has the exclusive and complete proprietary rights to all intellectual properties developed in performance of obligations under the Exclusive Business Cooperation Agreement, whether developed by Hangzhou Adicon or its subsidiaries, Aidiken WFOE, or jointly.

The Exclusive Business Cooperation Agreement shall remain effective until Aidiken WFOE exercises its unilateral right to terminate by prior written notice to other parties. Subject to applicable laws and unless stated otherwise in the agreement, Hangzhou Adicon does not have the right to unilaterally terminate the contract.

#### Exclusive Option Agreement

Under the amended and restated exclusive option agreement dated November 23, 2020 (the “**Exclusive Option Agreement**”) entered into among Aidiken WFOE, Hangzhou Adicon and the Registered Shareholders, Aidiken WFOE (or its designee) was granted an irrevocable, unconditional and exclusive right to purchase all or any of the equity interest in and/or assets of Hangzhou Adicon held at present or in the future for a consideration equivalent to the lowest price permitted under PRC laws at the time of purchasing. At Aidiken WFOE’s request, the Registered Shareholders and/or Hangzhou Adicon will promptly and unconditionally transfer their respective equity interests in and/or the relevant assets of Hangzhou Adicon to Aidiken WFOE (or its designee) after Aidiken WFOE exercises its purchase right. Subject to relevant PRC laws and regulations, the Registered Shareholders shall compensate Aidiken WFOE with an amount equivalent to any purchase price, or profits, distributions, dividends or bonus received from Hangzhou Adicon. The Registered Shareholders (as registered shareholders of Hangzhou Adicon) have covenanted to Aidiken WFOE that they shall not, among other things: (i) sell or transfer the equity interests of Hangzhou Adicon, or allow such equity interests be subject to a guarantee or other forms of encumbrances; (ii) approve any distribution of dividends to the Registered Shareholders, unless with the prior consent of Aidiken WFOE; and (iii) enter into any arrangements to reduce the value of the equity interests of Hangzhou Adicon. Hence, the potential adverse effect on Aidiken WFOE and us in the event of any loss suffered from Hangzhou Adicon and/or its subsidiaries can be limited to a certain extent.

If Aidiken WFOE exercises its purchase right, all or any part of the equity interests in and/or assets of Hangzhou Adicon acquired shall be transferred to Aidiken WFOE and the benefits of equity ownership and/or assets, as applicable, will flow to us and our Shareholders.

The Exclusive Option Agreement will remain effective until (i) all equity interests in and/or assets of Hangzhou Adicon are transferred to Aidiken WFOE (and/or its designee) pursuant to the terms of the agreement; or (ii) Aidiken WFOE exercises its unilateral right to terminate the Exclusive Option Agreement by prior written notice to other parties. Subject to applicable laws and unless stated otherwise in the agreement, Hangzhou Adicon and the Registered Shareholders do not have the right to unilaterally terminate the contract.

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### Loan Agreements

Under the amended and restated loan agreements dated November 23, 2020 (the "**Loan Agreements**") entered into respectively by Ms. LAN Jia and Ms. LIAN Hailun with Aidiken WFOE, Aidiken WFOE agreed to extend to each of Ms. LAN Jia and Ms. LIAN Hailun a loan (the "**Loans**") to be used exclusively for acquiring the equity interests in Hangzhou Adicon. The Loans must not be used for any other purposes. Such Loans will become immediately due and payable under any of the following circumstances: (i) twenty years has elapsed from the date of the Loans; or (ii) the operating period of Aidiken WFOE expires; or (iii) Ms. LAN Jia or Ms. LIAN Hailun ceases to hold any equity interests in Hangzhou Adicon; or (iv) Aidiken WFOE demands from Ms. LAN Jia and Ms. LIAN Hailun repayment of the Loans without cause at any time after serving 10 days notice as and when Aidiken WFOE considers appropriate at its absolute discretion. The Loans can only be repaid by transferring all of the equity interests in Hangzhou Adicon held by Ms. LAN Jia and Ms. LIAN Hailun to Aidiken WFOE (or its designee).

### Equity Pledge Agreement

Under the amended and restated equity pledge agreement dated November 23, 2020 (the "**Equity Pledge Agreement**") entered into among Aidiken WFOE, Hangzhou Adicon and the Registered Shareholders, the Registered Shareholders pledged all of their respective equity interests in Hangzhou Adicon to Aidiken WFOE as collateral security to secure performance of their obligations and Hangzhou Adicon's obligations under the Equity Pledge Agreement, the Exclusive Option Agreement, the Exclusive Business Cooperation Agreement, the Loan Agreements and the Powers of Attorney (as defined below). In addition, under the Equity Pledge Agreement, none of the Registered Shareholders or Hangzhou Adicon may transfer or permit the encumbrance of any of the equity interests in Hangzhou Adicon without Aidiken WFOE's prior written consent.

Should an event of default (as provided in the Equity Pledge Agreement) occur, unless it is successfully resolved to Aidiken WFOE's satisfaction, Aidiken WFOE is entitled to implement the pledge under the Equity Pledge Agreement if the above default is not successfully resolved to Aidiken WFOE's satisfaction at the time of issuing the written demand or at any time thereafter.

The pledges under the Equity Pledge Agreement have been duly registered with the relevant PRC legal authority pursuant to PRC laws and regulations.

The Equity Pledge Agreement will remain effective until all obligations under the Exclusive Option Agreement, the Exclusive Business Cooperation Agreement, the Loan Agreements and the Powers of Attorney have been fully performed.

### Powers of attorney

Under the amended and restated powers of attorney dated November 23, 2020 (the "**Powers of Attorney**"), the Registered Shareholders irrevocably appointed Aidiken WFOE (or its designee) as their attorneys-in-fact to exercise all of their rights as registered shareholders of Hangzhou Adicon pursuant to applicable laws and the memorandum of association of Hangzhou Adicon at the time. These rights include the right to, among others, (i) propose and attend shareholders' meetings, and sign the relevant shareholders' resolutions and meeting minutes; (ii) receive dividends of Hangzhou Adicon; (iii) sell or transfer or pledge or dispose of all or part of Hangzhou Adicon's equity interests; (iv) obtain the properties of Hangzhou Adicon when it is liquidated; (v) designate and appoint Hangzhou Adicon's legal representative, directors, supervisors, chief executive officer and other senior management personnel; (vi) submit to government authorities any documents that need to be submitted by Hangzhou Adicon's shareholders; (vii) dissolve and liquidate Hangzhou Adicon and to serve as a member of the liquidation committee to exercise the powers of the liquidation committee during the liquidation period in accordance with PRC laws and regulations; and (viii) inspect Hangzhou Adicon's shareholders resolutions, board resolutions, records and financial records. Under the Powers of Attorney, if there are any conflicts between the rights of the

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Registered Shareholders and the instructions from Aidiken WFOE, the instructions from Aidiken WFOE shall prevail. As a result of the Powers of Attorney, we, through Aidiken WFOE, are able to exercise management control over the activities that most significantly impact the economic performance of Hangzhou Adicon.

The Powers of Attorney remain effective until (i) the parties agree to terminate in writing; or (ii) the Registered Shareholders transfer all of their respective equity interests in Hangzhou Adicon to Aidiken WFOE (or its designee) with Aidiken WFOE's prior written consent. Subject to applicable laws and unless stated otherwise in the agreement, the Registered Shareholders do not have the right to unilaterally terminate the contract.

### **Spouse undertakings**

The respective spouse of Ms. LAN Jia and Ms. LIAN Hailun executed an irrevocable undertaking dated November 23, 2020, whereby they expressly acknowledged and undertook that, among others, (i) they do not hold any right or interest in any equity interests held by their respective spouses as the registered shareholders in Hangzhou Adicon; and (ii) they will not take any measures that are in conflict with the Contractual Arrangements.

The spouse of Ms. LAN Jia and Ms. LIAN Hailun also undertook that should they by any reason hold any equity interests in Hangzhou Adicon, they will be bound by, as amended from time to time, the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement, the Loan Agreements, the Equity Pledge Agreement and the Powers of Attorney. They undertook to comply with the obligations of Hangzhou Adicon's shareholders as set out in the aforementioned agreements, and for this purpose, to execute agreements on substantially similar terms as the aforementioned agreements upon Aidiken WFOE's request.

### **Dispute resolution**

Each of the Contractual Arrangements contains dispute resolution clauses, and stipulates that the parties shall first negotiate in good faith to resolve any dispute with respect to the agreements under the Contractual Arrangements. In the event the parties fail to reach an agreement on the resolution of such a dispute within 30 days after any party's request for resolution of the dispute through negotiations, any party may submit the relevant dispute to Shanghai International Arbitration Center for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Shanghai, and the language used during arbitration shall be Chinese. The arbitration shall be final and binding on all parties.

In addition, pursuant to the dispute resolution clause, the arbitral tribunal may award remedies over the equity interests or assets of the PRC Operating Entities, including restrictions over the conduct of business, restrictions or prohibitions over transfer or disposal of the equity interests or assets or order the winding up of the PRC Operating Entities, and the courts of the PRC (being the place of incorporation of the PRC Operating Entities and the place where our Company's and the PRC Operating Entities' principal assets are located), Hong Kong and the Cayman Islands (being the place of incorporation of our Company) shall have jurisdiction to grant and/or enforce the arbitral award and to grant interim remedies over the equity interests or assets of the PRC Operating Entities.

However, our PRC Legal Advisor has advised that (i) a tribunal normally would not grant injunctive relief or a winding up order regarding PRC Operating Entities under PRC laws; (ii) interim remedies or enforcement orders granted by courts outside the PRC such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC; and (iii) even if the abovementioned provisions may not be enforceable under PRC laws, the remaining provisions of the dispute resolution clauses are legal, valid and binding on the parties to the agreement under the Contractual Arrangements.

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As a result of the above, in the event that Hangzhou Adicon or the Registered Shareholders breach any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over Hangzhou Adicon and conduct our business could be materially and adversely affected. For further details, see “Risk Factors – Risks Relating to Our Contractual Arrangements” in this Document.

### **Succession**

In the event of death, loss of capacity, divorce, bankruptcy or under other circumstance which would affect the Registered Shareholders’ exercise of equity interest in Hangzhou Adicon, the provisions set out in the Exclusive Option Agreement, the Exclusive Business Cooperation Agreement, the Equity Pledge Agreement and the Powers of Attorney are also binding on the successors of the Registered Shareholders, as if the successors were signing parties to the Contractual Arrangements. Under the succession laws of the PRC, the statutory successors include the spouses, children, parents, brothers, sisters, paternal grandparents and maternal grandparents of the Registered Shareholders and any breach by the successors would be deemed to be a breach of the aforementioned Contractual Arrangements.

In case of a breach, Aidiken WFOE can enforce its rights against the successors. Pursuant to the aforementioned Contractual Arrangements, any inheritor of the Registered Shareholders shall inherit any and all rights and obligations of the Registered Shareholders under such Contractual Arrangements, as if the inheritor was a signing party to such Contractual Arrangements.

In addition, the spouses of Ms. LAN Jia and Ms. LIAN Hailun have executed an irrevocable undertaking dated November 23, 2020. See “– Summary of the Contractual Arrangements – Spouse Undertakings” in this section for details of the undertaking.

### **Arrangements to address potential conflicts of interests**

The Registered Shareholders have undertaken that they will not execute any documents with or make any undertaking to any third parties that may have conflicts of interest with any agreements entered into between the Registered Shareholders and Aidiken WFOE.

### **Loss sharing**

None of the agreements constituting the Contractual Arrangements provides that our Company, Aidiken WFOE or other PRC subsidiaries of ours, are obligated to share the losses of or provide financial support to Hangzhou Adicon. Further, Hangzhou Adicon is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it.

Under PRC laws and regulations, neither our Company nor Aidiken WFOE is expressly required to share the losses of Hangzhou Adicon or provide financial support to Hangzhou Adicon. Despite the foregoing, given that our Group conducts the Relevant Business in the PRC through Hangzhou Adicon and its subsidiaries which hold the requisite PRC licenses and approvals, including the licences for performing PCR testing, and that Hangzhou Adicon’s results of operations and assets and liabilities are consolidated into our results of operations and assets and liabilities under the applicable accounting principles, our business, financial condition and results of operations would be adversely affected if Hangzhou Adicon suffered losses.

### **Liquidation**

Pursuant to the Exclusive Option Agreement, in the event of a liquidation of Hangzhou Adicon under PRC laws, Hangzhou Adicon shall transfer all its assets in which the Registered Shareholders have a proprietary interest in to Aidiken WFOE (or its designee) at the lowest price permitted under PRC laws.

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### Insurance

We do not maintain an insurance policy to cover the risks relating to the Contractual Arrangements. For further details, see “Risk Factors – Risks Relating to Our Business and Industry – Our insurance may not sufficiently cover, or may not cover at all, losses and liabilities we may encounter during the ordinary course of operation” in this Document.

### Company’s confirmation

As of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating the Relevant Business through Hangzhou Adicon and its subsidiaries under the Contractual Arrangements.

## LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

On January 19, 2021, our PRC Legal Advisor interviewed the Health Commission of Zhejiang Province (浙江省衛生健康委員會) (“**Zhejiang NHC**”) and obtained the following verbal confirmations: (i) Zhejiang NHC is the competent government authority governing foreign investment into Hangzhou Adicon and its subsidiaries; (ii) the Relevant Business falls into the category of “development and application of genetic diagnosis and treatment technologies” of the Negative List, in which foreign investors are prohibited from investing; and (iii) the Contractual Arrangements do not require any approvals from or filings with Zhejiang NHC.

On January 19, 2021, our PRC Legal Advisor interviewed the Zhejiang Ministry of Commerce (浙江省商務廳) (“**Zhejiang MOFCOM**”) and obtained the following verbal confirmations: (i) after the Foreign Investment Law of the People’s Republic of China (《中華人民共和國外商投資法》) (the “**FIL**”) became effective on January 1, 2020, foreign investments in business sections under the Negative List are mainly subject to administrative approvals and supervision by the competent government authorities in charge of the relevant business sectors (i.e., Zhejiang NHC in the case of Hangzhou Adicon and its subsidiaries), and (ii) the Contractual Arrangements are not subject to any approvals from or filings with Zhejiang MOFCOM.

Our PRC Legal Advisor is of the opinion that:

- (i) each of Aidiken WFOE, Hangzhou Adicon, the Registered Shareholders and their spouses has the legal capacity to execute and deliver the Contractual Arrangements and carry out the transactions contemplated thereby;
- (ii) the Contractual Arrangements will not be deemed void under Articles 144, 146, 153 and 154 of the Civil Code of the People’s Republic of China or violate the articles of association of each of Aidiken WFOE and the PRC Operating Entities;
- (iii) each of the agreements underlying the Contractual Arrangements is valid, legally binding and enforceable on the parties thereof in accordance with their terms and provisions under applicable PRC laws and regulations, except that interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands as set out in the dispute resolution provisions of the Contractual Arrangements may not be enforceable in China unless recognized by PRC courts, as set out in the paragraph headed “– Summary of the Contractual Arrangements – Dispute resolution” in this section;
- (iv) the execution, delivery and performance of each of the agreements underlying the Contractual Arrangements do not require any approvals from or filings with PRC governmental authorities, except that (a) the equity pledges under the Equity Pledge Agreement are required to be registered with the relevant Administration for Market Regulation, which were duly completed on December 10, 2020, and (b) any transfer of equity interests in Hangzhou Adicon pursuant to the terms of the Exclusive Option Agreement will have to be filed and registered with the relevant governmental authorities upon the exercise of the call option under the Exclusive Option Agreements.



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However, we have been advised by our PRC Legal Advisor that there are uncertainties regarding the interpretation and application of the current and future PRC laws and regulations. Accordingly, there can be no assurance that PRC regulatory authorities and PRC courts will not take a view that is contrary or otherwise different from the above opinions of our PRC Legal Advisor in the future. We have been further advised by our PRC Legal Advisor that if the PRC government authorities find that the Contractual Arrangements do not comply with PRC government authorities' prohibition or restrictions on foreign investment in the aforesaid businesses we engage in, we could be subject to severe penalties including being prohibited from continuing operation.

### THE CONTRACTUAL ARRANGEMENTS ARE NARROWLY TAILORED

According to the Negative List, foreign investors are prohibited from holding interests in the Relevant Business (i.e. performing ICL testing services with PCR). According to the Negative List and the Interim Administrative Measures on Sino-Foreign Equity Medical Institutions and Sino-Foreign Cooperative Medical Institutions (《中外合資、合作醫療機構管理暫行辦法》), foreign investors (other than the qualified service providers from Hong Kong, Macao and Taiwan) are allowed to have no more than 70% equity interests in ICLs which are not engaged in foreign investment prohibited business (such as the Relevant Business).

The Contractual Arrangements are narrowly tailored because, on the basis set forth below, PCR related testing services form an inseparable part of our ICL business:

- (i) providing PCR and non-PCR related testing through different laboratories would disqualify our Company from bidding for certain tenders, or significantly reduce our success rate to bid for customers' testing services contracts for both PCR and non-PCR related testing. This would severely and adversely affect our business and financial performance;
- (ii) it would be extremely difficult for a laboratory performing only PCR-related testing to obtain the ISO15189 accreditation, which is an important accreditation for ICL business in the PRC. According to Frost & Sullivan, as of December 31, 2022, none of the hospitals and medical diagnostic testing institutions with ISO15189 accreditation only applied PCR technology in offering testing services. Laboratories without ISO15189 accreditation would not be able to meet the key bidding criteria of many of our customers. This would severely and adversely affect our business and financial performance;
- (iii) it is operationally and practically infeasible to provide PCR and non-PCR through separate laboratories, as PCR is highly interconnected and correlated with, and forms an inseparable part of, our ICL business. Our Company often uses the PCR technology in conjunction with other laboratory technologies to provide clinically appropriate diagnostic testing solutions based on the relevant industry standards and guidelines for our customers and patients. Such industry standards and guidelines do not distinguish PCR technology from other laboratory technologies;
- (iv) if our Company is to provide PCR and non-PCR related testing through separate laboratories, the laboratory-ready samples, which are often perishable and limited in size and/or quantity, would have to be tested twice in different laboratories by different laboratory technicians, or be manually divided by our laboratory technicians for transportation to a second laboratory. Additional handling or transfer of human specimens could affect the reliability and accuracy of diagnostic results, which could directly impact patient care, and severely and adversely affect our abilities to meet industry standards of care;
- (v) longer turnaround times for testing results would adversely affect our ability to market our services in comparison with our competitors; and

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- (vi) providing PCR and non-PCR testing through separate laboratories is not in line with the market practices. Our leading market position would be significantly impaired as a result of such separation.

In the event that MOFCOM and/or other relevant government authorities loosen the relevant restrictions on foreign investments in the Relevant Business, depending on the maximum percentage of equity interests permitted to be held by foreign investors, the Registered Shareholders undertake to work with Aidiken WFOE to partially unwind the Contractual Arrangements so that Aidiken WFOE will hold (directly or indirectly) equity interest in the PRC Operating Entities as soon as practicable and to the extent permissible; and if there is no prescribed limit on the percentage of equity interest permitted to be held by Aidiken WFOE as a foreign investor, the Registered Shareholders undertake to work with Aidiken WFOE to fully unwind and terminate the Contractual Arrangements so that Aidiken WFOE will hold (directly or indirectly) 100% equity interests in our PRC Operating Entities as soon as practicable.

### **Regulatory assurance on our compliance with the “narrowly tailored” requirements**

On the basis set forth below, our PRC Legal Advisor is of the view that we have obtained sufficient regulatory assurance on our compliance with the “narrowly tailored” requirements for using our existing Contractual Arrangements after the [REDACTED] under Listing Decision HKEX-LD43-3:

- (i) in December 2020, our PRC Legal Advisor consulted the competent government authority in charge of the ICL business of Hangzhou Adicon, namely Hangzhou NHC. In the consultation with Hangzhou NHC, the responsible officer, who our PRC Legal Advisor confirmed to be a competent person to speak for Hangzhou NHC, confirmed that, among others:
  - (A) our existing ICL business is 100% foreign investment prohibited, as PCR-related testing forms a part of our existing ICL business, and is prohibited from foreign investment in accordance with the Negative List;
  - (B) setting up a laboratory which only provides PCR-related testing is not in line with the market practices. In practice, such laboratory would not be able to bid for comprehensive medical diagnostic testing services. The interviewee of Hangzhou NHC is not aware of any cases approved by Hangzhou NHC where laboratories only provide PCR-related testing; and
  - (C) the separation of our existing ICL business into two laboratories providing PCR and non-PCR related testing respectively in the same administrative region and/or in close proximity is not encouraged and in practice may not be workable.

Hangzhou Adicon operates our largest laboratory in terms of revenue, and is also the holding company of the rest of our laboratories located across the PRC. Also, Hangzhou NHC is the competent government authority in charge of local planning for the establishment of medical institutions and ICL business in Hangzhou. Our PRC Legal Advisor is of the view that the verbal confirmations from Hangzhou NHC have provided authoritative and representative assurance from the regulator’s perspective about the infeasibility of the separation of our existing ICL business into two laboratories providing PCR and non-PCR related testing respectively.

- (ii) to demonstrate that Hangzhou NHC’s verbal confirmations were authoritative and representative with respect to our ICL business in China, in December 2020 and January 2021, our PRC Legal Advisor also consulted the local NHCs of Fuzhou, Hefei and Wuhan, and received similar confirmations as provided by the interviewee of Hangzhou NHC. Our PRC Legal Advisor confirms that the relevant local NHCs in Fuzhou, Hefei and Wuhan are the competent government authorities in charge of our ICL business in Fuzhou, Hefei and Wuhan, and that the relevant interviewees are competent persons to provide the regulatory confirmations in the relevant interviews;

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- (iii) in February 2021, our PRC Legal Advisor interviewed local NHCs in charge of certain other ICLs, including (A) the local NHCs of four administrative regions, namely Kunming, Nanning, Qingdao and Zhengzhou, advised that it would be operationally, practically and commercially infeasible for us to attend biddings for comprehensive medical testing services if it is going to provide PCR and non-PCR related testing through separate ICL; and (B) the local NHCs of seven administrative regions, namely Chengdu, Guangzhou, Jinan, Quzhou, Sanming, Shenyang and Shenzhen, advised that we should consider the operational, practical and commercial feasibility to provide PCR and non-PCR related testing through separate ICL under our existing business model. As advised by our PRC Legal Advisor, the interviewed local NHCs are the competent government authorities in charge of the Company's ICL business in the relevant regions, and the relevant interviews were conducted through calling the official telephone number of the relevant local NHCs; and
- (iv) Our PRC Legal Advisor has also reviewed the written local administrative planning documents for the establishment of medical institutions and reached out in January 2021 to local NHCs in Beijing, Chongqing, Jinan, Nanchang, Hefei, Changchun, Wuhan, Tianjin and Shanghai, pursuant to which the relevant local administrative regions do not allow the establishment of another laboratory by our Company which only provides PCR-related testing, as there is no available quota under the relevant local administrative planning for establishing ICLs.

### COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group has adopted the following measures to ensure (i) the effective operation of our Group with the implementation of the Contractual Arrangements; (ii) the compliance of the Registered Shareholders with the Contractual Arrangements; and (iii) the potential conflict of interests between our Group and the Registered Shareholders:

- (a) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;
- (b) our Board (including the independent non-executive Directors) will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
- (c) our Company will disclose the overall performance of and compliance with the Contractual Arrangements in our annual reports to update our Shareholders and potential investors;
- (d) our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements and the legal compliance of Hangzhou Adicon, Aidiken WFOE, the Registered Shareholders and the PRC Operating Entities to deal with specific issues or matters arising from the Contractual Arrangements;
- (e) the company seals, financial seals, contract seals and crucial corporate certificates of the PRC Operating Entities are kept by our Group's designated personnel. Any employee of our Group who wishes to use the seals will have to obtain internal approval following our Group's established policies and procedures. The business, legal and/or finance departments constitute our Group's central management system and the persons in charge of these departments as well as the department members responsible for the custody and handling of the seals and crucial corporate certificates are employees of our Group;

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- (f) in the event of the occurrence of a conflict of interests between our Group and the Registered Shareholders (where our Group has the sole and absolute discretion to determine whether such conflict arises), Hangzhou Adicon shall take appropriate measures upon the consent of Aidiken WFOE or its designee to eliminate such conflicts, failing which Aidiken WFOE will exercise, to the extent permitted under the PRC laws, the option under the Exclusive Option Agreement;
- (g) in order to further secure Aidiken WFOE’s rights under the Exclusive Option Agreement, the Registered Shareholders have also entered into the Equity Pledge Agreements with Aidiken WFOE and Hangzhou Adicon, pursuant to which the Registered Shareholders pledged all their equity interests in Hangzhou Adicon in favor of Aidiken WFOE as security to guarantee the Registered Shareholders’ performance of the contractual obligations under the Contractual Arrangement (including their obligations under the Exclusive Option Agreement);
- (h) pursuant to the Loan Agreements, Aidiken WFOE can demand from Ms. LAN Jia and Ms. LIAN Hailun repayment of the Loans without cause at any time after serving 10 days notice as and when Aidiken WFOE considers appropriate at its absolute discretion. The Loans can only be repaid by transferring all of the equity interests in Hangzhou Adicon held by Ms. LAN Jia and Ms. LIAN Hailun to Aidiken WFOE (or its designee); and
- (i) pursuant to a deed of undertaking dated March 19, 2021 given by all the partners of Hangzhou Kangming (namely Mr. GAO Song, Mr. PAN Chao, Mr. WANG Chengdong and four other existing and previous senior employees who are neither our Directors nor our senior management), each of the partners undertook that he/she will ensure the enforceability of the Contractual Arrangements.

In the event that Ms. LAN Jia, Ms. LIAN Hailun or the partners of Hangzhou Kangming (namely Mr. GAO Song, Mr. PAN Chao, Mr. WANG Chengdong and four other existing and previous senior employees who are neither our Directors nor our senior management) terminate their employment with our Group and/or our Shareholder (as the case may be), Aidiken WFOE will exercise its option under the Exclusive Option Agreement to require Ms. LAN Jia, Ms. LIAN Hailun or Hangzhou Kangming, to the extent permitted under the PRC laws, transfer their equity interests in Hangzhou Adicon to Aidiken WFOE or its designee so that our Group can maintain the same level of protection in controlling Hangzhou Adicon and/or enforcing the Contractual Arrangements.

## DEVELOPMENTS IN PRC LAWS ON FOREIGN INVESTMENT

### Background of the FIL

On March 15, 2019, the National People’s Congress approved the Foreign Investment Law of the People’s Republic of China (《中華人民共和國外商投資法》) (the “**FIL**”) and became effective on January 1, 2020. The FIL has replaced the Law of the People’s Republic of China on Sino-Foreign Equity Joint Ventures (《中華人民共和國中外合資經營企業法》), the Law of the People’s Republic of China on Sino-Foreign Contractual Joint Ventures (《中華人民共和國中外合作經營企業法》) and the Law of the People’s Republic of China on Foreign-Capital Enterprises (《中華人民共和國外資企業法》) and constitutes the legal foundation for foreign investment in the PRC.

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### **The Potential Impact of the FIL on the Contractual Arrangements**

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, and has been adopted by our Company in the form of the Contractual Arrangements, to establish control of our PRC Operating Entities, through which we operate the Relevant Business in the PRC. As advised by our PRC Legal Advisor, since the definition of “actual control” and “variable interest entities” are not explicitly provided in the FIL, nor does it explicitly stipulate that obtaining control over or holding interests in domestic enterprises through contractual arrangements is a form of foreign investment, if there are no other laws, regulations, rules, normative documents formulated or no regulatory practices adopted or implemented in the future that consider or interpret contractual arrangements as a form of foreign investment, then the possibility is relatively low that the legal effectiveness of the Contractual Arrangements becomes materially adversely affected due to violation of the entry requirements under the FIL.

Notwithstanding the above, the FIL stipulates that foreign investment includes “Foreign Investors invest in China through many other methods under laws, administrative regulations or provisions prescribed by the State Council” without elaboration on the meaning of “other methods”. It is possible that future laws, administrative regulations or provisions prescribed by the State Council may regard Contractual Arrangements as a form of foreign investment, at which time it would be uncertain whether the Contractual Arrangements would be deemed to be in violation of the foreign investment access requirements and how the above-mentioned Contractual Arrangements would be handled. Therefore, there is no guarantee that the Contractual Arrangements and the business of the PRC Operating Entities will not be materially and adversely affected in the future due to changes in PRC laws and regulations. In the event that such measures are not complied with, the Stock Exchange may take enforcement actions against us which may have a material adverse effect on the trading of our Shares. For further details, see “Risk Factors – Risks Relating to Our Contractual Arrangements” in this document.

### **ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS**

According to IFRS 10 – Consolidated Financial Statements, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Although our Company does not directly or indirectly own Hangzhou Adicon, the Contractual Arrangements as mentioned above enable our Company to exercise control over Hangzhou Adicon.

Under the Exclusive Business Cooperation Agreement entered into by and among Aidiken WFOE, the Registered Shareholders and Hangzhou Adicon, it is agreed that, in consideration of the services provided by Aidiken WFOE, Hangzhou Adicon will pay service fees to Aidiken WFOE. The service fees are to be determined by Aidiken WFOE based on the quantity and commercial value of technical services provided. Aidiken WFOE may adjust the service fees at its sole discretion. Accordingly, Aidiken WFOE has the ability, at its sole discretion, to extract substantially all of the economic benefit of Hangzhou Adicon through the Exclusive Business Cooperation Agreement. In addition, under the Exclusive Option Agreement among the parties, Aidiken WFOE has absolute control over the distribution of any dividends, as the prior consent of Aidiken WFOE is required for dividend distribution, and Aidiken WFOE can request immediate distribution of profits be made. Further, under the Powers of Attorney, Aidiken WFOE assumes all rights as shareholder and exercises control over Hangzhou Adicon, including the rights as set out in paragraph “– Summary of the Contractual Arrangements – Powers of Attorney” in this section.

As a result of the Contractual Arrangements, we have obtained control of Hangzhou Adicon through Aidiken WFOE and, under our sole discretion, can receive substantially all of the economic interest returns generated by Hangzhou Adicon and its subsidiaries. Accordingly, Hangzhou Adicon’s results of operations, assets and liabilities, and cash flows are consolidated into our financial statements.