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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF ADICON HOLDINGS LIMITED AND MORGAN STANLEY ASIA LIMITED AND JEFFERIES HONG KONG LIMITED

INTRODUCTION

We report on the historical financial information of ADICON Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-3 to I-86, which comprises the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended 31 December 2020, 2021 and 2022 (the "Relevant Periods"), and the consolidated statements of financial position of the Group, and the statements of financial position of the Company as at 31 December 2020, 2021 and 2022 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-3 to I-86 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [Date] (the "[**REDACTED**]") in connection with the [**REDACTED**] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in note 2.1 and note 2.2 to the Historical Financial Information and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' 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 accountants' 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 accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 and note 2.2 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 accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2020, 2021 and 2022, and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 and note 2.2 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE 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 13 to the Historical Financial Information which contains information about the dividends declared by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

[●]
Certified Public Accountants
Hong Kong

[Date]

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young 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 (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2020	2021	2022
		RMB'000	RMB'000	RMB'000
REVENUE	*5*	2,741,731	3,379,515	4,860,613
Cost of sales		(1,625,071)	(1,937,126)	(2,964,448)
Gross profit		1,116,660	1,442,389	1,896,165
Other income and gains	*6*	12,686	14,763	50,811
Selling and marketing expenses		(359,051)	(489,783)	(553,272)
Administrative expenses		(236,566)	(263,003)	(282,262)
Research and development costs		(102,009)	(125,446)	(162,746)
Other expenses	*7*	(37,712)	(48,530)	(128,440)
[**REDACTED**]		[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Finance costs	*9*	(19,644)	(16,326)	(76,824)
Fair value change of financial liabilities at FVTPL	*30*	–	(61,531)	87,044
PROFIT BEFORE TAX	*8*	358,185	417,243	820,812
Income tax expense	*12*	(68,732)	(94,948)	(135,928)
PROFIT FOR THE YEAR		289,453	322,295	684,884
Attributable to:				
Owners of the parent		284,121	315,540	680,793
Non-controlling interests		5,332	6,755	4,091
		289,453	322,295	684,884
OTHER COMPREHENSIVE INCOME/(LOSS)				
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of the financial statement of the subsidiaries		3,675	6,490	(26,179)
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:				
Exchange differences on translation of the financial statements of the Company		(711)	406	(54,254)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		2,964	6,896	(80,433)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		292,417	329,191	604,451
Attributable to:				
Owners of the parent		286,926	322,436	600,360
Non-controlling interests		5,491	6,755	4,091
		292,417	329,191	604,451
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Expressed in RMB per share)				
Basic	*14*	0.49	0.50	1.04
Diluted	*14*	0.48	0.50	0.96

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December		
		2020	2021	2022
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property and equipment	16	168,579	266,137	375,428
Right-of-use assets	17	155,458	173,381	218,853
Goodwill	18	–	25,691	79,802
Other intangible assets	19	3,011	20,504	143,709
Deferred tax assets	20	51,982	74,560	118,403
Prepayments, deposits and other receivables	23	7,747	9,645	12,839
Amounts due from related parties	37	1,852	1,816	2,123
Financial assets at fair value through profit or loss	24	–	–	8,104
Total non-current assets		388,629	571,734	959,261
CURRENT ASSETS				
Inventories	21	102,932	109,395	229,413
Trade and bills receivables	22	942,041	1,213,512	1,856,847
Prepayments, deposits and other receivables	23	61,120	105,716	127,860
Amounts due from related parties	37	199	270	227
Cash and bank balances	25	1,228,620	1,109,211	1,680,625
Total current assets		2,334,912	2,538,104	3,894,972
CURRENT LIABILITIES				
Trade payables	26	384,034	510,691	1,062,452
Other payables and accruals	27	365,428	689,136	985,104
Contract liabilities	28	11,665	20,683	21,060
Interest-bearing bank borrowings	29	120,178	49,141	112,792
Profit tax payable		44,078	50,303	124,553
Amounts due to related parties	37	55,171	36,167	61,071
Lease liabilities	17	28,416	31,653	51,400
Total current liabilities		1,008,970	1,387,774	2,418,432
NET CURRENT ASSETS		1,325,942	1,150,330	1,476,540
TOTAL ASSETS LESS CURRENT LIABILITIES		1,714,571	1,722,064	2,435,801
NON-CURRENT LIABILITIES				
Interest-bearing bank borrowings	29	100,276	90,790	1,023,329
Lease liabilities	17	129,710	146,297	182,455
Deferred tax liabilities	20	1,536	10,260	28,502
Convertible redeemable preferred shares	30	443,931	621,870	589,179
Total non-current liabilities		675,453	869,217	1,823,465
NET ASSETS		1,039,118	852,847	612,336
EQUITY				
Equity attributable to owners of the parent				
Share capital	31	77	86	86
Reserves	32	1,024,262	804,155	510,738
		1,024,339	804,241	510,824
Non-controlling interests		14,779	48,606	101,512
Total equity		1,039,118	852,847	612,336

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the parent								
	Share capital	**Capital reserve**	**Share option reserve**	**Other reserve**	**Exchange fluctuation reserve**	**Retained profits**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
	(Note 31)	**(Note 32)**	**(Note 32)**	**(Note 32)**	**(Note 32)**				
At 1 January 2020	76	435,721	2,735	(304,859)	(1,556)	443,537	575,654	20,968	596,622
Profit for the year	–	–	–	–	–	284,121	284,121	5,332	289,453
Other comprehensive income for the year:									
Exchange differences on translation of the financial statement of the subsidiaries	–	–	–	–	3,516	–	3,516	159	3,675
Exchange differences on translation of the financial statement of the Company	–	–	–	–	(711)	–	(711)	–	(711)
Issue of share capital *(note 32 (i))*	–	76,770	–	–	–	–	76,770	–	76,770
Capital injection into a subsidiary by non-controlling shareholders	–	–	–	–	–	–	–	12,561	12,561
Share awards *(note 33)*	–	–	63,598	–	–	–	63,598	–	63,598
Acquisition of non-controlling interests	1	16,025	–	5,365	–	–	21,391	(24,241)	(2,850)
At 31 December 2020 and 1 January 2021	77	528,516	66,333	(299,494)	1,249	727,658	1,024,339	14,779	1,039,118

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

	Attributable to owners of the parent								
	Share capital	Capital reserve	Share option reserve	Other reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 31)	(Note 32)	(Note 32)	(Note 32)	(Note 32)				
At 1 January 2021	77	528,516	66,333	(299,494)	1,249	727,658	1,024,339	14,779	1,039,118
Profit for the year	–	–	–	–	–	315,540	315,540	6,755	322,295
Other comprehensive income for the year:									
Exchange differences on translation of the financial statement of the subsidiaries	–	–	–	–	6,490	–	6,490	–	6,490
Exchange differences on translation of the financial statement of the Company	–	–	–	–	406	–	406	–	406
Issue of share capital *(note 31/32 (i))*	9	68,894	–	–	–	–	68,903	–	68,903
Consideration paid to equity holders of PRC Operating Entities *(note 32 (i))*	–	–	–	(138,841)	–	–	(138,841)	–	(138,841)
Capital injection into a subsidiary by non-controlling shareholders	–	–	–	7,708	–	–	7,708	16,069	23,777
Share awards *(note 33)*	–	–	37,325	–	–	–	37,325	–	37,325
Acquisition of non-controlling interests *(note 31(d)/27(c))*	–	14,840	–	(22,419)	–	–	(7,579)	(492)	(8,071)
Acquisition of subsidiaries *(note 34)*	–	–	–	–	–	–	–	11,495	11,495
Dividends declared *(note 13)*	–	–	–	–	–	(452,585)	(452,585)	–	(452,585)
Put option over non-controlling interests *(note 27 (c))*	–	–	–	(57,465)	–	–	(57,465)	–	(57,465)
At 31 December 2021	86	612,250	103,658	(510,511)	8,145	590,613	804,241	48,606	852,847

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (continued)

	Attributable to owners of the parent								
	Share capital	Capital reserve	Share option reserve	Other reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 31)	(Note 32)	(Note 32)	(Note 32)	(Note 32)				
At 1 January 2022	86	612,250	103,658	(510,511)	8,145	590,613	804,241	48,606	852,847
Profit for the year	–	–	–	–	–	680,793	680,793	4,091	684,884
Other comprehensive income for the year:									
Exchange differences on translation of the financial statement of the subsidiaries	–	–	–	–	(26,179)	–	(26,179)	–	(26,179)
Exchange differences on translation of the financial statement of the Company	–	–	–	–	(54,254)	–	(54,254)	–	(54,254)
Capital injection into a subsidiary by non-controlling shareholders	–	–	–	–	–	–	–	15,375	15,375
Share awards *(note 33)*	–	–	15,049	–	–	–	15,049	–	15,049
Acquisition of subsidiaries *(note 34)*	–	–	–	–	–	–	–	33,440	33,440
Dividends declared *(note 13)*	–	–	–	–	–	(865,017)	(865,017)	–	(865,017)
Put option over non-controlling interests *(note 27 (c))*	–	–	–	(43,809)	–	–	(43,809)	–	(43,809)
At 31 December 2022	86	612,250	118,707	(554,320)	(72,288)	406,389	510,824	101,512	612,336

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December		
		2020	2021	2022
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax:		358,185	417,243	820,812
Adjustments for:				
Bank interest income	6	(3,765)	(6,289)	(8,874)
Foreign exchange (gains)/losses, net	7	(1,427)	50	6,743
Finance costs	9	19,644	16,326	76,824
Losses on disposal of property and equipment and other intangible assets	6/7	1,684	3,713	3,058
Loss/(Gain) on disposal of items of right-of-use assets, net	6/7	312	(419)	(6)
Depreciation of property and equipment	16	64,897	85,078	129,402
Depreciation of right-of-use assets	17	48,221	51,157	59,163
Amortization of intangible assets	19	662	1,617	4,853
Impairment losses, net of reversal:				
– Financial assets under expected credit losses ("ECL") model		32,556	39,704	111,653
– Inventories		–	–	1,421
Share awards		63,598	37,325	15,049
COVID-19 related rent concessions	17	(2,439)	–	–
Fair value loss/(gain) on convertible redeemable preferred shares	30	–	61,531	(87,044)
Fair value gain on derivative financial instruments	6	–	–	(7,826)
Fair value gain on contingent consideration	6	–	–	(13,337)
		582,128	707,036	1,111,891
Increase in inventories		(22,243)	(4,536)	(115,209)
Increase in trade and bills receivables		(285,171)	(304,911)	(649,726)
Increase in prepayments, deposits and other receivables		(27,611)	(15,026)	(32,049)
Increase in trade payables		121,263	104,855	511,878
Increase in other payables and accruals		160,593	183,921	167,025
Cash generated from operations		528,959	671,339	993,810
Income tax paid		(46,970)	(107,077)	(100,872)
Net cash flows from operating activities		481,989	564,262	892,938
CASH FLOWS USED IN INVESTING ACTIVITIES				
Interest received		3,765	6,289	8,874
Purchase of items of property and equipment		(106,075)	(155,005)	(228,297)
Purchase of other intangible assets		(590)	(1,115)	(69,058)
Proceeds from disposal of property and equipment		3,788	1,782	3,866
Increase in restricted bank balances		(1,801)	1,801	–
Acquisition of subsidiaries	34	–	(21,081)	(48,686)
Advance payment for an equity investment	23(c)	–	(30,000)	–
Net cash flows used in investing activities		(100,913)	(197,329)	(333,301)

CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

	Notes	Year ended 31 December 2020	2021	2022
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES				
New bank loans		230,454	42,000	1,098,395
Proceeds from issue of convertible redeemable preferred shares	*30*	443,931	129,156	–
Proceeds from issue of ordinary shares		76,770	64,811	–
Repayment of bank loans		(90,000)	(120,080)	(155,313)
Repayment of borrowings from related parties		(90,992)	–	–
Interest paid		(8,726)	(5,906)	(37,716)
Purchase of derivative financial instruments		–	–	(13,452)
Consideration payable to shareholders	*32(i)*	–	(138,841)	–
Lease payments	*17*	(58,207)	(59,461)	(62,500)
Payment of [**REDACTED**]		[**REDACTED**]	[**REDACTED**]	[**REDACTED**]
Contribution from non-controlling shareholders		10,101	23,327	15,375
Advance payments received for subscription of share options	*27(b)*	27,918	46,747	26,526
Acquisition of non-controlling interests		(2,850)	(1,296)	–
Payments of dividends	*13*	–	(452,585)	(865,017)
Net cash flows from/(used in) financing activities	*35*	537,722	(476,193)	3,722
NET INCREASE/(DECREASED) IN CASH AND CASH EQUIVALENTS		918,798	(109,260)	563,359
Cash and cash equivalents at beginning of year		304,523	1,226,819	1,109,211
Effect of foreign exchange rate changes, net		3,498	(8,348)	8,055
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,226,819	1,109,211	1,680,625

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December 2020	2021	2022
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Interests in subsidiaries	15	82,366	278,847	307,039
Total non-current assets		82,366	278,847	307,039
CURRENT ASSETS				
Prepayment, deposits and other receivables		392	1,570	1,692
Amounts due from related parties	37	86,202	3,933	9,928
Cash and cash balances	25	535,073	144,100	125,642
Total current assets		621,667	149,603	137,262
CURRENT LIABILITIES				
Other payables and accruals	27	21,886	57,804	89,136
Amounts due to related parties	37	88,202	–	838,891
Total current liabilities		110,088	57,804	928,027
NET CURRENT ASSETS/(LIABILITIES)		511,579	91,799	(790,765)
TOTAL ASSETS LESS CURRENT LIABILITIES		593,945	370,646	(483,726)
NON-CURRENT LIABILITIES				
Convertible redeemable preferred shares	30	443,931	621,870	589,179
NET ASSETS/(LIABILITIES)		150,014	(251,224)	(1,072,905)
EQUITY				
Equity attributable to owners of the parent				
Share capital	31	77	86	86
Reserves	32	149,937	(251,310)	(1,072,991)
Total equity		150,014	(251,224)	(1,072,905)

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

ADICON Holdings Limited ("the Company") is a limited liability company incorporated in Cayman Islands on 20 August 2008. Its registered office is located at Vistra (Cayman) Limited, P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1-1205, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries now comprising the Group underwent the reorganization as set out in the paragraph headed "Reorganization" in the section headed "History, Reorganization and Corporate Structure" in the Document (the "Reorganization"). During the Relevant Periods, the Company's subsidiaries were principally engaged in providing medical testing services and trade of medical testing equipment ("[**REDACTED**] Business") in the People's Republic of China (the "PRC").

As at the date of this report, the Company has direct and indirect interest in its subsidiaries, all of which are private limited liability companies (or if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name	*Notes*	Date and place of incorporation/ registration and place of operations	Issued ordinary share/ registered capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
Adicon International Limited ("Adicon HK")	*(z)*	Hong Kong 7 March 2008	USD1,282.05	100%	–	Investment holding
Manson Grand International Limited ("Manson Grand")	*(y)/(ee)*	Hong Kong 21 December 2010	USD12.82	100%	–	Trade of medical testing equipments
杭州艾迪康醫學檢驗中心有限公司 Adicon (Hangzhou) Clinical Laboratories Co., Ltd. ("Hangzhou Adicon")	*(a)*	Hangzhou 16 January 2004	RMB45,059,724	–	100%	Medical testing services
合肥艾迪康醫學檢驗實驗室有限公司 Adicon (Hefei) Clinical Laboratories Co., Ltd. ("Hefei Adicon")	*(b)*	Hefei 5 June 2006	RMB20,000,000	–	100%	Medical testing services
上海錦測醫學檢驗所有限公司 Shanghai Jince Clinical Laboratories Co., Ltd. ("Shanghai Adicon")	*(c)/(d)*	Shanghai 2 August 2006	RMB23,021,583	–	100%	Medical testing services
濟南艾迪康醫學檢驗中心有限公司 Adicon (Jinan) Clinical Laboratories Co., Ltd. ("Jinan Adicon")	*(e)*	Jinan 19 October 2006	RMB20,000,000	–	100%	Medical testing services
北京艾迪康醫學檢驗實驗室有限公司 Adicon (Beijing) Clinical Laboratories Co., Ltd. ("Beijing Adicon")	*(f)*	Beijing 7 December 2007	RMB20,000,000	–	100%	Medical testing services
南昌艾迪康醫學檢驗實驗室有限公司 Adicon (Nanchang) Clinical Laboratories Co., Ltd. ("Nanchang Adicon")	*(g)*	Nanchang 10 September 2008	RMB5,000,000	–	100%	Medical testing services
福州艾迪康醫學檢驗所有限公司 Adicon (Fuzhou) Clinical Laboratories Co., Ltd. ("Fuzhou Adicon")	*(h)*	Fuzhou 6 February 2009	RMB20,000,000	–	100%	Medical testing services

Name	*Notes*	Date and place of incorporation/ registration and place of operations	Issued ordinary share/ registered capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
吉林艾迪康醫學檢驗實驗室有限公司 Adicon (Jilin) Clinical Laboratories Co., Ltd. ("Jilin Adicon")	*(i)*	Changchun 23 April 2009	RMB20,000,000	–	100%	Medical testing services
武漢艾迪康醫學檢驗所有限公司 Adicon (Wuhan) Clinical Laboratories Co., Ltd. ("Wuhan Adicon")	*(j)*	Wuhan 24 November 2009	RMB20,000,000	–	100%	Medical testing services
南京艾迪康醫學檢驗所有限公司 Adicon (Nanjing) Clinical Laboratories Co., Ltd. ("Nanjing Adicon")	*(k)*	Nanjing 4 December 2009	RMB20,000,000	–	100%	Medical testing services
長沙艾迪康醫學檢驗實驗室有限公司 Adicon (Changsha) Clinical Laboratories Co., Ltd. ("Changsha Adicon")	*(l)*	Changsha 19 April 2010	RMB20,000,000	–	100%	Medical testing services
成都艾迪康醫學檢測實驗室有限公司 Adicon (Chengdu) Clinical Laboratories Co., Ltd. ("Chengdu Adicon")	*(m)*	Chengdu 11 June 2010	RMB20,000,000	–	100%	Medical testing services
沈陽艾迪康醫學檢驗所有限公司 Adicon (Shenyang) Clinical Laboratories Co., Ltd. ("Shenyang Adicon")	*(n)*	Shenyang 16 March 2011	RMB20,000,000	–	100%	Medical testing services
鄭州艾迪康醫學檢驗所(普通合夥) Zhengzhou Adicon Clinical Partnership ("Zhengzhou Adicon")	*(o)*	Zhengzhou 8 August 2012	RMB20,000,000	–	100%	Medical testing services
廣州艾迪康醫學檢驗所有限公司 Adicon (Guangzhou) Clinical Laboratories Co., Ltd. ("Guangzhou Adicon")	*(p)*	Guangzhou 21 August 2013	RMB20,000,000	–	100%	Medical testing services
天津艾迪康醫學檢驗實驗室有限公司 Adicon (Tianjin) Clinical Laboratories Co., Ltd. ("Tianjin Adicon")	*(q)*	Tianjin 3 June 2014	RMB30,000,000	–	100%	Medical testing services
雲南艾迪康醫學檢驗所有限公司 Adicon (Yunnan) Clinical Laboratories Co., Ltd. ("Yunnan Adicon")	*(r)*	Kunming 2 February 2015	RMB20,000,000	–	100%	Medical testing services
西安艾迪康醫學檢驗實驗室有限公司 Adicon (Xi'an) Clinical Laboratories Co., Ltd. ("Xi'an Adicon")	*(s)*	Xian 23 May 2016	RMB20,000,000	–	100%	Medical testing services
三明艾迪康醫學檢驗所有限公司 Adicon (Sanming) Clinical Laboratories Co., Ltd. ("Sanming Adicon")	*(t)*	Sanming 30 May 2016	RMB20,000,000	–	100%	Medical testing services
重慶艾迪康醫學檢驗實驗室有限公司 Adicon (Chongqing) Clinical Laboratories Co., Ltd. ("Chongqing Adicon")	*(u)*	Chongqing 21 September 2016	RMB20,000,000	–	100%	Medical testing services
南寧艾迪康醫學檢驗實驗室有限公司 Adicon (Nanning) Clinical Laboratories Co., Ltd. ("Nanning Adicon")	*(v)*	Nanning 23 November 2017	RMB20,000,000	–	100%	Medical testing services
青島艾迪康醫學檢驗實驗室有限公司 Qingdao Adicon Clinical Laboratories Co., Ltd. ("Qingdao Adicon")	*(w)/(x)*	Qingdao 13 May 2019	RMB11,666,600	–	60%	Medical testing services

Name	Notes	Date and place of incorporation/ registration and place of operations	Issued ordinary share/ registered capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
杭州輝圖生物科技有限公司 Hangzhou Huitu Biotechnology Co., Ltd. ("Hangzhou Huitu")	*(a)/(dd)*	Hangzhou 2 December 2010	RMB7,500,000	–	100%	Trade of medical testing equipments
艾迪肯(杭州)生物科技有限公司 Aidiken (Hangzhou) Biotech Co., Ltd. ("Aidiken WFOE")	*(a)*	Hangzhou 18 July 2008	USD21,120,100	–	100%	Investment holding
上海律昂傑生物科技有限公司 Shanghai Lv'angjie BioTech Co., Ltd. ("Shanghai Lv'angjie")	*(rr)*	Shanghai 15 October 2015	RMB1,000,000	–	100%	Trade of medical testing equipments
杭州艾易檢科技有限公司 Hangzhou Aiyijian Technology Co., Ltd. ("Hangzhou Aiyijian")	*(hh)*	Hangzhou 8 April 2020	RMB10,000,000	–	100%	Medical Technology
黑龍江艾迪康醫學檢驗實驗室有限公司 Heilongjiang Adicon Clinical Laboratories Co., Ltd. ("Heilongjiang Adicon")	*(ff)/(nn)*	Harbin 13 January 2020	RMB20,000,000	–	75%	Medical testing services
衢州艾迪康醫學檢驗實驗室有限公司 Quzhou Adicon Clinical Laboratories Co., Ltd. ("Quzhou Adicon")	*(bb)*	Quzhou 6 January 2020	RMB20,000,000	–	70%	Medical testing services
成都金牛艾迪康醫學檢測實驗室有限公司 Chengdu Jinniu Aidikang Medical Inspection & Testing Laboratories Co., Ltd. ("Chengdu Jinniu Adicon")	*(gg)/(ff)*	Chengdu 21 June 2019	RMB10,000,000	–	51%	Medical testing services
深圳艾迪康醫學檢驗實驗室 Shenzhen Adicon Clinical Laboratories Co., Ltd. ("Shenzhen Adicon")	*(aa)*	Shenzhen 13 May 2019	RMB13,333,300	–	60%	Medical testing services
廈門國貿艾迪康醫學檢驗實驗室有限公司 Xiamen Guomao Adicon Clinical Laboratories Co., Ltd. ("Xiamen Adicon")	*(cc)*	Xiamen 25 September 2020	RMB30,000,000	–	51%	Medical testing services
上饒艾迪康醫學檢驗實驗室有限公司 Shangrao Adicon Clinical Laboratory Co., Ltd. ("Shangrao Adicon")	*(ii)*	Shangrao 7 December 2020	RMB3,625,000	–	61%	Medical testing services
江西錦測生物科技有限公司 Jiangxi Jince BioTech Co., Ltd ("Jiangxi Jince")	*(jj)*	Shangrao 6 August 2020	RMB8,000,000	–	61%	Trade of medical testing equipments
鄭州艾迪康醫學檢驗實驗室有限公司 Zhengzhou Adicon Clinical Laboratories Co., Ltd. ("Zhengzhou Adicon")	*(ff)*	Zhengzhou 22 June 2020	RMB20,000,000	–	100%	Medical technology
蘇州艾迪康醫學檢驗所有限公司 Suzhou Adicon Clinical Laboratories Co., Ltd. ("Suzhou Adicon")	*(ff)/(kk)*	Suzhou 3 August 2021	RMB30,000,000	–	51%	Medical testing services
貴州艾迪康醫學檢驗中心有限公司 Guizhou Adicon Clinical Laboratories Center Co., Ltd. ("Guizhou Adicon")	*(ff)/(ll)*	Guiyang 16 July 2021	RMB15,000,000	–	51%	Medical testing services
溫州艾迪康醫學檢驗實驗室有限公司 Wenzhou Adicon Clinical Laboratories Co., Ltd. ("Wenzhou Adicon")	*(ff)/(mm)*	Wenzhou 29 November 2021	RMB20,000,000	–	65%	Medical testing services

Name	Notes	Date and place of incorporation/ registration and place of operations	Issued ordinary share/ registered capital	Percentage of equity attributable to the Company		Principal activities
				Direct	Indirect	
臨沂艾迪康醫學檢驗實驗室有限公司 Linyi Adicon Clinical Laboratories Co., Ltd. ("Linyi Adicon")	*(ff)/(oo)*	Linyi 10 November 2021	RMB20,000,000	–	70%	Medical testing services
石家莊艾迪康醫學檢驗實驗室有限公司 Shijiazhuang Adicon Clinical Laboratories Co., Ltd. ("Shijiazhuang Adicon")	*(ff)*	Shijiazhuang 21 June 2022	RMB20,000,000	–	100%	Medical testing services
信陽艾迪康醫學檢驗實驗室有限公司 Xinyang Adicon Clinical Laboratories Co., Ltd. ("Xinyang Adicon")	*(ff)/(pp)*	Xinyang 13 May 2022	RMB15,000,000	–	65%	Medical testing services
河南艾迪康醫學檢驗實驗室有限公司 Henan Adicon Clinical Laboratories Co., Ltd. ("Henan Adicon")	*(ff)/(qq)*	Shangqiu 16 October 2019	RMB20,000,000	–	51%	Medical testing services

(a) The statutory financial statements of these companies, for the years ended 31 December 2020 and 2021 prepared in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Zhonghui Certified Public Accountants LLP (中匯會計師事務所(特殊普通合夥)).

(b) The statutory financial statements of the company, for the years ended 31 December 2020 and 2021 prepared in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Anhui Anpingda Certified Public Accountants LLP (安徽安平達會計師事務所(普通合夥)).

(c) The statutory financial statements of the company, for the years ended 31 December 2020 and 2021 prepared in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Shanghai Honghua Certified Public Accountants Co., Ltd. (上海宏華會計師事務所有限公司).

(d) In June 2019, Shanghai Liye Enterprise Management Partnership ("Shanghai Liye") invested 13% of equity interest in Shanghai Adicon from Hangzhou Adicon at a consideration of RMB7,000,000, which diluted Hangzhou Adicon's continuing interest from 100% to 87%. This transaction adjusted down Hangzhou Adicon's equity interest by RMB8,497,000. The proportionate share of the carrying amount of the net assets of Shanghai Adicon attributable to non-controlling interests of RMB1,497,000 was recognized accordingly. In January 2021, Shanghai Liye transferred its 13.125% equity interests of Shanghai Adicon to Hangzhou Adicon. The Company then issued 295,705,697 (1,478,529 as adjusted after Share Consolidation) new shares to Liye Asset Management Co., Limited ("Liye HK") as a consideration of USD2,290,000. Upon completion of the restructuring, Shanghai Adicon became a wholly-owned subsidiary of the Group.

(e) The statutory financial statements of the company, for the years ended 31 December 2020 and 2021 prepared in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Unitax Zhenqing Certified Public Accountants LLP Jinan Branch. (尤尼泰振青會計師事務所(特殊普通合夥)濟南分所).

(f) The statutory financial statements of the company, for the years ended 31 December 2020 and 2021 prepared in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Beijing Jinshi Dehe Certified Public Accountants LLP (北京金誠德合會計師事務所(普通合夥)).

(g) The statutory financial statements of the company, for the years ended 31 December 2020 and 2021 prepared in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Jiangxi Wanjia Certified Public Accountants Co., Ltd. (江西萬佳會計師事務所有限責任公司).

(h) The statutory financial statements of the company, for the years ended 31 December 2020 and 2021 prepared in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP") was audited by Fujian Zhongxinda Certified Public Accountants Co., Ltd. (福建中信達會計師事務所有限公司).

(i) The statutory financial statements of the company, for the years ended 31 December 2020 and 2021 prepared in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Jilin Zhiyuan Certified Public Accountants LLP. (吉林摯遠會計師事務所(普通合夥)).

(j) The statutory financial statements of the company, for the years ended 31 December 2020 and 2021 prepared in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Hubei Yinhe Certified Public Accountants Co., Ltd. (湖北銀河會計師事務有限公司).

(k) The statutory financial statements of the company, for the year ended 31 December 2020 prepared in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by and Nanjing Huasheng Xinwei Certified Public Accountants LLP. (南京華勝信偉會計師事務所(普通合夥)).

The statutory financial statements of the company, for the year ended 31 December 2021 prepared in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP") was audited by Nanjing Huasheng Certified Public Accountants LLP (南京華生會計師事務所(普通合夥)).

(l) The statutory financial statements of the company, for the year ended 31 December 2020 prepared in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Zhongxi Certified Public Accountants LLP Hunan Branch (中喜會計師事務所(特殊普通合夥)湖南分所).

The statutory financial statements of the company, for the year ended 31 December 2021 prepared in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP") was audited by Hunan Huahui Certified Public Accountants Co., Ltd. (湖南華輝會計師事務所有限責任公司).

(m) The statutory financial statements of the company, for the years ended 31 December 2020 and 2021 prepared in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Sichuan Delian Certified Public Accountants Co., Ltd. (四川德聯會計師事務所有限公司).

(n) The statutory financial statements of the company, for the years ended 31 December 2020 and 2021 prepared in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Liaoning Zhongwangcheng United Certified Public Accountants LLP (遼寧眾旺誠聯合會計師事務所(普通合夥)).

(o) The statutory financial statements of the company, for the years ended 31 December 2020 and 2021 prepared in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Henan Wanhui Certified Public Accountants LLP (河南萬匯會計師事務所(普通合夥)).

(p) The statutory financial statements of the company, for the years ended 31 December 2020 and 2021 prepared in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Wu Yige Certified Public Accountants LLP (大信會計師事務所(特殊普通合夥)).

(q) The statutory financial statements of the company, for the years ended 31 December 2020 and 2021 prepared in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Tianjin Guangxin Certified Public Accountants Co., Ltd. (天津廣信有限責任會計師事務所).

(r) The statutory financial statements of the company, for the years ended 31 December 2020 and 2021 prepared in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Yunnan Huachuang Certified Public Accountants Co., Ltd. (雲南華創會計師事務所合夥企業(普通合夥)).

(s) The statutory financial statements of the company, for the years ended 31 December 2020 and 2021 prepared in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Shaanxi Zhongqing Certified Public Accountants Co., Ltd. (陝西中慶會計師事務所有限責任公司).

(t) The statutory financial statements of the company, for the years ended 31 December 2020 and 2021 prepared in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Xiamen Xinzhou Certified Public Accountants Co., Ltd (廈門欣洲會計師事務所有限公司).

(u) The statutory financial statements of the company, for the years ended 31 December 2020 and 2021 prepared in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Chongqing Huazhan Certified Public Accountants Co., Ltd. (重慶展華會計師事務所有限公司).

(v) The statutory financial statements of the company, for the years ended 31 December 2020 and 2021 prepared in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Guangxi Yongming Certified Public Accountants Co., Ltd. (廣西永名會計師事務所有限公司).

(w) The statutory financial statements of the company, for the years ended 31 December 2020 and 2021 prepared in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Unitax Zhenqing Certified Public Accountants LLP Jinan Branch. (尤尼泰振青會計師事務所(特殊普通合夥)濟南分所).

(x) Qingdao Adicon was established on 13 May 2019 by Hangzhou Adicon and certain individual investors with a registered capital of RMB10,000,000. These individual investors subscribed 30% equity interests of Qingdao Adicon and injected RMB1,340,000 and RMB1,210,000 in 2019 and 2020, respectively. In June 2021, certain individual investors invested 10% of equity interest in Qindao Adicon from Hangzhou Adicon at a consideration of RMB3,000,000, which diluted Hangzhou Adicon's continuing interest from 70% to 60%. This transaction adjusted down Hangzhou Adicon's equity interest by RMB2,191,000. The proportionate share of the carrying amount of the net assets of Qindao Adicon attributable to non-controlling interests of RMB809,000 was recognized accordingly.

(y) The statutory financial statements of the company, for the years ended 31 December 2020 and 2021 prepared in accordance with Hong Kong Financial Reporting Standard for Private Entities ("HKFRS for Private Entities") were audited by Reachtop KSHK CPA Limited. (中南健勤會計師事務所有限公司).

(z) The statutory financial statements of the company, for the year ended 31 December 2020 prepared in accordance with Hong Kong Financial Reporting Standard for Private Entities ("HKFRS for Private Entities") were audited by Reachtop KSHK CPA Limited (中南健勤會計師事務所有限公司).

The statutory financial statements of the company, for the year ended 31 December 2021 prepared in accordance with Hong Kong Financial Reporting Standard for Private Entities ("HKFRS for Private Entities") was audited by Ernst & Young Hua Ming LLP Shanghai branch (安永華明會計師事務所(特殊普通合夥)上海分所).

(aa) Shenzhen Adicon was established on 13 May 2019 by Hangzhou Adicon and certain individual investors with a registered capital of RMB10,000,000. These individual investors subscribed 20% equity interests of Shenzhen Adicon at a total consideration of RMB2,000,000 in 2020. In June 2021, certain individual investors invested 20% of equity interest in Shenzhen Adicon from Hangzhou Adicon at a consideration of RMB5,000,000, which diluted Hangzhou Adicon's continuing interest from 80% to 60%. This transaction adjusted down Hangzhou Adicon's equity interest by RMB5,515,000. The proportionate share of the carrying amount of the net assets of Shenzhen Adicon attributable to non-controlling interests of RMB515,000 was recognized accordingly.

The statutory financial statements of the company, for the year ended 31 December 2021 prepared in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP") was audited by Shenzhen Yongming Accountant Firm Co., Ltd (深圳市永明會計師事務所有限責任公司). No audited statutory financial statement was prepared for the year ended 31 December 2020.

(bb) Quzhou Adicon was established on 6 January 2020 by Hangzhou Adicon and Zhejiang Meinuo Health Management Co., Ltd ("Meinuo") with a registered capital of RMB20,000,000. Meinuo subscribed 30% equity interests of Quzhou Adicon at a total consideration of RMB6,000,000 and injected RMB2,000,000 in 2020.

The statutory financial statements of the company, for the year ended 31 December 2021 prepared in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP") was audited by Quzhou Shangxin Certified Public Accountants LLP (衢州尚信會計師事務所(普通合夥)). No audited statutory financial statement was prepared for the year ended 31 December 2020.

(cc) Xiamen Adicon was established on 25 September 2020 by Hangzhou Adicon and Fujian Qirun Trade Co. Ltd. ("Fujian Qirun") with a registered capital of RMB30,000,000. Fujian Qirun subscribed 49% equity interests of Xiamen Adicon at a total consideration of RMB1,470,000 and injected RMB7,350,000 in 2020.

The statutory financial statements of the company, for the year ended 31 December 2021 prepared in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP") was audited by Xiamen Jiajie Huijing Accounting Firm (廈門加捷慧景聯合會計師事務所). No audited statutory financial statement was prepared for the year ended 31 December 2020.

(dd) 60% and 40% equity interests of Hangzhou Huitu were held by Hangzhou Adicon and certain individual investors respectively. In June 2020, Aidiken WFOE acquired 40% equity interests of Hangzhou Huitu from these individual investors at a consideration of RMB2,850,000. Hangzhou Huitu became a wholly-owned subsidiary of the Group since then.

(ee) 60% and 40% equity interests of Manson Grand were held by the Company and certain individual investors respectively. In May 2020, the Group issued 1,346,421,020 (6,732,106 as adjusted after Share Consolidation) new shares of the Company (corresponding to a total value of RMB16,026,000) to acquire 40% of equity interests of Manson Grand from these individual investors. Manson Grand became a wholly-owned subsidiary of the Group since then.

(ff) No audited statutory financial statements prepared for these subsidiaries as they are either newly incorporated or not required to issue audited financial statements under the statutory requirements of their respective of incorporation.

(gg) Chengdu Jinniu Adicon was dissolved in October 2020. Prior to its dissolution in October 2020, Chengdu Jinniu Adicon was owned as to 51% by Hangzhou Adicon , and 49% by two independent third parties, namely Chengdu Sike Health Management Center (LP) (成都思可健康管理中心(有限合夥)) and Mr. LIU Yi (劉毅). The Company dissolved Chengdu Jinniu Adicon in October 2020 to streamline its corporate structure as it never commenced operations, nor obtained any of the required licenses and permits. During the Track Record Period, Chengdu Jinniu Adicon did not contribute to the revenue and profits of the Group.

(hh) The statutory financial statements of the company, for the years ended 31 December 2020 and 2021 prepared in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP") were audited by Zhonghui Certified Public Accountants LLP. (中匯會計師事務所(特殊普通合夥)).

(ii) Shangrao Adicon was established on 7 December 2020 by certain individual investors with a registered capital of RMB3,625,000. In February 2021 and September 2021, Hangzhou Adicon acquired an aggregate of 61% equity interests of Shangrao Adicon from these individual investors at a total consideration of RMB25,149,000.

The statutory financial statements of the company, for the year ended 31 December 2021 prepared in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP") was audited by Shangrao Huaxin United Certified Public Accountants (上饒華信聯合會計師事務所). No audited statutory financial statement was prepared for the year ended 31 December 2020.

(jj) Jiangxi Jince was established on 6 August 2020 by certain individual investors with a registered capital of RMB8,000,000. In February 2021 and September 2021, Aidiken WFOE acquired an aggregate of 61% equity interests of Jiangxi Jince from these individual investors at a total consideration of RMB20,577,000.

The statutory financial statements of the company, for the year ended 31 December 2021 prepared in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP") was audited by Shangrao Huaxin United Certified Public Accountants (上饒華信聯合會計師事務所). No audited statutory financial statement was prepared for the year ended 31 December 2020.

(kk) Suzhou Adicon was established on 3 August 2021 by Hangzhou Adicon and Nantong Shunkang Investment Center (LP) ("Shunkang") with a registered capital of RMB30,000,000. Shunkang subscribed 49% equity interests of Suzhou Adicon and injected RMB7,350,000 in 2021.

(ll) Guizhou Adicon was established on 16 July 2021 by Hangzhou Adicon and Guizhou Runyao Enterprise Management Service Co., Ltd. ("Runyao") and certain individual investor with a registered capital of RMB15,000,000. Runyao and the individual investor subscribed 44% and 5% equity interests of Guizhou Adicon respectively and injected a total amount of RMB3,675,000 and RMB3,675,000 respectively in 2021 and 2022.

(mm) Wenzhou Adicon was established on 29 November 2021 by Hangzhou Adicon and Wenzhou Hongmai Medical Service Co., Ltd. ("Hongmai") with a registered capital of RMB20,000,000. Hongmai subscribed 35% equity interests of Wenzhou Adicon and injected RMB3,500,000 and RMB1,750,000 in 2021 and 2022 respectively.

(nn) Heilongjiang Adicon was established on 13 January 2020 by Hangzhou Adicon with a registered capital of RMB10,000,000. On 9 December 2021, Hangzhou Adicon and certain individual investors increased the registered capital RMB20,000,000. Those individual investors subscribed 25% equity interests of Heilongjiang Adicon and injected RMB800,000 and RMB2,950,000 in 2021 and 2022 respectively.

(oo) Linyi Adicon was established on 10 November 2021 by Hangzhou Adicon and Linyi Zhenyang Investment Co., Ltd. ("Linyi Zhenyang") with a registered capital of RMB20,000,000. Linyi Zhenyang subscribed 30% equity interests of Linyi Adicon and injected RMB4,500,000 in 2022.

(pp) Xinyang Adicon was established on 13 May 2022 by Hangzhou Adicon and Henan Weixiang Medical Instrument Co., Ltd. ("Henan Weixiang") with a registered capital of RMB15,000,000. Henan Weixiang subscribed 35% equity interests of Xinyang Adicon and injected RMB2,500,000 in 2022.

(qq) Henan Adicon was established on 16 October 2019 by Henan Xiangde Biotechnology Co., Ltd. ("Henan Xiangde") with a registered capital of RMB20,000,000. In May 2022, Hangzhou Adicon acquired 51% equity interests of Henan Adicon from Henan Xiangde at a total consideration of RMB88,916,000.

(rr) The statutory financial statements of these companies, for the year ended 31 December 2021 prepared in accordance with PRC Generally Accepted Accounting Principles ("PRC GAAP") was audited by Zhonghui Certified Public Accountants LLP. (中匯會計師事務所(特殊普通合夥)) No audited statutory financial statement was prepared for the year ended 31 December 2020.

(ss) No statutory financial statements of these companies above prepared in accordance with PRC GAAP have been audited for the year ended 31 December 2022 as at the date of this report.

* The English names of the PRC companies and statutory auditors referred to above in this note represent management's best efforts in translating the Chinese names of those companies as no English names have been registered or are available.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the Relevant Periods or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

Pursuant to the Reorganization, as more fully explained in the paragraph headed "Introduction" in the section headed "Contractual Arrangements" in the Document, the Company became the holding company of the companies now comprising the Group on 26 December 2008. As the Reorganization only involved inserting new holding companies at the top of an existing company and has not resulted in any changes of economic substance, the Historical Financial Information for the Relevant Periods has been presented as a continuation of the existing company using the pooling of interests method.

Accordingly, the Group resulting from the Reorganization is regarded as a continuation of the [**REDACTED**] Business under Hangzhou Adicon and, for the purpose of this report, the Historical Financial Information has been prepared and presented as a continuation of the Historical Financial Information of Hangzhou Adicon and its subsidiaries, with the assets and liabilities of the Group recognized and measured at the carrying amounts of the [**REDACTED**] Business under the Historical Financial Information of Hangzhou Adicon for all periods presented.

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRSs"), which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB").

The Historical Financial Information has been prepared under the historical cost convention, except for derivative financial instruments, contingent consideration and convertible redeemable preferred shares which have been measured at fair value.

Contractual Arrangements

Hangzhou Adicon and its subsidiaries (collectively, the "PRC Operating Entities") are engaged in the medical diagnostic testing service. Due to the restrictions imposed by the relevant laws and regulatory regime of the PRC on foreign ownership of companies engaging in the medical diagnostic testing services carried out by subsidiaries of the Group, Aidiken WFOE entered into a series of contractual arrangements with Hangzhou Adicon and their equity holders on 26 December 2008 ("the 2008 Contractual Arrangements").

The 2008 Contractual Arrangements enable, Aidiken WFOE to exercise effective control over the PRC Operating Entities and, accordingly, Aidiken WFOE has rights to variable returns from its involvement with the PRC Operating Entities and has the ability to affect those returns through its power over the PRC Operating Entities.

Aidiken WFOE entered into a new series of contractual arrangements ("the 2018 Contractual Arrangements") with Hangzhou Adicon and their equity holders on 12 October 2018. The 2008 Contractual Arrangements terminated hereafter.

The 2018 Contractual Arrangements enable, Aidiken WFOE to exercise effective control over the PRC Operating Entities and, accordingly, Aidiken WFOE has rights to variable returns from its involvement with the PRC Operating Entities and has the ability to affect those returns through its power over the PRC Operating Entities.

Accordingly, the Company regards the PRC Operating Entities as indirect subsidiaries for the purpose of the Historical Financial Information and the historical financial information of the PRC Operating Entities are combined in the Historical Financial Information for the Relevant Periods. Details of the contractual arrangements are disclosed in the section headed "Contractual Arrangements" in the Document.

Basis of consolidation

The historical financial information includes the financial statements of the Group for the Relevant Periods. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group 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 (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IAS 16	*Lease Liability in a Sale and Leaseback*[2]
IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1, 5]
Amendments to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[6]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2, 4]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

[1] Effective for annual periods beginning on or after 1 January 2023

[2] Effective for annual periods beginning on or after 1 January 2024

[3] No mandatory effective date yet determined but available for adoption

[4] As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion

[5] As a consequence of the amendments to IAS 17, issued in October 2020, IAS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IAS 9 for annual periods beginning before 1 January 2023

[6] An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IAS 17

The Group is in the process of making an assessment of the impact of these new or revised IFRSs upon initial application. Up to now, the Group considers that these standards will not have a significant impact on the Group's financial performance and financial position.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Subsidiaries

A subsidiary is an entity (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.

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

Fair value measurement

The Group measures certain financial instruments at fair value at the end of each of the Relevant Periods. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognized only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or the parent of the Group.

Property and equipment and depreciation

Property and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property and equipment.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalized in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The estimated useful lives of property and equipment are as follows:

Office and electronic equipment	5 years
Laboratory equipment	5 years
Motor vehicles	5 years
Leasehold improvements	5-8 years

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognized in the profit or loss in the year the asset is derecognized is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalized borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property and equipment when completed and ready for use.

Other intangible assets (other than goodwill)

Other intangible assets acquired separately are measured on initial recognition at cost. The cost of other intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of other intangible assets are assessed to be either finite or indefinite. Other intangible assets with finite lives are subsequently amortized over the useful economic life and assessed for impairment whenever there is an indication that the other intangible asset may be impaired. The amortization period and the amortization method for other intangible asset with a finite useful life are reviewed at least at each financial year end.

Other intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such other intangible assets are not amortized. The useful life of other intangible assets with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Other intangible assets are amortized on the straight-line basis over the following useful economic lives:

Software	10 years
Patents	10-20 years
Customer Relationship	20 years

Patents and software

Purchased patents and software are stated at cost less any impairment losses and are amortized on the straight-line basis over their estimated useful lives of 10 to 20 years.

Customer Relationship

Customer Relationship acquired in a business combination and recognized separately from goodwill is initially recognized at its fair value at the acquisition date. It is amortized on the straight-line basis over its estimated useful life of 20 years.

The useful economic life of 10 to 20 years for the patents is based on the anticipated number of years the patents will retire due to more advanced technologies. The useful economic life of 10 years for software is estimated by considering the period of the economic benefits to the Group. The useful economic life of 20 years for customer relationship is based on the anticipated number of years the existing customer of the acquired entities likely to contribute revenue to the Group.

Research and development costs

All research costs are charged to the profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognizes lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. (Add if applicable) At inception or on reassessment of a contract that contains a lease component and non-lease component(s), the Group adopts the practical expedient not to separate non-lease component(s) and to account for the lease component and the associated non-lease component(s) (e.g., property management services for leases of properties) as a single lease component.

(a) Right-of-use assets

Right-of-use assets are recognized at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Properties	2 to 10 years
Equipment	2 to 5 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognized at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in interest-bearing bank borrowings.

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that are considered to be of low value. Lease payments on short-term leases and leases of low-value assets are recognized as an expense on a straight-line basis over the lease term.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially 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. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognized on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the profit or loss when the asset is derecognized, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognized in the profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognized as other income in the profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognized in the profit or loss.

Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognize the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognizes an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

For debt investments at fair value through other comprehensive income, the Group applies the low credit risk simplification. At each reporting date, the Group evaluates whether the debt investments are considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group reassesses the external credit ratings of the debt investments. In addition, the Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at fair value through other comprehensive income and financial assets at amortized cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses as its accounting policy to adopt the simplified approach in calculating ECLs with policies as described above.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, convertible redeemable preferred shares, amounts due to related parties, lease liabilities and interest-bearing bank borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the profit or loss. The net fair value gain or loss recognized in the profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognized in the profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the profit or loss. The net fair value gain or loss recognized in the profit or loss does not include any interest charged on these liabilities.

Financial liabilities at amortized cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognized in the profit or loss when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance costs in the profit or loss.

Put option over non-controlling interests

The financial liability for the put option over non-controlling interests is recognized at the present value of the amount payable upon exercise of the put option. On initial recognition, the corresponding debit is made to another component of equity attributable to the parent. All subsequent changes in the carrying amount of the financial liability that result from the remeasurement are recognized in the profit or loss attributable to the parent.

Derecognition of financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognized in the profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and bank balances

For the purpose of the consolidated statement of cash flows, cash and cash balances comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash balances comprise cash on hand and at banks, including assets similar in nature to cash.

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilized, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognized to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received, and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to the profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognized will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognized under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in IFRS 15.

(a) Medical diagnostic testing services

The Group earns revenue by providing specialized diagnostic testing to hospitals or individual patient customers based on a written test requisition form. The services period of each specialized diagnostic testing is generally within two to seven business days.

Revenue from specialized diagnostic testing is recognized at a point in time when control of the asset is transferred to the customer, generally on delivery of the testing report.

(b) Sales of medical products

Revenue from the sale of pharmaceutical products is recognized at the point in time when control of the asset is transferred to the customer, generally on delivery of the medical products to the customer.

(c) Testing services for R&D projects and others

The Group generally enters into contracts of Contract Research Organization Services ("CRO services") with sponsors of clinical trials, pharmaceutical and medical device companies and research institutes to provide research and clinical trial services ranging in duration from one month to several years.

Revenue from testing services for R&D projects and others is recognized overtime when the Group has an enforceable right to payment for performance completed to date. The progress of research services is measured based on outputs to the satisfaction of related performance obligation of research services (output method). In an output method, revenue is determined by multiplying that percentage of the actual units of output achieved by the total contract value.

Some contracts for the sale of medical products provide customers with rights of return. The rights of return give rise to variable consideration. For contracts which provide a customer with a right to return the goods within a specified period, the expected value method is used to estimate the goods that will not be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. The requirements in IFRS 15 on constraining estimates of variable consideration are applied in order to determine the amount of variable consideration that can be included in the transaction price. For goods that are expected to be returned, instead of revenue, a refund liability is recognized. A right-of-return asset (and the corresponding adjustment to cost of sales) is also recognized for the right to recover products from a customer.

Other income

Interest income is recognized on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Rental income is recognized on a time proportion basis over the lease terms.

Share-based payments

The Company operates a share incentive plan for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 33 to the Historical Financial Information.

The cost of equity-settled transactions is recognized in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognized for equity-settled transactions at the end of each of the Relevant Periods until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the profit or loss for a period represents the movement in the cumulative expense recognized as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognized. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

The dilutive effect of outstanding options/RSUs is reflected as additional share dilution in the computation of earnings per share.

Other employee benefits

Pension scheme

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the profit or loss as they become payable in accordance with the rules of the central pension scheme.

The Group contributes on a monthly basis to various defined contribution plans organized by the relevant governmental authorities in various areas other than Mainland China. The Group's liability in respect of these plans is limited to the contributions payable at the end of each period. Contributions to these plans are expensed as incurred.

Housing fund – Mainland China

The Group contributes on a monthly basis to a defined contribution housing fund plan operated by the local municipal government. Contributions to this plan by the Group are expensed as incurred.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalization of such borrowing costs ceases when the assets are substantially 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 capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

The Historical Financial Information is presented in RMB, which is different from the Company's functional currency, United States dollar ("USD"). As the major revenues and assets of the Group are derived from operations in Mainland China, RMB is chosen as the presentation currency to present the Historical Financial Information. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognized in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item.

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of the Company and certain overseas subsidiaries are currencies other than RMB. As at the end of each of the Relevant Periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognized in the profit or loss. For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows.

Frequently recurring cash flows of overseas subsidiaries which arise throughout the year or period are translated into RMB at the weighted average exchange rates for the year or period.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 31 December 2022 was RMB79,802,000. Further details are given in note 18 to the Historical Financial Information.

Provision for expected credit losses of trade and bills receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade and bills receivables is disclosed in notes 22 and 39 to the Historical Financial Information, respectively.

Deferred tax assets

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management estimation is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying values of deferred tax assets relating to recognized tax losses at 31 December 2020, 2021 and 2022 were RMB6,413,000, RMB16,888,000 and RMB26,932,000, respectively. Further details are given in note 20 to the Historical Financial Information.

Fair value of financial instruments

The convertible redeemable preferred shares issued by the Group are not traded in an active market and the respective fair values are determined by using valuation techniques, including Black-Scholes option pricing model.

The fair values of convertible redeemable preferred shares at 31 December 2021 and 2022 were RMB621,878,000 and RMB589,179,000. Further details are set out in note 30 to the Historical Financial Information.

The fair values of contingent consideration arising from acquisitions at 31 December 2021 and 2022 were RMB13,718,000 and RMB27,055,000. Further details are set out in note 27(e) to the Historical Financial Information.

The fair values of derivative financial instruments at 31 December 2022 was RMB8,104,000. Further details are set out in note 24 to the Historical Financial Information.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Performance-based stock options/RSUs

The Group estimates the number of share awards contingently issuable when determine the share-based expenses, which depends on the achievement rate of the performance targets of the Group under the Employee Incentive Plans (as defined in note 33 to the Historical Financial Information). This requires an estimation of the performance targets to be achieved by the Group, including total sales, sales by specified categories and net profit target for the vesting period. The Group recorded RMB63,598,000, RMB37,325,000 and RMB15,049,000 share-based expenses during the year ended 31 December 2020, 2021 and 2022.

4. OPERATING SEGMENT INFORMATION

Information about geographical areas

For management purposes, the Group is organized into a whole business unit based on their products and services. Management monitors the results of the Group's operating as a whole for the purpose of making decisions about resource allocation and performance assessment.

Since nearly all of the Group's non-current assets were located in Mainland China, no geographical segment information is presented in accordance with IFRS 8 *Operating Segments*.

Information about major customers

No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the Relevant Periods.

5. REVENUE

An analysis of revenue is as follows:

(i) Disaggregated revenue information

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers			
Medical diagnostic testing services	2,513,184	3,144,832	4,400,748
Sales of medical products	228,547	234,683	459,865
Total Revenue from contracts with customers	2,741,731	3,379,515	4,860,613
Timing of revenue recognition			
Goods transferred at a point in time	2,723,158	3,359,979	4,833,099
Services transferred over time	18,573	19,536	27,514
Total Revenue from contracts with customers	2,741,731	3,379,515	4,860,613

The following table shows the amounts of revenue recognized during the Relevant Periods that were included in the contract liabilities at the beginning of each of the Relevant Periods and recognized from performance obligations satisfied in previous periods:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Revenue recognized that was included in the contract liabilities balance at the beginning of year:	3,951	11,665	20,683

(ii) Performance obligations

Testing services for R&D projects and others

Under testing services for R&D projects and others, revenue is recognized at the amount to which the Group has the right to invoice for services performed. Therefore, under practical expedient allowed by IFRS 15, the Group does not disclose the value of unsatisfied performance obligation.

6. OTHER INCOME AND GAINS

An analysis of other income and gains, net is as follows:

		Year ended 31 December		
		2020	**2021**	**2022**
		RMB'000	**RMB'000**	**RMB'000**
Other income and gains				
Bank interest income		3,765	6,289	8,874
Government grants – income*	*(a)*	5,651	5,547	15,916
Gain on disposal of property, plant and equipment and other intangible assets		267	379	650
Gain on disposal of items of right-of-use assets, net		–	419	6
Fair value gain on derivative financial instruments	*(b)*	–	–	7,826
Fair value gain on contingent consideration	*(c)*	–	–	13,337
COVID-19 related rent concessions		2,439	–	–
Others		564	2,129	4,202
Total		12,686	14,763	50,811

Notes:

(a) The amount mainly includes grants related to subsidies for employment and enterprise support and high-tech enterprises. The increase from 2021 to 2022 is mainly due to the increase of employment and enterprise support related subsidy received during 2022.

(b) The amount represents fair value change recorded during 2022 on interest rate cap contracts. Further details are set out in note 24 to the Historical Financial Information.

(c) The amount represents fair value change recorded during 2022 on contingent consideration arising from acquisitions. Further details are set out in note 27(e) to the Historical Financial Information.

* The government grants related to income have been received as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period upon actual receipt. There are no unfulfilled conditions or contingencies relating to these grants.

7. OTHER EXPENSE

An analysis of other expenses, net is as follows:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Other expenses			
Impairment losses, net of reversal			
– Inventories	–	–	1,421
– Financial assets under ECL model	32,556	39,704	111,653
Bank charges	2,785	777	1,580
Foreign exchange (gains)/losses, net	(1,427)	50	6,743
Losses on disposal of property and equipment and other intangible assets	1,684	3,713	2,408
Loss on disposal of items of right-of-use assets, net	312	–	–
Donation	–	2,582	3,523
Others	1,802	1,704	1,112
Total	37,712	48,530	128,440

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Cost of services provided	1,433,819	1,796,839	2,570,710
Cost of inventories sold	191,252	140,287	393,738
Depreciation of property and equipment	64,897	85,078	129,402
Depreciation of right-of-use assets	48,221	51,157	59,163
Amortization of other intangible assets	662	1,617	4,853
Fair value losses/(gain) on convertible redeemable preferred shares	–	61,531	(87,044)
Fair value gain on derivative financial instruments	–	–	(7,826)
Fair value gain on contingent consideration	–	–	(13,337)
Research and development costs	102,009	125,446	162,746
Auditors' remuneration	6,651	7,339	7,192
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Employee benefit expense (including directors' remuneration as set out in note 10):	787,536	979,051	1,206,731
Share awards	63,598	37,325	15,049
Salaries and other benefits	662,793	768,744	973,201
Long-term cash incentive*	9,851	–	–
Pension scheme contributions, social welfare and other welfare	51,294	172,982	218,481
Lease payments not included in the measurement of lease liabilities	13,082	13,834	13,387
Bank interest income	(3,765)	(6,289)	(8,874)
Finance cost	19,644	16,326	76,824
Foreign exchange (gains)/losses, net	(1,427)	50	6,743

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Losses on disposal of items of property and equipment and other intangible assets	1,417	3,334	1,758
Loss/(Gain) on disposal of items of right-of-use asset, net	312	(419)	(6)
Provision of expected credit losses, net of reversal	32,556	39,704	111,653

* The cash incentive plan was in connection with the investments of Pearl Group Limited in the Group (details of the investments are set out under the paragraph headed "History, Reorganization and Corporate Structure – Round A [**REDACTED**] Investments" in this Document) in order to motivate and retain the key management and employees of the Group. Pursuant to the plan, a total of RMB42,461,000 incentives shall be paid in cash to qualified management and employees in three installments in 2018, 2019 and 2020. The Group recorded RMB9,851,000 operating expenses in 2020.

9. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Interest expenses on:			
Bank borrowings	6,613	5,702	49,667
Lease liabilities	10,833	10,624	13,705
Loans from shareholders *(note 37 (b)(i))*	2,198	–	–
Transaction costs for derivative financial instruments	–	–	13,452
	19,644	16,326	76,824

10. DIRECTORS' REMUNERATION AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year or the period, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Fees	–	–	–
Salaries and bonuses	2,774	7,639	4,880
Social welfare and other benefits	3	147	137
Share-based compensation expenses	33,272	6,818	1,036
	36,049	14,604	6,053

During the year, certain directors were granted share awards, in respect of their services to the Group, under the share incentive plan of the Company, further details of which are set out in note 33 to the Historical Financial Information. The fair value of such share awards, which has been recognized in the profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information for the years ended 31 December 2020, 2021 and 2022 is included in the above directors' and chief executive's remuneration disclosures.

Executive directors, a non-executive director and the chief executive:

	Notes	**Fees**	**Salaries and bonuses**	**Share-based payment**	**Social welfare and other benefits**	**Total remuneration**
		RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
2020						
Executive directors:						
Mr. SHI Chenyang	*(i)*	–	1,473	9,971	–	11,444
Mr. WU Jesse Jen-Wei	*(ii)*	–	–	–	–	–
Mr. WEN Haiyan	*(ix)*	–	1,301	23,301	3	24,605
		–	2,774	33,272	3	36,049
Non-executive directors:						
Mr. LIN Feng	*(iii)*	–	–	–	–	–
Mr. LIN Jixun	*(iv)*	–	–	–	–	–
Ms. YANG Ling	*(v)*	–	–	–	–	–
Ms. FENG Janine Junyuan	*(vii)*	–	–	–	–	–
Ms. LIM Kooi June	*(viii)*	–	–	–	–	–
		–	–	–	–	–

	Notes	**Fees**	**Salaries and bonuses**	**Share-based payment**	**Social welfare and other benefits**	**Total remuneration**
		RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
2021						
Executive directors:						
Mr. WU Jesse Jen-Wei	*(ii)*	–	–	–	–	–
Mr. WEN Haiyan	*(ix)*	–	646	5,757	125	6,528
Mr. XU Ke	*(xii)*	–	5,416	789	11	6,216
Mr. Gao Song	*(xiii)*	–	1,577	272	11	1,860
		–	7,639	6,818	147	14,604
Non-executive directors:						
Mr. LIN Jixun	*(iv)*	–	–	–	–	–
Ms. YANG Ling	*(v)*	–	–	–	–	–
Ms. FENG Janine Junyuan	*(vii)*	–	–	–	–	–
Ms. LIM Kooi June	*(viii)*	–	–	–	–	–
Mr. MI Brian Zihou	*(x)*	–	–	–	–	–
Mr. YEH Richard	*(xi)*	–	–	–	–	–
		–	–	–	–	–

	Notes	Fees	Salaries and bonuses	Share-based payment	Social welfare and other benefits	Total remuneration
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
2022						
Executive directors:						
Mr. WU Jesse Jen-Wei	*(ii)*	–	–	–	–	–
Mr. Gao Song	*(xiii)*	–	4,880	1,036	137	6,053
		–	4,880	1,036	137	6,053
Non-executive directors:						
Mr. LIN Jixun	*(iv)*	–	–	–	–	–
Ms. YANG Ling	*(v)*	–	–	–	–	–
Ms. FENG Janine Junyuan	*(vii)*	–	–	–	–	–
Ms. LIM Kooi June	*(viii)*	–	–	–	–	–
Mr. MI Brian Zihou	*(x)*	–	–	–	–	–
Mr. YEH Richard	*(xi)*	–	–	–	–	–
		–	–	–	–	–

Notes:

(i) Mr. SHI Chenyang was appointed as a director of the Company on 12 October 2018 and resigned from the position on 12 May 2020 due to his intention to devote time on other business engagements.

(ii) Mr. WU Jen-Wei was appointed as a director of the Company on 12 October 2018 and was removed from the position on 10 April 2022 due to death.

(iii) Mr. LIN Feng was appointed as a director of the Company on 19 December 2008 and resigned from the position on 7 July 2020 due to his intention to devote time on other business engagements.

(iv) Mr. LIN Jixun was appointed as a director of the Company on 19 December 2008.

(v) Ms. YANG Ling was appointed as a director of the Company on 12 October 2018.

(vi) Mr. XU Ke was appointed as a director of the Company on 12 October 2018 and resigned from the position on 11 November 2018 due to family reasons.

(vii) Ms. FENG Janine Junyuan was appointed as a director of the Company on 12 August 2020.

(viii) Ms. LIM Kooi June was appointed as a director of the Company on 17 December 2020.

(ix) Mr. WEN Haiyan was appointed as a director of the Company on 30 November 2018 and resigned from the position on 7 May 2021 due to his intention to devote time on other business engagements.

(x) Mr. MI Brian Zihou was appointed as a director of the Company on 15 April 2021.

(xi) Mr. YEH Richard was appointed as a director of the Company on 24 June 2021.

(xii) Mr. XU Ke was appointed as a chief director of the Company on 20 January 2021 and resigned from the position on 24 November 2021 due to family reasons.

(xiii) Mr. GAO Song was appointed as a director of the Company on 24 November 2021.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the Relevant Periods included 2, 3 and 1 directors, respectively, details of whose remuneration are set out in note 10 to the Historical Financial Information. Details of the remuneration of the remaining 3, 2 and 4 highest paid employees who are not directors of the Company are as follows:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Salaries and bonuses	3,592	5,009	9,952
Social welfare and other benefits	187	121	417
Share-based compensation expenses	10,383	20,320	5,701
	14,162	25,450	16,070

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
HKD2,000,001 to HKD2,500,000	1	–	2
HKD3,000,001 to HKD3,500,000	–	1	1
HKD4,000,001 to HKD4,500,000	1	–	–
HKD7,500,001 to HKD8,000,000	1	–	–
HKD8,000,001 to HKD8,500,000	–	–	1
HKD22,000,001 to HKD22,500,000	–	1	–
	3	2	4

During the years ended 31 December 2020, 2021 and 2022, share options/RSUs were granted to 5 non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 33 to the Historical Financial Information. The fair value of such options/RSUs, which has been recognized in the profit or loss over the vesting period, was determined as at the date of grant and the amount included in the Historical Financial Information is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

12. INCOME TAX

The Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Cayman Islands

Under the current laws of the Cayman Islands, the Company is not subject to tax on income or capital gains.

Hong Kong

The subsidiary which operates in Hong Kong is subject to profits tax at a rate of 8.25% applies to the first HKD2,000,000 of assessable profits, the remaining assessable profits is subject to profits tax at a rate of 16.5%.

Pursuant to the PRC Enterprise Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

Mainland China

Pursuant to the Enterprise Income Tax Law of the PRC and the respective regulations (the "EIT Law"), the subsidiaries which operate in Mainland China are subject to EIT at a rate of 25% on the taxable income unless those subject to tax concession set out below:

Entity	*Notes*	2020	2021	2022
Hangzhou Adicon	*1*	15%	15%	15%
Hefei Adicon	*2*	15%	15%	15%
Shanghai Adicon	*3*	15%	15%	15%
Jinan Adicon	*4*	15%	15%	15%
Beijing Adicon	*4*	15%	15%	15%
Nanchang Adicon	*2*	15%	15%	15%
Fuzhou Adicon	*4*	15%	15%	15%
Nanjing Adicon	*4*	15%	15%	15%
Wuhan Adicon	*3*	15%	15%	15%
Chengdu Adicon	*5*	15%	15%	15%
Xi'an Adicon	*5*	15%	15%	15%
Chongqing Adicon	*5*	15%	15%	15%
Yunnan Adicon	*5*	15%	15%	15%
Guizhou Adicon	*5*	N/A	15%	15%
Shanghai Lv'angjie	*6*	20%	25%	25%
Xiamen Adicon	*6*	N/A	20%	25%
Nanning Adicon	*6*	N/A	20%	20%
Qingdao Adicon	*6*	N/A	20%	25%
Quzhou Adicon	*6*	N/A	20%	20%

Notes:

(1) In 2018, Hangzhou Adicon was accredited as a "High and New Technology Enterprise" ("HNTE") and was entitled to a preferential income tax rate of 15% for a period of three years from 2018 to 2021. Hangzhou Adicon subsequently renewed its HNTE qualification in 2021 and was entitled to the preferential tax rate of 15% from 2021 to 2024.

(2) In 2019, Hefei Adicon and Nanchang Adicon were accredited as HNTEs and were entitled to a preferential income tax rate of 15% for a period of three years from 2019 to 2022. Hefei Adicon and Nanchang Adicon subsequently renewed their HNTE qualification in 2022 and were entitled to the preferential tax rate of 15% from 2022 to 2025.

(3) In 2018, Shanghai Adicon and Wuhan Adicon were accredited as HNTEs and were entitled to a preferential income tax rate of 15% for a period of three years from 2018 to 2021. Shanghai Adicon and Wuhan Adicon subsequently renewed their HNTE qualification in 2021 and were entitled to the preferential tax rate of 15% from 2021 to 2024.

(4) In 2020, Beijing Adicon, Jinan Adicon, Fuzhou Adicon and Nanjing Adicon were accredited as HNTEs and were entitled to a preferential income tax rate of 15% for a period of three years from 2020 to 2022.

(5) Under the policies for the Grand Western Development Program, the Group's subsidiaries incorporated in Western China (Chengdu Adicon, Xi'an Adicon, Chongqing Adicon, Yunnan Adicon and Guizhou Adicon) were subject to corporate tax at 15% in the year from 2020 to 2022. The rate applied to companies located in Western China which engaged in the encouraged industries listed in the Grand Western Development Program. The policies were available during 2018 to 2030.

(6) Shanghai Lv'angjie is qualified as small-scaled minimal profit enterprises during 2020. Xiamen Adicon and Qingdao Adicon are qualified as small-scaled minimal profit enterprises during 2021. Nanning Adicon and Quzhou Adicon are qualified as small-scaled minimal profit enterprises during 2021 and 2022. Pursuant to Caishui [2019] circular No.13, the first RMB1,000,000 of assessable profits of these subsidiaries may be calculated as 25% and be taxed at the preferential EIT rate of 20%. The assessable profits between RMB1,000,000 and RMB3,000,000 may be calculated as 50% and be taxed at the preferential EIT rate of 20%.

The income tax expense of the Group for the Relevant Periods is analyzed as follows:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Current income tax	82,613	113,302	175,122
Deferred income tax	(13,881)	(18,354)	(39,194)
Total tax charge for the year	68,732	94,948	135,928

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for the jurisdictions in which the majority of the Group's subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Profit before tax	358,185	417,243	820,812
Tax at the statutory tax rate (25%)	89,546	104,311	205,203
Lower tax rates for specific provinces or enacted by local authority	(24,474)	(9,147)	(71,350)
Effect on opening deferred tax assets or liabilities resulting from change in applicable tax rate	1,215	–	(7,212)
Additional deductible allowance for qualified research and development costs	(9,768)	(10,948)	(18,403)
Expenses not deductible for tax	12,181	7,366	1,777
Tax losses utilized from previous years	(9,708)	(9,596)	(6,723)
Tax losses not recognized	9,808	8,550	28,489
Effect of withholding tax at 10% on the distributable profits of the Group's PRC subsidiaries	(68)	4,412	4,147
Tax charge at the Group's effective rate	68,732	94,948	135,928

13. DIVIDENDS

On 23 June 2021, the board of directors of the Company declared a cash dividend in the total amount of USD69,910,000 (equivalent to RMB452,585,000) to the members who were on the register of members of the Company on 24 June 2021 on a pro rata basis. All the dividend declared had been paid by the end of 2021.

On 18 May 2022, the board of directors of the Company declared a cash dividend in the total amount of RMB865,017,000 to the members who were on the register of members of the Company on 19 May 2022 on a pro rata basis. All the dividend declared had been paid by the end of 2022.

No dividend has been paid or declared by the Company for the year ended 31 December 2020.

14. EARNINGS PER SHARE

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares during the Relevant Periods.

The calculation of basic earnings per share is based on:

	Year ended 31 December		
	2020	2021	2022
Earnings			
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation: (RMB'000)	284,121	315,540	680,793
Ordinary shares ('000)			
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	578,209	630,966	653,402
Earnings per share (RMB per share)	0.49	0.50	1.04
Effect of dilution – weighted average number of ordinary shares:			
Share awards	7,105	–	–
Convertible redeemable preferred shares	1,444	–	52,762
Weighted average number of ordinary shares in issue during the year used in the dilutive earnings per share calculation	586,758	630,966	706,164
Diluted earnings per share* (RMB per share)	0.48	0.50	0.96

The weighted average number of shares for the purpose of basic and diluted earnings per share for the years ended 31 December 2020, 2021 and 2022 is calculated based on the assumption that the Share Split and Share Consolidation as defined in note 31 to the Historical Financial Information have been adjusted retrospectively.

* Because the diluted earnings per share amount is increased when taking convertible redeemable preferred shares into account, the convertible redeemable preferred shares had an anti-dilutive effect on the basic earnings per share for year ended 31 December 2021 and were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share amounts are based on the profit for year ended 31 December 2021 of RMB315,540,000, and the weighted average number of ordinary shares of 630,966 in issue during the period.

15. INTERESTS IN SUBSIDIARIES

Company

		As at 31 December		
		2020	2021	2022
	Notes	RMB'000	RMB'000	RMB'000
Investment cost	*(a)*	82,366	136,190	151,206
Loans to a subsidiary	*(b)*	–	142,657	155,833
		82,366	278,847	307,039

Notes:

(a) The investment cost in subsidiaries includes the equity-settled share-based compensation in respect of the shares and share options/RSUs granted by the Company to certain employees of the subsidiaries for employees' service rendered to the subsidiaries under the Scheme as set out in note 33 to the Historical Financial Information. Since the subsidiaries have no obligation to reimburse such expense, the amounts paid are treated as deemed capital contribution by the Company to the subsidiaries and included in the Company's cost of investments in subsidiaries.

(b) The loans to a subsidiary are unsecured, interest-free and repayable on demand. At 31 December 2022, the loans have been waived by the Company and are considered as part of the Company's net investments in the subsidiary, Adicon HK, a wholly owned subsidiary of the Company.

16. PROPERTY AND EQUIPMENT

	Office and electronic equipment	Laboratory equipment	Motor vehicles	Leasehold Improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2020						
At 1 January 2020						
Cost	46,126	200,597	11,212	103,400	16,725	378,060
Accumulated depreciation	(30,171)	(139,943)	(8,506)	(69,286)	–	(247,906)
Net carrying amount	15,955	60,654	2,706	34,114	16,725	130,154
At 1 January 2020, net of accumulated depreciation	15,955	60,654	2,706	34,114	16,725	130,154
Additions	8,513	68,609	1,150	11,732	18,790	108,794
Disposals	(476)	(4,432)	(121)	(443)	–	(5,472)
Transfer	1,183	1,593	–	27,416	(30,192)	–
Depreciation provided during the year	(6,329)	(40,691)	(983)	(16,894)	–	(64,897)
At 31 December 2020, net of accumulated depreciation	18,846	85,733	2,752	55,925	5,323	168,579
At 31 December 2020:						
Cost	53,461	255,417	11,089	132,742	5,323	458,032
Accumulated depreciation	(34,615)	(169,684)	(8,337)	(76,817)	–	(289,453)
Net carrying amount	18,846	85,733	2,752	55,925	5,323	168,579
31 December 2021						
At 1 January 2021						
Cost	53,461	255,417	11,089	132,742	5,323	458,032
Accumulated depreciation	(34,615)	(169,684)	(8,337)	(76,817)	–	(289,453)
Net carrying amount	18,846	85,733	2,752	55,925	5,323	168,579
At 1 January 2021, net of accumulated depreciation	18,846	85,733	2,752	55,925	5,323	168,579
Additions	13,255	110,034	4,402	14,124	44,324	186,139
Acquisition of subsidiaries	154	1,826	–	–	–	1,980
Disposals	(1,216)	(2,559)	(287)	(1,421)	–	(5,483)
Transfer	–	1,071	–	35,845	(36,916)	–
Depreciation provided during the year	(6,415)	(62,697)	(1,815)	(14,151)	–	(85,078)
At 31 December 2021, net of accumulated depreciation	24,624	133,408	5,052	90,322	12,731	266,137

	Office and electronic equipment	Laboratory equipment	Motor vehicles	Leasehold Improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2021						
Cost	51,475	352,193	12,524	152,775	12,731	581,698
Accumulated depreciation	(26,851)	(218,785)	(7,472)	(62,453)	–	(315,561)
Net carrying amount	24,624	133,408	5,052	90,322	12,731	266,137
31 December 2022						
At 1 January 2022						
Cost	51,475	352,193	12,524	152,775	12,731	581,698
Accumulated depreciation	(26,851)	(218,785)	(7,472)	(62,453)	–	(315,561)
Net carrying amount	24,624	133,408	5,052	90,322	12,731	266,137
At 1 January 2022, net of accumulated depreciation	24,624	133,408	5,052	90,322	12,731	266,137
Additions	16,392	148,594	2,846	23,355	38,474	229,661
Acquisition of a subsidiary	836	5,123	1,436	1,672	6,889	15,956
Disposals	(698)	(5,558)	(218)	(450)	–	(6,924)
Transfer	466	–	–	49,384	(49,850)	–
Depreciation provided during the year	(10,231)	(96,734)	(2,724)	(19,713)	–	(129,402)
At 31 December 2022, net of accumulated depreciation	31,389	184,833	6,392	144,570	8,244	375,428
At 31 December 2022						
Cost	67,341	489,062	15,557	226,735	8,244	806,939
Accumulated depreciation	(35,952)	(304,229)	(9,165)	(82,165)	–	(431,511)
Net carrying amount	31,389	184,833	6,392	144,570	8,244	375,428

17. LEASES

The Group as a lessee

The Group has lease contracts for various items of properties and other equipment used in its operations. Leases of properties generally have lease terms between 3 and 10 years. Other equipment generally has lease terms of 12 months or less or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the Relevant Periods are as follows:

	Properties	Equipment	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2020	169,228	25,184	194,412
Additions	24,915	11,196	36,111
Revision of a lease term arising from a change in the non-cancellable period of a lease	(26,844)	–	(26,844)
Depreciation charge	(36,099)	(12,122)	(48,221)
As at 31 December 2020	131,200	24,258	155,458

	Properties	Equipment	Total
	RMB'000	RMB'000	RMB'000
As at 1 January 2021	131,200	24,258	155,458
Additions	67,596	4,008	71,604
Revision of a lease term arising from a change in the non-cancellable period of a lease	(1,693)	(831)	(2,524)
Depreciation charge	(40,412)	(10,745)	(51,157)
As at 31 December 2021	156,691	16,690	173,381
As at 1 January 2022	156,691	16,690	173,381
Additions	91,701	8,043	99,744
Acquisition of a subsidiary	4,079	992	5,071
Revision of a lease term arising from a change in the non-cancellable period of a lease	(180)	–	(180)
Depreciation charge	(49,375)	(9,788)	(59,163)
As at 31 December 2022	202,916	15,937	218,853

(b) ***Lease liabilities***

The carrying amount of lease liabilities and the movements during the relevant periods are as follows:

	2020	2021	2022
	Lease liabilities	Lease liabilities	Lease liabilities
	RMB'000	RMB'000	RMB'000
At the beginning of year	198,360	158,126	177,950
New leases	36,111	71,604	99,744
Acquisition of a subsidiary	–	–	5,142
Accretion of interest recognized during the year	10,833	10,624	13,705
Payments	(58,207)	(59,461)	(62,500)
Revision of a lease term arising from a change in the non-cancellable period of a lease	(26,532)	(2,943)	(186)
COVID-19 related rent concessions from lessors	(2,439)	–	–
Ending balance	158,126	177,950	233,855
Analyzed into:			
Current portion	28,416	31,653	51,400
Non-current portion	129,710	146,297	182,455

A maturity analysis of the lease liabilities as at the end of each of the Relevant Periods is as follows:

	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Less than 3 months	10,273	12,061	17,113
3 to less than 12 months	18,143	19,592	34,287
1 to 3 years	60,730	72,806	95,644
Over 3 years	68,980	73,491	86,811
	158,126	177,950	233,855

(c) The amounts recognized in profit or loss in relation to leases are as follows:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Interest on lease liabilities	10,833	10,624	13,705
Depreciation charge of right-of-use assets	48,221	51,157	59,163
Expense relating to leases of short-term and low-value assets	13,082	13,834	13,387
Revision of a lease term arising from a change in the non-cancellable period of a lease	312	(419)	(6)
COVID-19-related rent concessions from lessors	(2,439)	–	–
Total amount recognized in profit or loss	70,009	75,196	86,249

(d) The following future cash outflows of the Group is potentially exposed to that are not reflected in the measurement of lease liabilities:

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Future cash outflows for short-term leases	4,262	5,975	4,342

18. GOODWILL

	RMB'000
Cost at 1 January 2021, net of accumulated impairment	–
Acquisition of a subsidiary *(note 34)*	25,691
Impairment during the year	–
Net carrying amount at 31 December 2021	25,691
As at 31 December 2021:	
Cost	25,691
Accumulated impairment	–
Net carrying amount	25,691

	RMB'000
Cost at 1 January 2022, net of accumulated impairment	25,691
Acquisition of a subsidiary *(note 34)*	54,111
Impairment during the year	–
Net carrying amount at 31 December 2022	79,802
As at 31 December 2022:	
Cost	79,802
Accumulated impairment	–
Net carrying amount	79,802

Impairment assessment for goodwill

Goodwill of RMB14,348,000 and RMB11,343,000 was generated from the acquisition of Shangrao Adicon and Jiangxi Jince on 28 February 2021 and goodwill of RMB54,111,000 was generated from the acquisition of Henan Adicon on 31 May 2022 which is set out in note 34 to the Historical Financial Information.

The cash flows generated from these two subsidiaries acquired are expected to benefit from the synergies of each other, for impairment testing, but are independent from those of the other subsidiaries of the Company. Therefore, Goodwill is monitored by the management of the Company at the level of the group of cash-generating unit ("CGU") including Shangrao Adicon and Jiangxi Jince. The goodwill of Henan Adicon CGU is monitored independently.

The recoverable amounts of each CGU have been determined based on value-in-use calculations using pre-tax cash flow projections, which is based on financial budgets approved by the management of the Company covering a 5-year period.

	Shangrao Adicon and Jiangxi Jince CGU	
	As at 31 December 2021	As at 31 December 2022
Revenue (% compound growth rate)	8%	5%
Terminal growth rate	3%	2%
Pre-tax discount rate	18%	19%

	Henan Adicon CGU
	As at 31 December 2022
Revenue (% compound growth rate)	10%
Terminal growth rate	2%
Pre-tax discount rate	22%

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill for the group of CGUs including Shangrao Adicon and Jiangxi Jince as at 31 December 2021 and 31 December 2022.

Revenue – The basis used to determine the budgeted revenue is based on management's expectation of market development.

Terminal Growth rate – The forecasted terminal growth rate is based on management's expectations and does not exceed the long-term average growth rate for the industry relevant to the CGUs.

The pre-tax discount rate used is before tax and reflects specific risks relating to the CGUs.

Based on the result of impairment assessment, there was no impairment as at 31 December 2022.

Sensitivity to changes in key assumptions:

The management of the Company has performed sensitivity test by decreasing 1% of expected revenue, decreasing 1% of terminal growth rate or increasing 1% of pre-tax discount rate, with all other assumptions held constant. The impacts on the amount by which each CGU's recoverable amount above its carrying amount (headroom) are as below:

	Shangrao Adicon and Jiangxi Jince CGU	
	As at 31 December 2021	As at 31 December 2022
	RMB'000	RMB'000
Headroom	23,904	33,104
Impact by decreasing expected revenue	(1,266)	(1,421)
Impact by decreasing terminal growth rate	(5,175)	(5,161)
Impact by increasing pre-tax discount rate	(8,480)	(7,901)

	Henan Adicon CGU
	As at 31 December 2022
	RMB'000
Headroom	24,093
Impact by decreasing expected revenue	(4,902)
Impact by decreasing terminal growth rate	(5,822)
Impact by increasing pre-tax discount rate	(9,138)

Considering there was still sufficient headroom based on the assessment, the management of the Company believes that a reasonably possible change in the above key parameters would not cause the carrying amount of the group of CGUs to exceed its recoverable amount as at 31 December 2021 and 31 December 2022.

19. OTHER INTANGIBLE ASSETS

	Patents	Software	Customer relationship	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020:				
Cost	89	6,842	–	6,931
Accumulated amortization	(63)	(3,785)	–	(3,848)
Net carrying amount	26	3,057	–	3,083
Cost at 1 January 2020, net of accumulated amortization	26	3,057	–	3,083
Additions	–	590	–	590
Amortization provided during the year	(9)	(653)	–	(662)
At 31 December 2020	17	2,994	–	3,011
At 31 December 2020				
Cost	89	7,432	–	7,521
Accumulated amortization	(72)	(4,438)	–	(4,510)
Net carrying amount	17	2,994	–	3,011
At 1 January 2021:				
Cost	89	7,432	–	7,521
Accumulated amortization	(72)	(4,438)	–	(4,510)
Net carrying amount	17	2,994	–	3,011
Cost at 1 January 2021, net of accumulated amortization	17	2,994	–	3,011
Additions	–	1,115	–	1,115
Acquisition of subsidiaries	–	7	18,000	18,007
Disposals	–	(12)	–	(12)
Amortization provided during the year	(7)	(860)	(750)	(1,617)
At 31 December 2021	10	3,244	17,250	20,504
At 31 December 2021				
Cost	89	8,542	18,000	26,631
Accumulated amortization	(79)	(5,298)	(750)	(6,127)
Net carrying amount	10	3,244	17,250	20,504

	Patents	Software	Customer relationship	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022:				
Cost	89	8,542	18,000	26,631
Accumulated amortization	(79)	(5,298)	(750)	(6,127)
Net carrying amount	10	3,244	17,250	20,504
Cost at 1 January 2022, net of accumulated amortization	10	3,244	17,250	20,504
Additions	68,344	714	–	69,058
Acquisition of subsidiaries	–	–	59,000	59,000
Disposals	–	–	–	–
Amortization provided during the year	(4)	(2,228)	(2,621)	(4,853)
At 31 December 2022	68,350	1,730	73,629	143,709
At 31 December 2022				
Cost	68,433	9,256	77,000	154,689
Accumulated amortization	(83)	(7,526)	(3,371)	(10,980)
Net carrying amount	68,350	1,730	73,629	143,709

20. DEFERRED TAX

The movements in deferred tax assets during the Relevant Periods are as follows:

Deferred tax assets

	Losses available for offsetting against future taxable profits	Accelerated depreciation	Accrued expenses	Leases	Impairment of assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	8,573	–	15,160	1,572	12,862	38,167
Deferred tax recognized in the profit or loss during the year	(2,160)	3,227	7,454	361	4,933	13,815
At 31 December 2020 and 1 January 2021	6,413	3,227	22,614	1,933	17,795	51,982
Deferred tax recognized in the profit or loss during the year	10,475	(3,227)	9,732	(31)	5,629	22,578
At 31 December 2021 and 1 January 2022	16,888	–	32,346	1,902	23,424	74,560
Deferred tax recognized in the profit or loss during the year	12,443	–	16,245	395	14,760	43,843
At 31 December 2022	29,331	–	48,591	2,297	38,184	118,403

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries	Accrual for withholding tax	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2020	–	1,602	1,602
Deferred tax recognized in the profit or loss during the year	–	(66)	(66)
At 31 December 2020 and 1 January 2021	–	1,536	1,536
Deferred tax recognized in the profit or loss during the year	4,313	4,411	8,724
At 31 December 2021 and 1 January 2022	4,313	5,947	10,260
Deferred tax recognized in the profit or loss during the year	14,095	4,147	18,242
At 31 December 2022	18,408	10,094	28,502

The Group has accumulated tax losses in Mainland China of RMB39,696,000, RMB29,966,000 and RMB26,932,000 as at 31 December 2020, 2021 and 2022, respectively, that will expire in one to five years for offsetting against future taxable profits of the Group's subsidiary in which the losses arose. Deferred tax assets have not been recognized in respect of these losses as they have arisen in certain subsidiaries that has been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilized.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign invested enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries directly or indirectly owned by the Group and established in Mainland China in respect of earnings generated from 1 January 2008.

No deferred tax assets and liabilities have been offset in the consolidated statement of financial position.

21. INVENTORIES

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Reagents	72,705	85,557	137,936
Finished goods	13,869	6,821	69,827
Consumables	16,358	17,017	21,650
	102,932	109,395	229,413

22. TRADE AND BILLS RECEIVABLES

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Trade receivables	988,040	1,285,447	2,043,901
Bills receivable *(Note)*	–	3,140	3,253
	988,040	1,288,587	2,047,154
Allowance for expected credit losses	(45,999)	(75,075)	(190,307)
	942,041	1,213,512	1,856,847

Note: Bills receivable is subject to impairment under the general approach and it is considered to be minimal.

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally from 90 to 120 days. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade and bills receivable balances. Trade and bills receivables are non-interest-bearing.

An aging analysis of trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of provisions, is as follows:

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Within 4 months	712,820	862,541	1,193,621
4 months to 1 year	191,736	316,367	605,992
1 year to 2 years	65,061	87,890	196,608
2 years to 3 years	14,775	14,643	38,161
3 years to 4 years	2,810	3,428	7,090
4 years to 5 years	425	487	1,846
Over 5 years	413	91	583
	988,040	1,285,447	2,043,901

The movements in the loss allowance for impairment of trade receivables are as follows:

	2020	2021	2022
	RMB'000	RMB'000	RMB'000
At beginning of year	48,697	45,999	75,075
Acquisition of a subsidiary	–	–	4,640
Impairment losses	32,296	39,759	111,510
Amount written off as uncollectible	(34,994)	(10,683)	(918)
At end of year	45,999	75,075	190,307

For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix, estimated based on the financial quality of debtors and historical credit loss experience based on the aging of the trade receivables, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. The following table details the risk profile of trade receivables:

	As at 31 December 2020		
	Amount	Expected loss rate	Impairment
	RMB'000	%	RMB'000
Within 4 months	712,820		7,345
4 months to 1 year	191,736		1,976
Subtotal-within 1 year	904,556	1.03	9,321
1 year to 2 years	65,061	33.87	22,037
2 years to 3 years	14,775	76.31	11,275
3 years to 4 years	2,810	89.96	2,528
4 years to 5 years	425	100.00	425
Over 5 years	413	100.00	413
	988,040		45,999

	As at 31 December 2021		
	Amount	Expected loss rate	Impairment
	RMB'000	%	RMB'000
Within 4 months	862,541		18,540
4 months to 1 year	316,367		6,800
Subtotal-within 1 year	1,178,908	2.15	25,340
1 year to 2 years	87,890	38.48	33,824
2 years to 3 years	14,643	81.30	11,905
3 years to 4 years	3,428	100.00	3,428
4 years to 5 years	487	100.00	487
Over 5 years	91	100.00	91
	1,285,447		75,075

	As at 31 December 2022		
	Amount	Expected loss rate	Impairment
	RMB'000	%	RMB'000
Within 4 months	1,193,621		49,532
4 months to 1 year	605,992		25,147
Subtotal-within 1 year	1,799,613	4.15	74,679
1 year to 2 years	196,608	38.99	76,658
2 years to 3 years	38,161	77.61	29,618
3 years to 4 years	7,090	97.64	6,923
4 years to 5 years	1,846	100.00	1,846
Over 5 years	583	100.00	583
	2,043,901		190,307

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		As at 31 December		
		2020	2021	2022
		RMB'000	RMB'000	RMB'000
Deposits		13,486	18,597	20,920
– current		5,217	8,529	7,515
– non-current	*(a)*	8,269	10,068	13,405
Advanced payment for investment	*(c)*	–	30,000	18,200
Advance lease payments for short-term leases		7,804	4,968	10,610
Prepayments	*(b)*	30,335	35,788	54,613
Value-added tax recoverable		9,037	8,566	14,300
Deferred [**REDACTED**]		[REDACTED]	[REDACTED]	[REDACTED]
Others		4,743	5,913	9,940
Provision of impairment		(522)	(423)	(566)
		68,867	115,361	140,699

Notes:

(a) The amount represents deposits for lease of properties with over one-year lease terms and deposits with suppliers.

(b) The amount represents prepayments for equipments, reagents and consumables. The increase in prepayments in 2021 and 2022 was mainly due to the increase of sales of medical products.

(c) On 23 June 2021, Hangzhou Adicon entered into a letter of intent (the "Letter") for the proposed acquisition of three ICLs in Henan (the "**Henan Target Companies**") from parties which are independent of the Company and its connected persons. In June 2021, Hangzhou Adicon made an advance payment amounted to RMB30,000,000 to the Seller, of which, RMB11,800,000 is for the acquisition of Henan Meikang Shengde Medical Laboratory Co., Ltd., RMB18,200,000 is for the acquisition of Yongcheng Meikang Shengde Medical Laboratory Co., Ltd. and Minquan County Meikang Shengde Medical Laboratory Co., Ltd.. The advance payment was refundable if certain conditions set out in the Letter were not satisfied within twelve months. In May 2022, the acquisition of Henan Meikang Shengde Medical Laboratory Co., Ltd. was completed. Hangzhou Adicon further paid RMB48,686 consideration for the acquisition of Henan Meikang Shengde to the seller in addition to the advance payment of RMB11,800,000. After the acquisition, Henan Meikang Shengde Medical Laboratory Co., Ltd. changed its name to Henan Adicon Clinical Laboratories Co., Ltd..

Analyzed into:

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Current portion	61,120	105,716	127,860
Non-current portion-Deposits	7,747	9,645	12,839
	68,867	115,361	140,699

Other receivables had no recent history of default and past due amounts. The financial assets included in the above balances related to receivables were categorised in stage 1 at the end of each of the Relevant Periods. In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward-looking macroeconomic data. During the Relevant Periods, the Group estimated that the expected credit loss rate for deposits and other receivables is minimal.

The Group seeks to maintain strict control over its outstanding receivables to minimize credit risk. Long aging balances are reviewed regularly by senior management. In view of the fact that the Group's deposits and other receivables related to a large number of diversified counterparties, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its deposits and other receivables balances.

24. FINANCIAL ASSETS AT FVTPL

		As at 31 December
		2022
		RMB'000
Non-current		
Derivatives – interest rate cap contracts	*(a)*	8,104

Note:

(a) In October, the Group entered into interest rate cap contracts with certain financial institutions in order to manage interest risk on the five-year loan facility amounted to USD150,000,000 with variable interest rate (the details of the loan is further set out in note 29). These interest rate cap contracts are assessed as derivative financial instruments and therefore are initially recognised as financial assets at FVTPL. The Group recorded RMB7,826,000 fair value gain during the year ended 31 December 2022.

25. CASH AND BANK BALANCES

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	1,226,819	1,109,211	1,680,625
Restricted bank balances *(Note)*	1,801	–	–
Cash and bank balances	1,228,620	1,109,211	1,680,625

Note: The balance is restricted until the group completes installation of certain medical equipment.

Group

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Denominated in:			
RMB	674,653	954,205	1,503,584
USD	550,754	153,978	176,112
HKD	1	1,028	929
EUR	3,212	–	–
	1,228,620	1,109,211	1,680,625

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term time deposits are made for varying periods within three months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term time deposit rates. The bank balances are deposited with creditworthy banks with no history of default.

Company

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	**RMB'000**	**RMB'000**
Denominated in:			
USD	531,860	143,689	125,235
HKD	1	411	407
EUR	3,212	–	–
	535,073	144,100	125,642

26. TRADE PAYABLES

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	**RMB'000**	**RMB'000**
Trade payable	384,034	510,691	1,062,452

An aging analysis of the trade payable as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December		
	2020	**2021**	**2022**
	RMB'000	**RMB'000**	**RMB'000**
Within 1 year	377,853	506,444	1,010,329
1 to 2 years	3,573	2,126	50,484
2 to 3 years	2,192	797	379
Over 3 years	416	1,324	1,260
	384,034	510,691	1,062,452

The trade payables are non-interest-bearing and are normally settled on 60 to 120 day terms.

27. OTHER PAYABLES AND ACCRUALS

Group

	Notes	As at 31 December 2020	2021	2022
		RMB'000	RMB'000	RMB'000
Payroll payables		207,625	340,319	438,351
Accruals	*(a)*	80,717	90,409	172,162
Accrued **[REDACTED]**		[REDACTED]	[REDACTED]	[REDACTED]
Other payables	*(b)*	31,935	76,992	83,978
Advance payments from non-controlling shareholders	*(c)*	450	–	–
Advance payments received for subscription of share options	*(d)*	27,918	70,510	97,036
Payables arising from acquisitions	*(e)*	–	75,536	132,682
Amount due to non-controlling shareholders	*(f)*	–	–	49,884
		365,428	689,136	985,104

Company

	Notes	As at 31 December 2020	2021	2022
		RMB'000	RMB'000	RMB'000
Accrued **[REDACTED]**		[REDACTED]	[REDACTED]	[REDACTED]
Advance payments received for subscription of share options	*(d)*	17,807	51,596	80,446
Payroll payables		–	1,511	1,646
Accrued expenses		–	702	6,262
Other payables		–	125	207
		21,886	57,804	89,136

Notes:

(a) Accruals mainly include accrued operating expenses, professional services fees and utilities expenses.

(b) Other payables mainly include payables for purchase of property, plant and equipment, deposits and other tax payables, which were trade in nature, non-interest bearing and repayable on demand.

(c) In July 2019, Hangzhou Adicon received RMB2,910,000 from certain investors as advance payments for subscribing equity interests of Qingdao Adicon and Shenzhen Adicon. From January to August 2020, RMB2,460,000 were injected into Qingdao Adicon and Shenzhen Adicon by Hangzhou Adicon on behalf of these investors and these investors became non-controlling shareholders of Qingdao Adicon and Shenzhen Adicon. The remaining RMB450,000 in 2020 was injected into Qingdao Adicon in March 2021.

(d) The Company and the subsidiaries of the Company received RMB17,807,000 and RMB10,111,000 in 2020, RMB37,858,000 and RMB8,889,000 in 2021 and RMB9,715,000 and RMB16,037,000 in 2022 from certain domestic senior management and mid-level management of the Group for subscribing vested shares under the Scheme (as defined in note 33 to the Historical Financial Information). At 31 December 2022, these vested share options are yet to be legally registered and the subscription received from these individuals are recorded as advance payments.

(e) In connection with the acquisition of Shangrao Adicon and Jiangxi Jince as set out in Note 34 to the Historical Financial Information, the Group acquired 61% equity interests in Shangrao Adicon and Jiangxi Jince during 2021 at a total consideration of RMB45,726,000 in cash, of which RMB27,655,000 had been paid, RMB4,353,000 remained in payables for investment and RMB18,071,000 recognized as contingent consideration as of 31 December 2022. The Group was also obligated to purchase the remaining non-controlling interests in Shangrao Adicon and Jiangxi Jince from minority shareholders upon satisfaction of certain condition precedents in the relevant share purchase agreements. The Group estimated that the present value of the put option's strike price over the non-controlling interests in Shangrao Adicon and Jiangxi Jince amounted to RMB57,465,000 as at 31 December 2021 and 2022, with the debit entry on recognizing the put option as a debit to equity and the subsequent changes recognized in profit or loss.

In connection with the acquisition of Henan Adicon as set out in Note 34 to the Historical Financial Information, The Group acquired 51% equity interests in Henan Adicon during 2022 at a total consideration of RMB88,916,000 in cash, of which RMB62,241,000 had been paid and RMB26,675,000 recognized as contingent consideration. The fair value of the contingent consideration is RMB13,374,000 as of 31 December 2022 and the subsequent fair value changes was recognized in profit or loss. The Group is also obligated to purchase 19% equity interests in Henan Adicon from minority shareholders upon satisfaction of certain condition precedents in the relevant share purchase agreements. The Group estimated that the present value of the put option's strike price over the non-controlling interests in Henan Adicon amounted to RMB43,809,000 as at 31 December 2022, with the debit entry on recognizing the put option as a debit to equity and the subsequent changes recognized in profit or loss.

(f) Pursuant to the share purchase agreement entered between the Group and the then shareholders of Henan Adicon, the collection of revenue from COVID-19 testing services earned by Henan Adicon during 2021 shall be repaid to the then shareholders. The balance amounted to RMB49,884,000 represents the revenue collected by the Group on behalf of the then shareholders as at 31 December 2022.

28. CONTRACT LIABILITIES

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Amounts received in advance of delivery of services and equipment	11,665	20,683	21,060

Contract liabilities include the equipment and service payment received from customers in advance.

The consistent increase in contract liabilities as at 31 December 2021 and 2022 was mainly due to the increase in advances received from customers in relation to amount received of delivery of services which increased in both 2021 and 2022.

29. INTEREST-BEARING BANK BORROWINGS

	As at 31 December 2020		
	Effective interest rate per annum %	Maturity	RMB'000
Current			
Bank loans – unsecured-*(a)*	3.98	2021	30,000
Bank loans – unsecured-*(b)*	3.70	2021	30,000
Bank loans – unsecured-*(c)*	3.95	2021	30,000
Bank loans – unsecured-*(d)*	3.75	2021	20,000
Bank loans – unsecured-*(e)*	3.85	2021	5,000
Bank loans – unsecured-*(f)*	3.85	2021	1,000
Bank loans – unsecured-*(g)*	3.40	2021-2025	4,178
Total			120,178

	As at 31 December 2020		
	Effective interest rate per annum %	Maturity	RMB'000
Non-current			
Bank loans – unsecured-*(g)*	3.40	2021-2025	100,276
Total			100,276

	As at 31 December 2021		
	Effective interest rate per annum %	Maturity	RMB'000
Current			
Bank loans – unsecured-*(h)*	3.70	2022	30,000
Bank loans – unsecured-*(i)*	3.90	2022	1,000
Bank loans – unsecured-*(j)*	3.70	2022	10,000
Bank loans – unsecured-*(k)*	3.80	2022	1,000
Bank loans – unsecured-*(g)*	2.85	2021-2025	7,141
Total			49,141

	As at 31 December 2021		
	Effective interest rate per annum %	Maturity	RMB'000
Non-current			
Bank loans – unsecured-*(g)*	2.85	2021-2025	90,790
Total			90,790

	As at 31 December 2022		
	Effective interest rate per annum %	Maturity	RMB'000
Current			
Bank loans – unsecured-*(l)*	3.70	2023	10,500
Bank loans – unsecured-*(m)*	3.70	2023	10,000
Bank loans – unsecured-*(n)*	3.70	2023	10,000
Bank loans – unsecured-*(o)*	3.80	2023	9,178
Bank loans – unsecured-*(p)*	3.70	2023	30,000
Bank loans – unsecured-*(q)*	6.76	2023-2027	43,114
Total			112,792

	As at 31 December 2022		
	Effective interest rate per annum %	Maturity	RMB'000
Non-current			
Bank loans – unsecured-*(q)*	6.76	2023-2027	1,013,349
Bank loans – unsecured-*(r)*	3.90	2024	9,980
Total			1,023,329

Analyzed into:

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Repayable:			
Within one year	120,178	49,141	112,792
In the second year	7,312	11,711	41,321
In the third to fifth years	92,964	79,079	982,008

Notes:

a. On 18 February 2020, Hangzhou Adicon, the subsidiary of the Group, entered into one-year unsecured facility agreements of RMB30,000,000 with 中國工商銀行 (Industrial and Commercial Bank of China). Hangzhou Adicon had repaid the loan on 31 January 2021.

b. On 25 December 2020, Hangzhou Adicon, the subsidiary of the Group, entered into one-year unsecured facility agreements of RMB30,000,000 with 中國銀行 (Bank of China). Hangzhou Adicon had repaid the loan on 23 December 2021.

c. On 18 February 2020, Hangzhou Adicon, the subsidiary of the Group, entered into one-year unsecured facility agreements of RMB30,000,000 with 中國農業銀行 (Agriculture Bank of China). Hangzhou Adicon had repaid the loan on 15 January 2021.

d. On 19 June 2020, Hangzhou Adicon, the subsidiary of the Group, entered into one-year unsecured facility agreements of RMB20,000,000 with 中國建設銀行 (China Construction Bank). Hangzhou Adicon had repaid the loan on 18 June 2021.

e. On 3 March 2020, Jinan Adicon, the subsidiary of the Group, entered into one-year unsecured facility agreements of RMB5,000,000 with 中國工商銀行 (Industrial and Commercial Bank of China). Jinan Adicon had repaid the loan on 12 January 2021.

f. On 1 April 2020, Jinan Adicon, the subsidiary of the Group, entered into one-year unsecured facility agreements of RMB1,000,000 with 中國工商銀行 (Industrial and Commercial Bank of China). Jinan Adicon had repaid the loan on 12 January 2021.

g. On 18 July 2022, the Group has entered into a loan facility agreement of up to USD150,000,000 in aggregate with 中國信託商業銀行 (China Trust Commercial Bank). In July 2022, the Group has fully draw down the credit facility for USD50,000,000 each from China Trust Commercial Bank, 凱基銀行 (KGI Bank), and 永豐銀行 (Bank SinoPac) as the mandated lead arrangers and original lenders, respectively. These loans bear an interest rate of Secured Overnight Financing Rate ("SOFR") plus a margin of 2.75% per annum with repayment schedule of USD4,500,000 in 2023, USD4,500,000 in 2024, USD9,000,000 in 2025, USD12,000,000 in 2026 and USD120,000,000 in 2027, respectively.

h. On 1 March 2021, Hangzhou Adicon, the subsidiary of the Group, entered into one-year unsecured facility agreements of RMB30,000,000 with 中國農業銀行 (Agriculture Bank of China). Hangzhou Adicon had repaid the loan on 1 March 2022.

i. On 1 December 2021, Hangzhou Adicon, the subsidiary of the Group, entered into one-year unsecured facility agreements of RMB1,000,000 with 中國工商銀行 (Industrial and Commercial Bank of China). Hangzhou Adicon had repaid the loan on 27 November 2022.

j. On 27 December 2021, Hangzhou Adicon, the subsidiary of the Group, entered into one-year unsecured facility agreements of RMB10,000,000 with 中國銀行 (Bank of China). Hangzhou Adicon had repaid the loan on 9 June 2022.

k. On 29 December 2021, Hangzhou Adicon, the subsidiary of the Group, entered into one-year unsecured facility agreements of RMB1,000,000 with 招商銀行 (China Merchants Bank). Hangzhou Adicon had repaid the loan on 30 November 2022.

l. On 28 July 2022, Hangzhou Adicon, the subsidiary of the Group, entered into one-year unsecured facility agreements of RMB10,500,000 with 中國農業銀行 (Agriculture Bank of China).

m. On 22 June 2022, Hangzhou Adicon, the subsidiary of the Group, entered into one-year unsecured facility agreements of RMB10,000,000 with 中國銀行 (Bank of China).

n. On 25 June 2022, Hangzhou Adicon, the subsidiary of the Group, entered into one-year unsecured facility agreements of RMB10,000,000 with 中國工商銀行 (Industrial and Commercial Bank of China).

o. On 8 June 2022, Hangzhou Adicon, the subsidiary of the Group, entered into one-year unsecured facility agreements of RMB9,000,000 with 中國招商銀行 (China Merchants Bank).

p. On 31 March 2022, Hangzhou Huitu, the subsidiary of the Group, entered into one-year unsecured facility agreements of RMB30,000,000 with 中國工商銀行 (Industrial and Commercial Bank of China).

q. On 18 July 2022, Adicon HK, the subsidiary of the Group, entered into five-year unsecured facility agreements of USD150,000,000 (equivalent to RMB1,044,690,000) with 中國信託商業銀行 (China Trust Commercial Bank), 凱基銀行 (KGI Bank), and 永豐銀行 (Bank SinoPac) as the mandated lead arrangers and the original lenders. The 中國信託商業銀行 (China Trust Commercial Bank) is also the facility agent of the other finance parties. As at 31 December 2022, the total amount was split into USD50,000,000 (equivalent to RMB348,230,000) each among the three original lenders. The interest rate is SOFR rate plus a margin of 2.75% per annum. The agreed repayment schedule is: USD4,500,000 in 2023, USD4,500,000 in 2024, USD9,000,000 in 2025, USD12,000,000 in 2026 and USD120,000,000 in 2027, respectively.

r. On 6 July 2022, Hangzhou Adicon, the subsidiary of the Group, entered into two-year unsecured facility agreement of RMB9,980,000 with 中國民生銀行 (China Minsheng Bank).

30. CONVERTIBLE REDEEMABLE PREFERRED SHARES

Pursuant to the Preferred Share Purchase Agreement dated 17 December 2020, the Company agreed to issue and allot 8,154,073,619 (40,770,368 as adjusted after Share Consolidation) convertible redeemable preferred shares ("Preferred Shares") in aggregate to investors for a total consideration of USD68,000,000 (equivalent to RMB443,931,000).

Pursuant to the Preferred Share Purchase Agreement dated 22 January 2021 and 25 January 2021, the Company further allotted and issued 2,398,256,946 (11,991,285 as adjusted after Share Consolidation) Preferred Shares in aggregate to investors for a total consideration of USD20,000,000 (equivalent to RMB129,156,000).

The key terms of the preferred Shares are summarized as follows:

(a) Conversion features

Each Preferred Share shall be convertible, at the option of the holder thereof, at any time after the date of issuance of such share and after such share has been fully paid, into such number of fully paid ordinary shares as determined by dividing the corresponding issue price by the corresponding Conversion Price (as defined below), determined as hereinafter provided, in effect at the time of the conversion. The price at which the ordinary shares shall be issuable upon conversion of each Preferred Share (the "Conversion Price") shall initially be the original issuance price per Preferred Share ("Preferred Share Original Issue Price"). Such initial Conversion Price shall be subject to adjustment (including but not limited to ordinary shares issued or issuable in connection with any share split, subdivisions, dividends, combinations or consolidations, combination, recapitalization, a merger, joint venture, exchange of shares or other sale of the shares of the Company, capital reorganization or reclassification, and adjustment upon issuance of new securities for consideration per share less than the Conversion Price).

All Preferred Shares shall automatically be converted into ordinary shares at the then respective effective Conversion Price upon (i) the consummation of a [**REDACTED**], or (ii) the closing of a Trade Sale (as defined below) provided that in the case of a Trade Sale that is a sale of equity securities of the Company, and the Preferred Shares that are being Transferred as part of such Trade Sale, or (iii) the receipt by the Company of the written consent of the holders of fifty percent (50%) or more of the Preferred Shares. "[**REDACTED**]" means a [**REDACTED**] on the [**REDACTED**] of [**REDACTED**], [**REDACTED**], [**REDACTED**] or [**REDACTED**], or another internationally recognized [**REDACTED**] agreed by the board of directors of the Company. Trade Sale means any transaction or series of transactions (including, for the avoidance of doubt, any merger, consolidation, amalgamation, scheme of arrangement or merger) which would, if consummated, result in, any investor or group of investors in the aggregate acquiring no less than 50% of the voting power and/or equity securities of the Company or the surviving entity or a right to elect directors or managers with a majority of the voting power of the Company's or the surviving entity's board of directors or managers, or otherwise result in a change of control of the Company.

(b) Redemption features

In the event that the Company fails to consummate a [**REDACTED**] on or prior to the last day of the three-year period following 17 December 2020 (the "Closing Date") (period following the Closing Date, the "Redemption Start Date"), then within the six months following the Redemption Start Date, each of the Preferred Shareholders shall have the right, but not the obligation, by sending a written notice (the "Redemption Notice") to the Company, to request the Company to redeem all or a portion of the then outstanding Preferred Shares held by such Preferred Shareholder (the "Redemption Share") (each such requesting Preferred Shareholder, a "Requesting Holder"). Upon receipt of any Redemption Notice, the Company shall promptly give a written notice of the redemption request to each Preferred Shareholder that has not requested redemption stating the existence of such request and the Company shall propose the redemption date (the "Redemption Date") shall be no later than 45 days following the date of the Redemption Notice and the mechanics of redemption. Each Requesting Holder is entitled to receive, with respect to each of its respective Redemption Shares, an amount (the "Preferred Shareholder Preference Amount") equal to the sum of (a) the Preferred Share Original Issue Price (less the amount of any distributed proceeds that have been received by such Requesting Holder on such Preferred Share from the applicable Closing Date until the payment of the Redemption Price (as defined below)), plus (b) (i) an interest accrued at a compound interest rate of 8% per annum (compounding every 12 months) on the Preferred Share Original Issue Price for the period starting from (and including) the applicable Closing Date until (and including) the Redemption Date and (ii) if such Preferred Share is redeemed after the Redemption Date, a compound interest rate of 10% per annum (compounding every 12 months) for the period starting from (and excluding) the Redemption Date until (and including) the date of payment of the Redemption Price, provided that if at any time any distributed proceeds have been received by such Requesting Holder on such Preferred Share, the foregoing interest shall cease to accrue with respect to such portion of the Preferred Share Original Issue Price that is equal to the amount of such distributed proceeds upon and after such time, plus (c) all dividends declared and unpaid with respect to such Redemption Share, if any, at the time of delivery of the Redemption Notice (as adjusted for any share splits, share dividends, combinations, recapitalizations or similar transactions) (the "Redemption Price").

(c) Presentation and Classification

The Group and the Company have designated the Preferred Shares as whole as financial liabilities carried at FVTPL. The change in fair value of the Preferred Shares is charged to profit or loss except for the portion attributable to credit risk change that shall be charged to other comprehensive income. The management considered that the fair value change in the Preferred Shares attributable to changes of own credit risk is not significant.

Pursuant to the memorandum and articles of association dated 17 December 2020, the holders of Preferred Shares were entitled to an option to require the Company to early redeem the whole preferred shares by sending the Redemption Notice to the Company when the Company fails to consummate a [**REDACTED**] at any time on or prior to the last day of the three-year period following the Closing Date and the Redemption date shall be no later than 45 days following the date of the Redemption Notice, the management of the Company evaluates that the Company will have no obligation to pay the Redemption Price by 31 December 2023. As such, the Preferred Shares were classified as non-current liability.

Key valuation assumptions used to determine the fair value of Preferred Shares as at the end of 31 December 2020, 2021 and 2022 is as follows:

	At 31 December 2020	At 31 December 2021	As at 31 December 2022
Risk-free interest rate	0.17%	0.71%	4.73%
Discount for lack of marketability ("DLOM")	11.0%	5.0%	5.0%
Volatility	36.33%	39.87%	31.79%

The Group estimated the risk-free interest rate based on the yield of the United States Treasury Strips denominated in USD with a maturity life equal to the expected terms for [**REDACTED**] event as of the valuation date. The DLOM was estimated based on the option-pricing method. Under the option-pricing method, the cost of a put option, which can hedge the price change before the privately held shares can be sold, was considered as a basis to determine the lack of marketability discount. Volatility was estimated based on daily stock prices of the comparable company for a period with length commensurate to the expected terms of liquidity event.

31. SHARE CAPITAL

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Issued and fully paid:	77	86	86

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital
At 31 December 2020 and 1 January 2021	116,261,444,020	77
Issue of new shares *(Note (c))*	295,705,697	–
Shares issued upon exercise of share options *(Note (e))*	14,123,276,030	9
Share consolidation *(Note (f))*	(130,027,023,618)	–
At 31 December 2021 and 1 January 2022	653,402,129	86
At 31 December 2022	653,402,129	86

Notes:

a. The Company was incorporated on 7 March 2008 with authorised share capital of USD9,500 divided into 95,000,000 ordinary shares ("Ordinary Shares") with a par value of USD0.0001 each.

b. On 14 December 2018, the Company split its shares at 1000:1 ratio, resulting in an increase of 114,800,107,977 shares of the Company with a par value USD0.0000001 each ("Share Split").

c. In connection with acquiring the remaining interests of Hangzhou Huitu and Manson Grand as set out in the paragraph headed "Reorganization" in the section headed "History, Reorganization and Corporate Structure" in the Document, the Company issued 873,354,175 (4,366,771 as adjusted after Share Consolidation) and 473,066,845 (2,365,334 as adjusted after Share Consolidation) new shares of the Company to Alltrees Holding Ltd. and Boke Holding Ltd., respectively, at approximately USD0.0017 per share, as a total consideration of USD2,322,000 (equivalent to RMB16,026,000) for acquiring 40% equity interest of Manson Grand.

d. On 9 February 2021, the Company issued 295,705,697 (1,478,528 as adjusted after Share Consolidation) new shares of the company to Liye Asset Management Co., Limited, a limited company in Hong Kong to acquire 13.125% equity interests of Shanghai Adicon from non-controlling shareholders. The fair value of the shares of the Company transferred is amount to USD2,289,000 (equivalent to RMB14,840,000). Upon completion of the above transaction, Shanghai Adicon became a wholly-owned subsidiary of Hangzhou Adicon.

e. From March to June 2021, the Company allotted and issued a total of 14,123,276,030 (70,616,380 as adjusted after Share Consolidation) shares of the Company to certain special purpose vehicles in order to facilitate the administration of the Share Incentive Plan as set out in note 33 to the Historical Financial Information.

f. On 3 June 2021, the board of directors of the Company passed a resolution to consolidate the share capital of the Company from USD50,000 divided into 500,000,000,000 shares of USD0.0000001 each to USD50,000 divided into 2,500,000,000 shares of USD0.00002 each ("Share Consolidation").

32. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity of the Group.

(i) Capital reserve

On 27 September 2018, Pearl Group Limited together with other investors, entered into a share purchase and subscription agreement with Corelink Group Limited ("Corelink"), Mega stream Limited ("Mega Stream") and the Company, pursuant to which Pearl Group Limited together with other investors acquired an aggregate of 70,098,164 (350,490,820 as adjusted after Share Split and Share Consolidation) shares of the Company, including 50,183,141 (250,915,705 as adjusted after Share Split and Share Consolidation) current shares of the Company at a total consideration of USD191,440,000 (equivalent to RMB1,321,460,000) from Corelink and Mega Stream.

Pursuant to the share purchase and subscription agreement, an adjustment shall be made to the consideration paid to the Company under certain terms and conditions (the "Adjustment Payment Amount"). In June 2019, Corelink and Mega Stream entered into a supplemental agreement with these investors to confirm the Adjustment Payment Amount paid by the Founders to the Company shall be USD2,357,000 (equivalent to RMB16,226,000), which was subsequently received by the Company in July 2019.

In the meantime, Pearl Group Limited and Huge King Limited ("Huge King") also agreed to subscribe 14,169,272 and 5,745,751 new shares of the Company for a total consideration of USD53,741,000 (equivalent to RMB370,960,000) and USD21,790,000 (equivalent to RMB150,424,000) respectively, which was intended to acquire the equity interests of Hangzhou Adicon from domestic affiliates controlled by the Founders (as defined in note 37 to the Historical Financial Information). Pursuant to the SPA, the Group was obligated to repay the Founders within 3 months using reasonable commercial efforts when the capital injection by Pearl Group Limited or Huge King was fully completed.

In October 2018, the Company received the full consideration of USD53,741,000 (equivalent to RMB370,960,000) from Pearl Group Limited and Hangzhou Adicon accrued corresponding payables to the affiliates controlled by the Founders, as well as debited to other reserve in equity in the consolidated financial statements of the Company as at 31 December 2018. Hangzhou Adicon then settled the USD53,741,000 (equivalent to RMB369,973,000) payables subsequently in January 2019.

Pending for the approval for the Outbound Direct Investment, the Company had received the full consideration of USD21,790,000 from Huge King until January 2021, USD11,760,000 (equivalent to RMB76,770,000) of which was received in December 2020 and USD10,030,000 (equivalent to RMB64,802,000) in January 2021. Hangzhou Adicon then repaid USD21,790,000 (equivalent to RMB138,841,000) to an affiliate of the Founders in May 2021 which was presented as debit to other reserve in equity in the consolidated financial statements of the Company.

(ii) Other reserve

The other capital reserve of the Group represents the difference between the aggregate of the net assets of the non-controlling interests acquired and the consideration paid by the Group for the acquisition of non-controlling interests, as well as the put option over non-controlling interests.

(iii) Share option/RSU reserve

The share option/RSU reverse of the Group represents the fair value of equity-settled share-based payments granted in 2020, 2021 and 2022.

(iv) Exchange fluctuation reserve

The exchange fluctuation reserve represents exchange differences arising from the translation of the financial statement of group companies whose functional currencies are different from the Group's presentation currency.

Company

The amounts of the Company's reserve and the movements therein for the Relevant Periods are presented as follows:

	Share capital	Capital reserve	Share option reserve	Exchange fluctuation reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	76	48,535	2,735	252	(49,677)	1,921
Issue of shares	–	76,770	–	–	–	76,770
Acquisition of non-controlling interests	1	16,025	–	–	–	16,026
Loss for the year	–	–	–	–	(7,590)	(7,590)
Recognition of share-based payments	–	–	63,598	–	–	63,598
Exchange differences related to foreign operations	–	–	–	(711)	–	(711)
At 31 December 2020	77	141,330	66,333	(459)	(57,267)	150,014

	Share capital	Capital reserve	Share option reserve	Exchange fluctuation reserve	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Issue of shares	9	68,894	–	–	–	68,903
Acquisition of non-controlling interests	–	14,840	–	–	–	14,840
Loss for the year	–	–	–	–	(70,127)	(70,127)
Dividend declared	–	–	–	–	(452,585)	(452,585)
Recognition of share-based payments	–	–	37,325	–	–	37,325
Exchange differences related to foreign operations	–	–	–	406	–	406
At 31 December 2021	86	225,064	103,658	(53)	(579,979)	(251,224)
Profit for the year	–	–	–	–	82,541	82,541
Dividend declared	–	–	–	–	(865,017)	(865,017)
Recognition of share-based payments	–	–	15,049	–	–	15,049
Exchange differences related to foreign operations	–	–	–	(54,254)	–	(54,254)
At 31 December 2022	86	225,064	118,707	(54,307)	(1,362,455)	(1,072,905)

33. SHARE INCENTIVE PLAN

Share incentive plan for senior executive and senior management

In July 2019, the board of directors of the Company passed a resolution to adopt share incentive plan for senior executive and senior management (the "Employee Incentive Plans") and subsequently amended and restated on 7 November 2020, 15 April 2021 and 1 October 2021 to promote the success of the Company and to incentivize directors and employees of the Group. Under the Employee Incentive Plans, the board of directors of the Company may at its discretion approve up to 10% of prevailing ordinary share capital of the Company on a fully diluted basis as at the date of such grant to any eligible senior executive and senior management of the Company.

During year ended 31 December 2019, 2020 and 2021, the Company granted share options and restricted share units ("RSUs") to eligible senior executive and senior management of the Group to subscribe up to 89,542,920 underlying shares of the Company. Set out below is details of specific grant of share-based awards as adjusted after Share Consolidation:

Grantee	Date of Grant	Type	Number of underlying shares granted	Exercise/ Subscription price	Vesting period
			'000	USD per share	
Employees	10 July 2019 ~ 15 March 2022	Share options	18,326	0.38 ~1.50	30 June 2020 ~ 31 March 2024

Grantee	Date of Grant	Type	Number of underlying shares granted	Exercise/ Subscription price	Vesting period
			'000	USD per share	
Executive directors and a senior management	25 February 2020 ~ 28 January 2021	Share options	58,644	0.38 ~1.50	30 June 2020 ~ 31 March 2024
Executive director and senior management	24 November 2021 ~ 9 February 2022	RSUs	12,573	1.50 ~1.66	15 December 2021 ~ 31 March 2026

The share options granted to employees shall vest and become 100% exercisable on the anniversary of the vesting commencement date. The share options and RSUs granted to executive directors and senior management shall vest and become exercisable as to 25% of the total number of option or RSUs granted on the first anniversary of the vesting commencement date, and the remaining 25%, 25% and 25% of the total number of options granted shall vest and become exercisable on the second, third and fourth anniversary of the vesting commencement date. The RSU recipients are obligated to pay the subscription price of the RSUs upon vesting.

In addition to employee time-based vesting condition, the number of share options/RSUs shall vest also depends on the financial performance targets including total sales, sales by specified categories and net profit target achieved by the Group during the vesting period. The vesting conditions for a senior management also include [**REDACTED**] targets upon completion of [**REDACTED**] and acquisition of business.

The following share options were outstanding under the Employee Incentive Plans during the Relevant Periods. The number of options and exercise price presented below are adjusted after Share Consolidation.

	Year ended 2020		Year ended 2021		Year ended 2022	
	Weighted average exercise price	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price	Number of share options
	USD per share	'000	USD per share	'000	USD per share	'000
At 1 January	0.3800	2,911	0.3800	26,277	0.7177	27,029
Granted during the year	0.3800	49,224	1.5305	23,345	1.4949	1,490
Forfeited during the year	0.3800	(15,295)	1.5305	(12,345)	1.4944	(52)
Exercised during the year	0.3800	(10,563)	0.7242	(10,248)	0.8475	(9,668)
At 31 December.	0.3800	26,277	0.7177	27,029	0.7104	18,799

For the fair value of equity-settled share options granted during the year, Black-Scholes option pricing model was used and taken into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	Year ended 31 December		
Date of Grant	**2020**	**2021**	**2022**
Dividend yield (%)	0%	0%	0%
Expected volatility (%)	27.56%-52.55%	32.16%-43.09%	39.47%
Risk-free interest rate (%)	0.08%-1.33%	0.04%-0.36%	0.87%
Expected life of options (year)	0.00-3.09	0.00-3.19	0.04
Weighted average share option price (USD per share), as adjusted after Share Consolidation	0.40-0.90	0.04-0.26	0.08

The expected life of the share options is based on the historical data over the past three years and is not necessarily indicative of the exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

The following RSUs were outstanding under the Employee Incentive Plans during the Relevant Periods. The number of RSUs and subscription price presented below are adjusted after Share Consolidation.

	Year ended 2021	Year ended 2022
	Number RSUs	Number of RSUs
	'000	'000
At the beginning of the year	–	12,300
Granted during the year	12,400	172
Vested during the year	(100)	(272)
At the end of the year	12,300	12,200

The fair value of RSUs granted during the year ended 31 December 2021 and 2022 were estimated at RMB1.6984/unit and RMB1.5533/unit respectively as at the date of grant by reference to recent financing valuation of the Group.

The fair value of the share options/RSUs granted during year ended 31 December 2020, 2021 and 2022 was USD21,402,000, USD4,126,000 and USD134,815, of which the Group recognized a share-based payment expenses of RMB63,598,000, RMB37,325,000 and RMB15,049,000 respectively.

34. BUSINESS COMBINATION

(1) Shangrao Adicon and Jiangxi Jince

In February 2021, Hangzhou Adicon entered into a share purchase agreement with the shareholders of Shangrao Adicon to acquire 51% equity interests of Shangrao Adicon from certain individual shareholders at a cash consideration of RMB20,710,000. And Aidiken WFOE entered into a share purchase agreement with the shareholders of Jiangxi Jince to acquire 51% equity interests of Jiangxi Jince from certain individual shareholders at a cash consideration of RMB16,945,000. The Company obtained control of the operating and financial activities of Shangrao Adicon and Jiangxi Jince.

The purchase consideration for the acquisition was in the form of cash at RMB37,655,000, RMB26,359,000 of which has been paid by 2022 and the remaining RMB11,296,000 has not been paid.

The fair values of the identifiable assets and liabilities of as at the date of acquisition were as follows:

	Notes	**Shangrao Adicon**	**Jiangxi Jince**	**Total**
		RMB'000	**RMB'000**	**RMB'000**
Property, plant and equipment	*16*	395	1,585	1,980
Other intangible assets	*19*	10,000	8,007	18,007
Inventories		250	1,677	1,927
Trade receivables		3,997	2,305	6,302
Prepayments and other receivables		319	1,147	1,466
Cash and bank balances		3,098	2,180	5,278
Trade payables		(1,047)	(1,778)	(2,825)
Other payables and accruals		(1,587)	(1,936)	(3,523)
Profit tax payable		(450)	(203)	(653)
Deferred tax liabilities	*20*	(2,500)	(2,000)	(4,500)
Total identifiable net assets at fair value		12,475	10,984	23,459
Non-controlling interests		(6,113)	(5,382)	(11,495)
Goodwill on acquisition	*18*	14,348	11,343	25,691
Consideration satisfied by cash		14,497	11,862	26,359
Contingent consideration	*27(c)*	6,213	5,083	11,296
Total consideration		20,710	16,945	37,655

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB6,302,000 and RMB1,466,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB6,302,000 and RMB1,466,000, respectively. None of the contractual cash flows are not expected to be collected at acquisition date.

Subsequent to the acquisition, the Group further acquired 10% equity interests in Shangrao Adicon and Jiangxi Jince from minority shareholders, increasing the Group's equity interests percentage in Shangrao Adicon and Jiangxi Jince from 51% to 61%. The differences between RMB1,747,000 decrease in the carrying amount of non-controlling interests and consideration of RMB8,071,000 had been recognized as a debit to other reserve during 2021.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	RMB'000
Cash consideration	26,359
Cash and bank balances acquired	5,278
Net outflow of cash and cash equivalents included in cash flows from investing activities	21,081
Transaction costs of the acquisition included in cash flows from operating activities	–
	21,081

Since the acquisition, Shangrao Adicon and Jiangxi Jince contributed RMB66,680,000 to the Group's revenue and RMB11,270,000 to the consolidated profit for the year ended 31 December 2021.

Had the combination taken place at the beginning of the Relevant Periods, the revenue from continuing operations of the Group for the year ended 31 December 2021 would have been RMB3,386,003,000. The profit of the Group for the year would have been RMB324,254,000.

(2) Henan Adicon

In May 2022, Hangzhou Adicon entered into a share purchase agreement with the shareholders of Henan Adicon to acquire 51% equity interests of Henan Adicon from certain shareholders at a cash consideration of RMB88,916,000. The Company obtained control of the operating and financial activities of Henan Adicon.

The purchase consideration for the acquisition was in the form of cash at RMB62,241,000 of which has been paid by 31 December 2022.

The contingent consideration recognized as of the acquisition date was at RMB26,675,000 which was determined upon the satisfaction of the targeted revenue and net profits for the year ending 31 December 2022 and 31 December 2023. The contingent consideration was initially measured at fair value and was remeasured to fair value at subsequent reporting dates, if any, with the corresponding gains or loss being recognized in profit or loss.

The fair values of the identifiable assets and liabilities of as at the date of acquisition were as follows:

	Notes	**Henan Adicon**
		RMB'000
Property, plant and equipment	*16*	15,958
Right-of-use assets	*17*	5,071
Other intangible assets	*19*	59,000
Deferred tax assets		1,160
Inventories		6,230
Trade receivables		105,066
Prepayments and other receivables		5,548
Cash and bank balances		1,755
Trade payables		(64,675)
Other payables and accruals		(33,490)
Profit tax payable		(13,486)
Lease liabilities	*17*	(5,142)
Deferred tax liabilities	*20*	(14,750)
Total identifiable net assets at fair value		68,245
Non-controlling interests		(33,440)
Goodwill on acquisition	*18*	34,805
Consideration satisfied by cash		62,241
Contingent consideration	*27(c)*	26,675
Total consideration		88,916

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB6,230,000 and RMB5,548,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB6,230,000 and RMB5,548,000, respectively. None of the contractual cash flows are not expected to be collected at acquisition date.

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

		RMB'000
Cash consideration		62,241
Advanced payment	*23(c)*	11,800
Cash and bank balances acquired		1,755
Net outflow of cash and cash equivalents included in cash flows from investing activities		48,686
Transaction costs of the acquisition included in cash flows from operating activities		–
		48,686

Since the acquisition, Henan Adicon contributed RMB57,713,000 to the Group's revenue and RMB11,620,000 to the consolidated profit for the year ended 31 December 2022.

Had the combination taken place at the beginning of the year, the revenue from continuing operations of the Group for the year ended 31 December 2022 would have been RMB4,991,459,000. The profit of the Group for the year would have been RMB725,598,000.

The directors of the Company consider that none of these subsidiaries acquired was significant to the Group and thus the individual financial information of these subsidiaries on the acquisition date was not disclosed.

35. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the Relevant Periods, the Group had non-cash additions to right-of-use assets of RMB36,111,000, RMB71,604,000 and RMB99,744,000 and lease liabilities of RMB36,111,000, RMB71,604,000 and RMB99,744,000 respectively, in respect of lease arrangements for properties and equipment.

During the Relevant Periods, the Group had non-cash revision of a lease term from a change in the non-cancellable period of a lease to right-of-use assets of RMB26,844,000, RMB2,524,000, and RMB180,000 and lease liabilities of RMB26,532,000, RMB2,943,000 and RMB186,000, respectively, in respect of lease arrangements for properties and equipment.

During the years ended 31 December 2020, 2021 and 2022, the Group had non-cash additions to share-based payment reserves of RMB63,598,000, RMB37,325,000 and RMB15,049,000, respectively, in respect of share-based payment arrangements.

During the year ended 31 December 2020, 2021 and 2022, the Group had non-cash addition of RMB3,984,000, RMB7,968,000 and RMB730,000 in other payables due to accrual of [**REDACTED**].

During the year ended 31 December 2020, the Group issued 1,346,421,020 (6,732,106 as adjusted after Share Consolidation) new shares of the Company (corresponding to a total value of RMB16,026,000) to acquire 40% of equity interests of Manson Grand.

During the year ended 31 December 2021, the Group issued 295,705,697 (1,478,529 as adjusted after Share Consolidation) new shares of the Company (corresponding to a total value of RMB14,840,000) to acquire 13.125% of equity interests of Shanghai Adicon.

(b) Changes in liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Bank loans	Interest payable	Lease liabilities	Amounts due to related parties	Accrued [REDACTED] in other payables	Convertible redeemable preferred shares	Advance payments from non-controlling shareholders	Advance payments received for subscription of share options/RSUs
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	80,000	119	198,360	91,860	[REDACTED]	–	2,910	–
Interest Expense	–	8,811	10,833	–	[REDACTED]	–	–	–
Additions	230,454	–	36,111	–	[REDACTED]	443,931	–	27,918
Disposal	–	–	(26,532)	–	[REDACTED]	–	–	–
Payment								
– Changes from financial cash flows	(90,000)	–	(58,207)	(90,992)	[REDACTED]	–	(2,460)	–
– Changes from operating cash flows	–	–	–	–	[REDACTED]	–	–	–
Interest Paid	–	(8,726)	–	–	[REDACTED]	–	–	–
COVID-19 related rent concessions from lessors	–	–	(2,439)	–	[REDACTED]	–	–	–
Increase in deferred **[REDACTED]**	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Exchange adjustment	–	–	–	(868)	[REDACTED]	–	–	–
At 31 December 2020 and 1 January 2021	220,454	204	158,126	–	[REDACTED]	443,931	450	27,918

	Bank loans	Interest payable	Lease liabilities	Amounts due to related parties	Accrued [REDACTED] in other payables	Convertible redeemable preferred shares	Advance payments from non-controlling shareholders	Advance payments received for subscription of share options/RSUs	Dividends payable
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2020 and 1 January 2021	220,454	204	158,126	–	[REDACTED]	443,931	450	27,918	–
Interest Expense	–	5,702	10,624	–	[REDACTED]	–	–	–	–
Additions	42,000	–	71,604	–	[REDACTED]	129,156	–	46,747	–
Disposal	–	–	(2,943)	–	[REDACTED]	–	–	–	–
Payment									
– Changes from financial cash flows	(120,080)	(5,906)	(59,461)	–	[REDACTED]	–	(450)	–	(452,585)
– Changes from operating cash flows	–	–	–	–	[REDACTED]	–	–	–	–
Increase in deferred **[REDACTED]**	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Fair value losses on convertible redeemable preferred shares	–	–	–	–	[REDACTED]	61,531	–	–	–
Issue of share	–	–	–	–	[REDACTED]	–	–	(4,094)	–
Exchange adjustment	(2,443)	–	–	–	[REDACTED]	(12,748)	–	(61)	–
Dividends declared	–	–	–	–	[REDACTED]	–	–	–	452,585
At 31 December 2021	139,931	–	177,950	–	[REDACTED]	621,870	–	70,510	–

	Bank loans	Interest payable	Lease liabilities	Amounts due to related parties	Accrued [REDACTED] in other payables	Convertible redeemable preferred shares	Advance payments from non-controlling shareholders	Advance payments received for subscription of share options/RSUs	Dividends payable
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2021 and 1 January 2022	139,931	–	177,950	–	[REDACTED]	621,870	–	70,510	–
Interest Expense	29,253	–	13,705	–	[REDACTED]	–	–	–	
Additions	1,098,395	–	104,886	–	[REDACTED]	–	–	26,526	–
Disposal	–	–	(186)	–	[REDACTED]	–	–	–	–
Payment									
– Changes from financial cash flows	(155,313)	–	(62,500)	–	[REDACTED]	–	–	–	(865,017)
– Changes from operating cash flows	–	–	–	–	[REDACTED]	–	–	–	–
Interest paid	(17,301)	–	–	–	[REDACTED]	–	–	–	–
Increase in deferred **[REDACTED]**	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Fair value gain on convertible redeemable preferred shares	–	–	–	–	[REDACTED]	(87,044)	–	–	–
Exchange adjustment	41,156	–	–	–	[REDACTED]	54,353	–	–	–
Dividends declared	–	–	–	–	[REDACTED]	–	–	–	865,017
31 March 2022	1,136,121	–	233,855	–	[REDACTED]	589,179	–	97,036	–

36. COMMITMENTS

The Group had the following capital commitments at the end of the reporting period:

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Contracted, but not provided for acquisition of property and equipment	13,449	37,549	15,418

37. RELATED PARTY TRANSACTIONS

(a) Name and relationship of related parties

Name	*Notes*	Relationship
Corelink	*(i)*	Shareholder
Mega Stream	*(ii)*	Shareholder
Leadway Limited ("Leadway")	*(iii)*	Controlled by shareholders
艾康生物技術(杭州)有限公司 ACON Biotech (Hangzhou) Company Limited ("ACON")	*(i)*	Controlled by shareholder
杭州艾吉團花家山醫療門診部有限公司 Hangzhou Aijituan Huajiashan Medical Clinic Co., Ltd ("Aijituan Huajiashan")	*(iv)*	Controlled by shareholder
杭州艾吉團醫療門診部有限公司 Hangzhou Aijituan Medical Clinic Co., Ltd ("Hangzhou Aijituan")	*(v)*	Controlled by shareholder
艾健醫療器械(杭州)有限公司 AJON Medical Device (Hangzhou) Co. Ltd. ("AJON")	*(i)*	Controlled by shareholder
蘇州凱愛健康科技有限公司 CareLYFE Co., Ltd. ("CareLYFE")	*(vi)*	Controlled by Director

Notes:

(i) An entity controlled by Mr. LIN Jixun, one of the founders and a non-executive Director of the Company. Mr. LIN Jixun is the brother of Mr. LIN Feng.

(ii) An entity controlled by Mr. LIN Feng, one of the founders of the Company. Mr. LIN Feng is the brother of Mr. LIN Jixun.

(iii) An entity jointly controlled by Mr. LIN Feng and Mr. LIN Jixun (collectively referred to as the "Founders").

(iv) The entity was previously named as Aidikon Huajiashan Medical Clinic Department (Hangzhou) Co., Ltd. (杭州艾迪康花家山醫療門診有限公司) before 19 March 2019. The entity was controlled by Mr. LIN Jixun and was sold to third party since July 2020.

(v) The entity was previously named as Aidikon Medical Clinic Department (Hangzhou) Co., Ltd. (杭州艾迪康醫療門診部有限公司) before 14 March 2019. The entity was controlled by Mr. LIN Jixun and dissolved in August 2020.

(vi) The entity is controlled by Mr. SHI Chenyang, an executive director of the Company. Since Mr. SHI Chenyang was removed from the list of the directors of the Company on 12 May 2020, CareLYFE was no longer a related party of the Group.

(b) Transactions with related parties

The following transactions were carried out with related parties:

		Year ended 31 December		
		2020	2021	2022
		RMB'000	RMB'000	RMB'000
Sales to				
ACON		441	792	117
Aijituan Huajiashan		315	–	–
		756	792	117
Purchase from				
ACON		107,899	101,979	78,915
CareLYFE		5,934	–	–
		113,833	101,979	78,915
Rent from				
AJON		7,475	7,665	4,239
Repayment of loans from				
Corelink	*(i)*	45,496	–	–
Mega	*(i)*	45,496	–	–
Stream Leadway	*(ii)*	–	–	–
		90,992	–	–

The directors of the Company are of the opinion that the above sales to related parties and purchase from related parties were conducted in the ordinary course of business and on arms-length commercial terms.

(c) Outstanding balances with related parties

Group

As disclosed in the statements of financial position, the Group had outstanding balances with related parties at 31 December 2020, 2021 and 2022.

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Due from related parties			
Trade receivables (trade in nature)			
ACON	82	65	12

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Other receivables (non-trade in nature)			
Hangzhou Aijituan	137	–	–
Other receivables and prepayments (trade in nature)			
ACON	–	–	191
AJON	1,832	2,021	2,147
	1,832	2,021	2,338
Total amounts due from related parties	2,051	2,086	2,350
Analyzed as:			
Current	199	270	227
Non-Current	1,852	1,816	2,123
	2,051	2,086	2,350

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Due to related parties			
Trade payables (trade in nature)			
ACON	51,722	35,044	59,836
CareLYFE	2,299	–	–
Other payables (trade in nature)			
AJON	1,050	1,059	1,163
ACON	100	64	72
Total amounts due to related parties	55,171	36,167	61,071

The Company

As disclosed in the statements of financial position, the Company had outstanding balances with related parties at 31 December 2020, 2021 and 2022.

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Other receivables (non-trade in nature)			
Adicon HK	86,202	3,933	9,928
	86,202	3,933	9,928
Less: Impairment	–	–	–
Total amounts due from related parties	86,202	3,933	9,928

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Analyzed as:			
Current	86,202	3,933	9,928
Non-Current	–	–	–
	86,202	3,933	9,928

The Group and the Company's balances due from related parties are unsecured, interest-free and repayable on demand.

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Other payables (non-trade in nature)			
Adicon HK	88,202	–	838,891

Notes:

(i) From 2008 to 2010, Corelink and Mega Stream each provided up to USD9,090,000 loans to the Group. These loans were interest-free and repayable on demand. In 2019, The Group repaid USD2,500,000 each to Corelink and Mega Stream. In December 2019, Corelink and Mega Stream entered into a supplemental loan agreement with the Group, pursuant to which the Group shall pay a simple interest rate of 5% per annum on the remaining principal of the loans commencing from 1 January 2020. During the years ended 2018, 2019 and 2020, interest expenses amounting to RMB5,510,000, RMB4,677,000 and RMB2,198,000 were recognized in the respective consolidated statements of profit or loss and other comprehensive income. The principal and interest of the loans were fully repaid by the Group in June 2020.

(ii) Leadway provided up to USD1,200,000 (equivalent to RMB8,256,000) loans to the Group. These loans were interest-free, which were fully repaid by the Group in 2019.

(d) Compensation of key management personnel of the Group:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Salaries and bonuses	3,207	5,207	5,051
Social welfare and other benefits	1,470	4,926	2,673
Share-based compensation expenses	39,041	21,511	6,669
Total compensation paid to key management personnel	43,718	31,644	14,393

Further details of directors' and chief executives' emoluments are included in note 10 to the Historical Financial Information.

38. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments of the group as at the end of each of the Relevant Periods were as follows:

Financial assets

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Financial assets at FVTPL:			
Derivatives – interest rate cap contracts	–	–	8,104
Financial assets at amortized cost:			
Trade and bills receivables	942,041	1,213,512	1,856,847
Due from related parties	2,051	2,086	2,350
Financial assets included in prepayments, other receivables and other assets	18,229	24,510	30,860
Cash and bank balances	1,228,620	1,109,211	1,680,625
	2,190,941	2,349,319	3,570,682

Financial liabilities

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Financial liabilities at FVTPL:			
Convertible redeemable preferred shares	443,931	621,870	589,179
Financial liabilities included in other payables	–	13,718	27,055
	443,931	635,588	616,234
Financial liabilities at amortized cost:			
Trade payables	383,775	510,691	1,062,452
Amount due to related parties	55,430	36,167	61,071
Financial liabilities included in other payables	240,010	492,847	677,840
Interest-bearing bank borrowings	220,454	139,931	1,136,121
Lease liabilities	158,126	177,950	233,855
	1,057,795	1,357,586	3,171,339

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, other interest-bearing loans, and cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors of the Company review and agree policies for managing each of these risks and they are summarized below.

Foreign currency risk

The Group has transactional currency exposures. Such exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies.

In addition, the Group has currency exposures from its interest-bearing bank borrowings.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the RMB and USD foreign exchange, with all other variables held constant, of the Group's profit before tax.

(a) Foreign currency risk

Group

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
RMB/USD			
Strengthened 5%	27,067	9,416	5,685
Weakened 5%	(27,067)	(9,416)	(5,685)
RMB/HKD			
Strengthened 5%	–	4	66
Weakened 5%	–	(4)	(66)
RMB/EUR			
Strengthened 5%	159	–	–
Weakened 5%	(159)	–	–

Company

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
RMB/USD			
Strengthened 5%	25,717	15,415	(39,466)
Weakened 5%	(25,717)	(15,415)	39,466
RMB/HKD			
Strengthened 5%	–	21	20
Weakened 5%	–	(21)	(20)
RMB/EUR			
Strengthened 5%	159	–	–
Weakened 5%	(159)	–	–

(b) Credit risk

An impairment analysis was performed at 31 December 2020, 2021 and 2022 using a provision matrix to measure expected credit losses. The provision rates are based on aging for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Maximum exposure and year-end staging as at 31 December 2020, 2021 2022.

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on aging information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2020, 2021 and 2022. The amounts presented are gross carrying amounts for financial assets.

Group

At 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	–	–	–	988,040	988,040
Financial assets included in prepayments, deposits and other receivables					
– Normal**	18,229	–	–	–	18,229
– Doubtful**	–	–	–	–	–
Amounts due from related parties	2,051	–	–	–	2,051
Cash and bank balances	1,228,620	–	–	–	1,228,620
	1,248,900	–	–	988,040	2,236,940

At 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	–	–	–	1,285,447	1,285,447
Bill receivables	3,140	–	–	–	3,140
Financial assets included in prepayments, deposits and other receivables					
– Normal**	24,510	–	–	–	24,510
– Doubtful**	–	–	–	–	–
Amounts due from related parties	2,086	–	–	–	2,086
Cash and bank balances	1,109,211	–	–	–	1,109,211
	1,138,947	–	–	1,285,447	2,424,394

At 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables*	–	–	–	2,043,901	2,043,901
Bill receivables	3,253	–	–	–	3,253
Financial assets included in prepayments, deposits and other receivables					
– Normal**	30,860	–	–	–	30,860
– Doubtful**	–	–	–	–	–
Amounts due from related parties	2,350	–	–	–	2,350
Cash and bank balances	1,680,625	–	–	–	1,680,625
	1,717,088	–	–	2,043,901	3,760,989

Company

At 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from related parties	86,202	–	–	–	86,202
Cash and bank balances	535,073	–	–	–	535,073
	621,275	–	–	–	621,275

At 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from related parties	3,933	–	–	–	3,933
Cash and bank balances	144,100	–	–	–	144,100
	148,033	–	–	–	148,033

At 31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Amounts due from related parties	9,928	–	–	–	9,928
Cash and bank balances	125,642	–	–	–	125,642
	135,570	–	–	–	135,570

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 22 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, deposits other receivables and trade bills is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the debtor;
- a breach of contract such as a default or past due event;
- it is probable that the debtor will enter bankruptcy or other financial reorganization;

The Group has established a policy to perform an assessment, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

Management makes periodic collective assessments for financial assets included in prepayments, deposits other receivables and trade bills as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The Group recognized allowance for financial assets other than trade receivables based on 12-month ECLs and adjusts for forward-looking macroeconomic data. For trade receivables to which the Group applies the simplified approach for impairment based on lifetime ECLs.

(c) Liquidity risk

Group

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operations and bank borrowings. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, was as follows:

	As at 31 December 2020				
	on demand	Less than 1 year	1 year to 3 years	Over 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	–	383,775	–	–	383,775
Financial liabilities included in other payables and accruals	240,010	–	–	–	240,010
Interest-bearing bank borrowings	–	120,178	23,149	87,376	230,703
Amounts due to related parties	55,430	–	–	–	55,430
Lease liabilities	–	28,416	72,452	77,178	178,046
Convertible redeemable preferred shares	–	–	559,225	–	559,225
	295,440	532,369	654,826	164,554	1,647,189

	As at 31 December 2021				
	on demand	Less than 1 year	1 year to 3 years	Over 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	–	510,691	–	–	510,691
Financial liabilities included in other payables and accruals	492,847	–	–	–	492,847
Interest-bearing bank borrowings	–	49,141	34,368	62,079	145,588
Lease liabilities	–	31,653	86,053	84,436	202,142
Convertible redeemable preferred shares	–	–	630,654	–	630,654
	492,847	591,485	751,075	146,515	1,981,922

	As at 31 December 2022				
	on demand	Less than 1 year	1 year to 3 years	Over 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables	–	1,062,452	–	–	1,062,452
Financial liabilities included in other payables and accruals	677,840	–	–	–	677,840
Interest-bearing bank borrowings	–	112,792	196,278	991,047	1,300,117
Lease liabilities	–	51,400	111,595	96,985	259,980
Convertible redeemable preferred shares	–	–	514,138	–	514,138
	677,840	1,226,644	822,011	1,088,032	3,814,527

Company

The maturity profile of the Company's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, was as follows:

	As at 31 December 2020				
	on demand	Less than 1 year	1 year to 3 years	Over 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities included in other payables and accruals	19,766	–	–	–	19,766
Amounts due to related parties	88,202	–	–	–	88,202
Convertible redeemable preferred shares	–	–	559,225	–	559,225
	107,968	–	559,225	–	667,193

	As at 31 December 2021				
	on demand	Less than 1 year	1 year to 3 years	Over 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities included in other payables and accruals	51,180	–	–	–	51,180
Convertible redeemable preferred shares	–	–	630,654	–	630,654
	51,180	–	630,654	–	681,834

	As at 31 December 2022				
	on demand	Less than 1 year	1 year to 3 years	Over 3 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial liabilities included in other payables and accruals	80,653	–	–	–	80,653
Convertible redeemable preferred shares	–	–	514,138	–	514,138
	80,653	–	514,138	–	594,791

(d) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The asset-liability ratios as at the end of each of the Relevant Periods are as follows:

Group

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Total assets	2,723,541	3,109,838	4,854,233
Total liabilities	1,684,423	2,256,991	4,241,897
Asset-liability ratio *(Note)*	62%	73%	87%

Company

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Total assets	704,033	428,450	444,301
Total liabilities	554,019	679,674	1,517,206
Asset-liability ratio *(Note)*	79%	159%	341%

Note: Asset-liability ratio is calculated by dividing total liabilities by total assets and multiplying the product by 100%.

40. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	As at 31 December 2020		As at 31 December 2021		As at 31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Financial Assets						
Derivatives – interest rate cap contracts	–	–	–	–	8,104	8,104
Financial Liabilities						
Contingent consideration	–	–	13,718	13,718	27,055	27,055
Convertible redeemable preferred shares	443,931	443,931	621,870	621,870	589,179	589,179
	443,931	443,931	635,588	635,588	616,234	616,234

Management has assessed that the fair values of Cash and bank balances, trade and bills receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to related parties, and interest-bearing bank borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the financial controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At the end of each of the Relevant Periods, the finance department analyzes the movements in the values of financial instruments and determines the major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank borrowings as at 31 December 2020, 2021 and 2022 were assessed to be insignificant.

The fair value of the convertible redeemable preferred shares measured at FVTPL are determined using the Black-Scholes option pricing model. Further details are set out in note 30 to the Historical Financial Information.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial Liabilities				
Convertible redeemable preferred Shares	–	–	443,931	443,931

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial Liabilities				
Contingent consideration	–	–	13,718	13,718
Convertible redeemable preferred Shares	–	–	621,870	621,870
	–	–	635,588	635,588

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial Assets				
Derivatives – interest rate cap contracts	–	8,104	–	8,104
Financial Liabilities				
Contingent consideration	–	–	27,055	27,055
Convertible redeemable preferred Shares	–	–	589,179	589,179
	–	–	616,234	616,234

During the Relevant Periods, there was no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2020, 2021 and 2022.

	Valuation technique	Significant unobservable inputs	Rate	Sensitivity of fair value to the input
Convertible redeemable preferred shares	Black-Scholes option pricing model	Risk-free interest rate	0.17%-4.73%	*Note i*
		DLOM	5%-11%	*Note ii*
		Volatility	31.79%-39.87%	*Note iii*
Derivatives - interest rate cap contracts	DCF model and Black-Scholes option pricing model	Risk-free interest rate	2.49%-4.954%	*Note iv*
		Volatility	93.4%-177.46%	*Note v*
Contingent consideration	DCF model	Discount rate	3.8%	*Note vi*

Notes:

i. 1% increase in risk-free interest rate while with all other variables constant would decrease the fair value of convertible redeemable preferred shares by RMB5,555,000, RMB1,795,100 and RMB418,300 as at 31 December 2020, 2021 and 2022. 1% decrease in risk-free interest rate while with all other variables constant would increase the fair value of convertible redeemable preferred shares by RMB429,000 as at 31 December 2022. The risk-free interest rate was less than 1% as at 31 December 2020 and 2021. As such the fair value makes a tiny change in case of 1% decrease in risk-free interest rate.

ii. 1% increase/decrease in DLOM while holding all other variables constant would decrease/increase the fair value of convertible redeemable preferred shares by RMB2,213,000/RMB2,219,000, RMB4,693,200/RMB4,700,000 and RMB4,446,300/RMB4,451,200 as at 31 December 2020, 2021 and 2022.

iii. 1% increase/decrease in Volatility while holding all other variables constant would increase/decrease the fair value of convertible redeemable preferred shares by RMB830,000/RMB823,000, RMB634,600/RMB635,100 and RMB217,700/RMB217,200 as at 31 December 2020, 2021 and 2022.

iv 1% increase/decrease in risk-free interest rate while holding all other variables constant would increase/decrease the fair value of interest rate cap contracts by RMB275,000/RMB263,000 as at 31 December 2022.

v. 1% increase/decrease in Volatility while holding all other variables constant would increase/decrease the fair value of interest rate cap contracts by RMB146,000/RMB141,000 as at 31 December 2022.

vi. 1% increase/decrease in discount rate while holding all other variables constant would decrease/increase the fair value of contingent consideration by RMB184,000/RMB180,000 as at 31 December 2022.

41. EVENT AFTER THE RELEVANT PERIODS

There were no significant events subsequent to 31 December 2022.

42. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2022.