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Application Proof of

ADICON Holdings Limited
艾迪康控股有限公司

(the "**Company**")

(Incorporated in the Cayman Islands with limited liability)

WARNING

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ADICON Holdings Limited
艾迪康控股有限公司

(incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] (comprising [REDACTED] and [REDACTED] and subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] (subject to [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] (comprising [REDACTED] and [REDACTED] and subject to [REDACTED] and the [REDACTED])**
Maximum [REDACTED]	**:**	**HK$[REDACTED] per [REDACTED], plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015% (payable in full [REDACTED] Hong Kong dollars and subject to refund)**
Nominal value	**:**	**US$0.00002 per Share**
[REDACTED]		

***Joint Sponsors and* [REDACTED]**

Morgan Stanley Jefferies

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The [**REDACTED**] is expected to be fixed by agreement among the [**REDACTED**] (on behalf of the [**REDACTED**]) and us on the [**REDACTED**]. The [**REDACTED**] is expected to be on or around [**REDACTED**] (Hong Kong time) and, in any event, not later than [**REDACTED**] (Hong Kong time). The [**REDACTED**] will be not more than HK$[**REDACTED**] per [**REDACTED**] and is currently expected to be not less than HK$[**REDACTED**] per [**REDACTED**]. If, for any reason, the [**REDACTED**] is not agreed by [**REDACTED**] (Hong Kong time) among the [**REDACTED**] (on behalf of the [**REDACTED**]) and us, the [**REDACTED**] will not proceed and will lapse.

Applicants for [**REDACTED**] are required to pay, on application, the maximum [**REDACTED**] of HK$[**REDACTED**] for each [**REDACTED**] together with brokerage fee of 1%, SFC transaction levy of 0.0027%, Hong Kong Stock Exchange trading fee of 0.00565% and AFRC transaction levy of 0.00015%, subject to refund if the [**REDACTED**] as finally determined is less than HK$[**REDACTED**].

The obligations of the [REDACTED] under the [REDACTED] to [REDACTED] for, and to procure applicants for the [REDACTED] for, the [REDACTED], are subject to termination by the [REDACTED] (on behalf of the [REDACTED]) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Shares commences on the Hong Kong Stock Exchange. Such grounds are set out in the section headed "[REDACTED] – [REDACTED] Arrangements and Expenses – [REDACTED] – Grounds for Termination" in this Document.

The [**REDACTED**] have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States or to, or for the account or benefit of U.S. persons, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The [**REDACTED**] are being offered and sold (1) solely to QIBs as defined in Rule 144A pursuant to an exemption from registration under the U.S. Securities Act; and (2) outside the United States in offshore transactions in reliance on Regulation S.

[REDACTED]

IMPORTANT

[**REDACTED**]

IMPORTANT

[**REDACTED**]

EXPECTED TIMETABLE[1]

[**REDACTED**]

EXPECTED TIMETABLE[(1)]

[**REDACTED**]

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This Document is issued by us solely in connection with the [**REDACTED**] *and does not constitute an* [**REDACTED**] *to sell or a solicitation of an* [**REDACTED**] *to buy any security other than the* [**REDACTED**] *by this Document pursuant to the* [**REDACTED**]. *This Document may not be used for the purpose of, and does not constitute, an* [**REDACTED**] *or a solicitation of an* [**REDACTED**] *to* [**REDACTED**] *for or buy, any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a* [**REDACTED**] *of the* [**REDACTED**] *or the distribution of this Document in any jurisdiction other than Hong Kong. The distribution of this Document and the* [**REDACTED**] *and sale of the* [**REDACTED**] *in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.*

You should rely only on the information contained in this Document to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this Document. Any information or representation not made in this Document must not be relied on by you as having been authorized by us, the Joint Sponsors, the [**REDACTED**], *the* [**REDACTED**], *the* [**REDACTED**], *the* [**REDACTED**], *the* [**REDACTED**], *any of the* [**REDACTED**], *any of our or their respective directors, officers or representatives, or any other person or party involved in the* [**REDACTED**].

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SUMMARY

***This summary aims to give you an overview of the information contained in this Document. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this Document. You should read the entire* [REDACTED] *before you decide to invest in the* [REDACTED].**

***There are risks associated with any investment. Some of the particular risks in investing in the* [REDACTED] *are set out in "Risk Factors" in this Document. You should read that section carefully before you decide to invest in the* [REDACTED].**

OVERVIEW

We are one of the top three independent clinical laboratory, or ICL, service providers in China in terms of total revenues during the Track Record Period, according to Frost & Sullivan. Our business has demonstrated strong growth during the Track Record Period, with our total revenues increasing at a CAGR of 33.1% from RMB2,741.7 million in 2020 to RMB4,860.6 million in 2022. We offer comprehensive and best-in-class testing services primarily to hospitals and health check centers through an integrated network of 32 self-operated laboratories across China. The high quality of our services is backed by our strong performance in terms of international accreditation and comprehensive testing menu. As of December 31, 2022, 18 of our laboratories were accredited by ISO15189, which enabled us to provide customers with the quality assurance that comes with this rigorous international standard. Our testing portfolio consists of over 4,000 medical diagnostic tests, including over 1,700 routine tests and over 2,300 esoteric tests, as of December 31, 2022. During the Track Record Period, our testing volume increased at a CAGR of 65.6% from 60.1 million in 2020 to 164.9 million in 2022. We are committed to continuously serving our patients and the general public with our high-quality testing services as a leading ICL service provider in China, and becoming a trusted and reliable partner for medical professionals and the general public.

We believe that we are well-positioned to benefit from the growing demand for testing services in China. Driven by a series of favorable government policies and industry tailwinds, the ICL market size in China grew rapidly at a CAGR of 10.9% from RMB14.7 billion in 2017 to RMB22.3 billion in 2021, and is expected to further grow at a CAGR of 18.2% to RMB51.3 billion in 2026, according to Frost & Sullivan. In addition, the ICL market in China is still at a nascent stage compared to that of other developed countries. For example, China's ICL penetration rate, measured by the ICL testing market size as a percentage of the total clinical testing market size, in 2021 was approximately 6%, significantly less than 60% for Japan, 44% for Germany and 35% for the United States. China also lags behind in terms of clinical test spending per patient, with this figure one-sixth the size of that of the United States in 2021. As a result, there remains significant room for China's ICL market to further develop and continue to grow.

In response to the continuing growth of healthcare expenditures, healthcare reforms in China have emphasized the implementation of cost-control measures, where ICLs have played an increasingly important role. As budgetary pressure intensifies, hospitals are increasingly incentivized to outsource clinical tests to qualified ICL service providers like us to reduce costs. In addition, as part of overall healthcare reforms, implementation of hierarchical diagnosis and treatment systems have propelled patient flow shifting from Class III hospitals in major cities towards Class II and Class I hospitals and community health centers in lower-tier cities. With increased testing volume and limited testing capabilities, these hospitals are more inclined to use ICLs for assured quality, comprehensive test menus, competitive pricing, and timely reporting. The Chinese government has vigorously encouraged collaboration between hospitals and ICLs and streamlined the approval process for chain ICLs, which has and will continue to accelerate the growth of the ICL market. Furthermore, increasing awareness for preventive treatment and emergence of new pharmaceutical therapies in recent years have spurred the demand for specialized testing. It is costly for hospital-based laboratories to introduce such new tests, as they often lack sufficient patient volume and advanced testing technologies. As a result, demand for cost-competitive and high-value testing services, which ICLs are capable of offering, has been growing significantly.

At the same time, the ICL industry in China is characterized by its significant entry barriers. The complex regulatory framework, high standards for advanced testing technologies and logistics capabilities, as well as the demand for experienced professionals, largely limit the growth of new entrants. In particular, the ICL market in China is heavily regulated and it is difficult and time-consuming for new market players to obtain approval for licenses and certificates to open laboratories. As such, hospitals often prefer incumbent and established ICLs that they are familiar with, and new entrants are often faced with unfavorable terms from hospitals, if they are able to get business from such hospitals at all. In addition, successful ICLs generally have a large network of laboratories, which require large amounts of capital investment and take years or decades to establish. Therefore, large-scale chain ICLs with comprehensive test offerings and strong technical capabilities usually enjoy economies of scale and higher cost efficiency, and are better positioned to further increase their market shares.

As a market leader in providing ICL services in China, we believe that we are well-positioned to benefit from the aforementioned barriers to entry and capture a greater share of the fast-growing market. We believe our success is underpinned by our industry-leading operations and capabilities. We have an experienced senior and regional management team. Our comprehensive test offerings are supported by our advanced technologies focusing on a broad spectrum of testing platforms, as well as strong R&D capabilities. We operate a dedicated cold-chain logistics network covering more than 19,000 customers across 30 provinces and municipalities and over 1,600 cities and counties in China by the end of 2022, which ensures speedy transport of our samples and timely reporting of testing results. In addition, we leverage our proprietary IT infrastructure, Laboratory Information System, to ensure accurate processing and storage of data, as well as effective customer management across our laboratories nationwide. We also assembled a dedicated sales and marketing team of over 1,500 personnel with high level of industry knowledge and expertise to help us broaden our presence nationwide.

In addition, our Controlling Shareholders have provided us with substantial strategic insights and helped us to strengthen management capabilities, operational efficiency, business development capabilities, and corporate governance. Aided by the changes implemented by our Controlling Shareholders since 2018, we experienced rapid growth and strong financial performance during the Track Record Period. Our total revenues grew at a CAGR of 33.1% from RMB2,741.7 million in 2020 to RMB4,860.6 million in 2022. Our net profit increased at a CAGR of 53.8% from RMB289.5 million in 2020 to RMB684.9 million in 2022. Our adjusted EBITDA (non-IFRS measure) grew at a CAGR of 32.6% from RMB567.6 million in 2020 to RMB998.7 million in 2022. Our adjusted net profit (non-IFRS measure) grew at a CAGR of 27.8% from RMB367.0 million in 2020 to RMB599.9 million in 2022. See "Financial Information – Non-IFRS Measures".

OUR STRENGTHS

We believe the following competitive advantages have contributed to our success and will help drive our growth in the future:

- A market leader in the rapidly growing ICL industry;
- Comprehensive, high-quality and advanced test portfolio underpinned by our strong R&D and quality control capabilities;
- Industry-leading ICL operational capabilities;
- Strong growth trajectory fueled by expanding service offerings and superior execution evidenced by robust financial performance; and
- Top-tier and experienced management team solidified by shareholder support.

For further details, see "Business – Our Strengths."

OUR STRATEGIES

To achieve our mission and further solidify our leadership, we intend to pursue the following growth strategies:

- Further strengthen our testing capabilities and portfolio to drive future growth;
- Enhance the breadth and depth of our ICL network by strategically penetrating untapped markets;
- Continue to develop new testing methods and apply innovative technologies;
- Further optimize IT infrastructure as well as automate our laboratory processes and logistics; and
- Selectively pursue strategic investment and alliances, and other emerging growth opportunities.

For further details, see "Business – Our Strategies."

RISK FACTORS

Our business and the [**REDACTED**] involve certain risks as set out in "Risk Factors" in this Document. You should read that section in its entirety carefully before you decide to invest in our Shares. Some of the major risks we face include the following:

- Our operations face competition that could adversely affect our results of operations. If we cannot compete successfully with our competitors, we may be unable to increase or sustain our revenues or achieve and sustain profitability.
- We conduct our business in a heavily regulated industry. We may be adversely affected by the uncertainties and changes in PRC regulations with respect to the ICL industry.
- If we fail to comply with applicable licensing requirements, or become damaged or inoperable, our ability to perform tests may be jeopardized.
- Any adverse change in the regulatory regime relating to ICL industry or the healthcare industry may limit our ability to provide testing services and may have a material adverse effect on our business, results of operations and financial condition.
- Failure in service quality control may adversely affect our operating results, reputation and business.
- Failure to obtain and retain new customers, the loss of existing customers, or a reduction in tests requested or specimens submitted by existing customers could impact our ability to successfully grow our business.
- Our past financial performance may not be indicative of our future results.
- The COVID-19 pandemic had and may continue to have material impacts on our business, results of operations and financial performance.
- Revenues generated from COVID-19 related testing services may not be sustainable.
- If we fail to keep up with industry and technology developments or implement new technologies into our test offerings in a timely and cost-effective manner, we may be unable to compete effectively and our business and prospects could suffer.
- Certain of our leased properties are subject to land defects, and we maybe required to vacate such properties which could adversely affect our business, financial condition and results of operations.

[REDACTED] INVESTORS

We received two rounds of [**REDACTED**] financings from our [**REDACTED**] Investors. In view of the success and prospects of our Group, Pearl Group Limited, a company owned by investment funds which are (by and through their controlled affiliates and their respective general partners) ultimately controlled by Carlyle, one of the world's largest and most diversified global investment firms, approached our Group with a number of other investors and made the Round A [**REDACTED**] Investments between September 2018 and July 2019. As agreed among the investors, the Round A [**REDACTED**] Investments were led by Pearl Group Limited as it initiated the investment in our Group, and made the largest amount of investment among the investors. As our business continued to thrive after the Round A [**REDACTED**] Investments, Pantai Juara Investments Limited, a company wholly owned by Khazanah National Berhad, a sovereign wealth fund of Malaysia tasked with growing the long-term wealth of the nation, LBC Sunshine Healthcare Fund II L.P., an exempted limited partnership managed by Lake Bleu Capital (Hong Kong) Limited, a sophisticated investor specializing in investing in late-stage healthcare companies in Asia and Greater China, together with other investors, made the Round B [**REDACTED**] Investments between December 2020 and January 2021. As agreed among the investors, the Round B [**REDACTED**] Investments were led by Pantai Juara Investments Limited and LBC Sunshine Healthcare Fund II L.P.. For further details, including the identity and background of our [**REDACTED**] Investors, see "History, Reorganization and Corporate Structure – [**REDACTED**] Investments" in this Document.

OUR CONTROLLING SHAREHOLDERS

Pearl Group Limited was entitled to exercise the voting rights to approximately 39.87% of our total issued Shares as of the Latest Practicable Date, and will be entitled to exercise the voting rights to approximately [**REDACTED**]% of our total issued Shares immediately following the completion of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised). Pearl Group Limited is 94.57% owned by Carlyle Asia Partners V, L.P. and 5.43% owned by CAP V Co-Investment, L.P.. The general partner of Carlyle Asia Partners V, L.P. and CAP V Co-Investment, L.P. is CAP V General Partner, L.P.. The general partner of CAP V General Partner, L.P. is CAP V, L.L.C., a subsidiary of Carlyle. Accordingly, Carlyle, CAP V, L.L.C., Carlyle Asia Partners V, L.P., CAP V Co-Investment, L.P., CAP V General Partner, L.P. and Pearl Group Limited will be our Controlling Shareholders upon the [**REDACTED**].

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth a summary of the financial information from our combined financial information for the Track Record Period, extracted from the Accountants' Report set out in Appendix I. The summary of combined financial data set forth below should be read together with, and is qualified in its entirety by reference to, the combined financial statements in this Document, including the related notes. Our combined financial information has been prepared in accordance with IFRS.

Summary of Consolidated Statements of Comprehensive Income

	For the Year Ended December 31,		
	2020	2021	2022
	(RMB in thousands)		
Revenues	**2,741,731**	**3,379,515**	**4,860,613**
Costs 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	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 expenses	(102,009)	(125,446)	(162,746)
Other expenses	(37,712)	(48,530)	(128,440)
[**REDACTED**]	[REDACTED]	[REDACTED]	[REDACTED]
Finance costs	(19,644)	(16,326)	(76,824)
Fair value (loss)/gain on financial liabilities at FVTPL	–	(61,531)	87,044
Profit before tax	**358,185**	**417,243**	**820,812**
Income tax expense	(68,732)	(94,948)	(135,928)
Profit for the year/period	**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
Earnings Per Share Attributable to Ordinary Equity Holders of the Parent (Expressed in RMB per share)			
Basic	0.49138	0.50009	1.04192
Diluted	0.48422	0.50009	0.96407

Non-IFRS Measures

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use non-IFRS measures, namely EBITDA, adjusted EBITDA, and adjusted net profit as additional financial measures, which are not required by or presented in accordance with IFRS. We believe that such non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of certain items. We exclude [**REDACTED**] and fair value loss/(gain) on financial instruments at FVTPL when presenting non-IFRS measures because they are not expected to result in future cash payments. We also exclude share-based compensation expenses when presenting non-IFRS measures. We account for the compensation cost from share-based payment transactions with employees based on the grant date fair value of the equity instrument issued by the Company. The grant date fair value of the award is recognized as compensation expenses, net of forfeitures, over the period during which an employee is required to provide service in exchange for the award, which is generally the vesting period. Share-based payments are non-cash in nature and do not result in cash outflow, and the adjustment has been consistently made during the Track Record Period, which complies with GL103-19. In particular, because of varying valuation methodologies and assumptions and the variety of award types that different companies can use, we believe that excluding share-based payments allows investors to make more meaningful comparisons between our operating results and those of other companies. In addition, fair value loss on convertible redeemable preferred shares at FTVPL will be converted into equity upon [**REDACTED**], and it represents fair value changes of the convertible redeemable preferred shares issued by our Company and relates to changes in the valuation of our Company. The reconciling item is non-cash and does not result in cash outflow.

We believe that such measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as it helps our management. However, our presentation of EBITDA, adjusted EBITDA and adjusted net profit may not be comparable to similarly titled measure presented by other companies. The use of such non-IFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

We define EBITDA as profit before tax plus depreciation and amortization expenses and finance costs, minus bank interest income. We define adjusted EBITDA as EBITDA for the period adjusted by adding back share-based compensation expenses, [**REDACTED**] and fair value loss/(gain) on financial instruments at FVTPL.

	For the Year Ended December 31,		
	2020	2021	2022
	(RMB in thousands)		
Profit for the year/period	289,453	322,295	684,884
Add:			
Income tax expenses	68,732	94,948	135,928
Profit before tax	358,185	417,243	820,812
Add:			
Depreciation	113,118	136,235	188,565
Amortization	662	1,617	4,853
Finance costs	19,644	16,326	76,824
Less:			
Bank interest income	3,765	6,289	8,874
EBITDA	**487,844**	**565,132**	**1,082,180**
Add:			
Share-based compensation expenses	63,598	37,325	15,049
[**REDACTED**]	[REDACTED]	[REDACTED]	[REDACTED]
Fair value loss/(gain) on financial instruments at FVTPL	–	61,531	(108,207)
Adjusted EBITDA	**567,621**	**699,278**	**998,686**

We define adjusted net profit as profit for the period adjusted by adding back net of tax, share-based compensation expenses, [**REDACTED**] and fair value loss/(gain) on financial instruments at FVTPL.

	For the Year Ended December 31,		
	2020	2021	2022
	(RMB in thousands)		
Profit for the year	289,453	322,295	684,884
Add:			
Share-based compensation expenses	63,598	37,325	15,049
[**REDACTED**]	[REDACTED]	[REDACTED]	[REDACTED]
Fair value loss/(gain) on financial instruments at FVTPL	–	61,531	(108,207)
Less:			
Tax shield adjustment	2,195	5,203	1,460
Adjusted net profit	**367,035**	**451,238**	**599,930**

Revenue Breakdown

We primarily generate revenues from providing diagnostic testing services and sales of medical products to our customers. The following table sets forth our revenues from each source during the Track Record Period:

	For the Year Ended December 31,					
	2020		2021		2022	
	RMB	%	RMB	%	RMB	%
	(RMB in thousands, except for percentages)					
Medical diagnostic testing services	2,513,184	91.7	3,144,832	93.1	4,400,748	90.5
Sales of medical products	228,547	8.3	234,683	6.9	459,865	9.5
Total	**2,741,731**	**100.0**	**3,379,515**	**100.0**	**4,860,613**	**100.0**

As a nationwide ICL provider with a comprehensive test catalog and competitive pricing, we are able to offer differentiated value propositions to a broad array of customers we serve. Our customers primarily include private and medical institutions, including hospitals, clinics and health check centers. During the Track Record Period, we secured our customers mainly through one-on-one commercial negotiation by our dedicated in house sales and marketing personnel, and to a lessor extent, through participation in tendering process organized by certain of our customers, pursuant to regulatory requirements or their respective internal policies. The following table sets forth a revenue breakdown by customer types during the Track Record Period:

	For the Year Ended December 31,					
	2020		2021		2022	
	RMB	%	RMB	%	RMB	%
	(RMB in thousands, except for percentages)					
Public medical institutions	**1,230,274**	**44.9**	**1,401,207**	**41.4**	**1,721,959**	**35.5**
Public hospitals	1,109,257	40.5	1,251,383	37.0	1,612,262	33.2
Other public medical institutions	121,017	4.4	149,824	4.4	109,697	2.3
Private medical institutions	**899,424**	**32.8**	**1,199,207**	**35.5**	**1,404,223**	**28.8**
Private hospitals and clinics	602,687	22.0	819,145	24.3	1,003,252	20.6
Health check centers	296,737	10.8	380,062	11.2	400,971	8.2
Others[(1)]	**612,033**	**22.3**	**779,101**	**23.1**	**1,734,431**	**35.7**
Total	**2,741,731**	**100.0**	**3,379,515**	**100.0**	**4,860,613**	**100.0**

Note:

(1) Others include pharmaceutical companies and CROs, as well as employers and individuals.

Summary of Consolidated Statements of Financial Position

	As of December 31,		
	2020	2021	2022
	(RMB in thousands)		
Total non-current assets	388,629	571,734	959,261
Total current assets	2,334,912	2,538,104	3,894,972
Total assets	**2,723,541**	**3,109,838**	**4,854,233**
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**
Total non-current liabilities	675,453	869,217	1,823,465
Total liabilities	**1,684,423**	**2,256,991**	**4,241,897**
Net assets	**1,039,118**	**852,847**	**612,336**
Share capital	77	86	86
Reserves	1,024,262	804,155	510,738
Non-controlling interests	14,779	48,606	101,512
Total equity	**1,039,118**	**852,847**	**612,336**

We recorded net assets of RMB1,039.1 million, RMB852.8 million and RMB612.3 million, as of December 31, 2020, 2021 and 2022, respectively. The decrease of net assets from 2020 to 2021 was primarily due to our declaration of dividends amounting to US$69.9 million on June 23, 2021. See "Financial Information – Dividends". The decrease of net assets from 2021 to 2022 was primarily due to (i) an increase of RMB643.3 million in trade and bills receivables, partially offset by an increase of RMB996.2 million in interest-bearing bank borrowings and dividends of RMB865 million on May 18, 2022.

We recorded net current assets of RMB1,325.9 million, RMB1,150.3 million and RMB1,476.5 million as of December 31, 2020, 2021 and 2022, respectively. The decrease from 2020 to 2021 was primarily due to an increase of RMB323.7 million in other payables and accruals, an increase of RMB126.9 million in trade payables, and a decrease of RMB119.4 million in cash and bank balances. Such decrease was partially offset by an increase of RMB271.5 million in trade and bill receivables. As of December 31, 2022, the net current assets increased to RMB1,476.5 million, primarily due to an increase of RMB643.3 million in trade and bills receivables and an increase of RMB571.4 million in cash and bank balances, which is partially offset by an increase of RMB551.8 million in trade payables, and an increase of RMB296.0 million in other payables and accruals.

We recorded total non-current liabilities of RMB675.5 million, RMB869.2 million and RMB1,823.5 million as of December 31, 2020, 2021 and 2022, respectively, including the fair values of convertible redeemable preferred shares of RMB443.9 million, RMB621.9 million and RMB589.2 million as of December 31, 2020, 2021 and 2022, respectively. All the convertible redeemable preferred shares which were accounted for as liabilities will be converted into our ordinary shares immediately prior to the completion of the [**REDACTED**], and such liabilities would be derecognized and accounted as an increase in equity upon the [**REDACTED**].

Summary of Consolidated Statements of Cash Flow

	For the Year Ended December 31,		
	2020	2021	2022
	(RMB in thousands)		
Operating cash flows before movements in working capital	582,128	707,036	1,111,891
Net cash generated from operating activities	481,989	564,262	892,938
Net cash used in investing activities	(100,913)	(197,329)	(333,301)
Net cash generated from/(used in) financing activities	537,722	(476,193)	3,722
Interest paid and/or tax paid	(55,696)	(112,983)	(138,588)
Net increase/(decrease) in cash and cash equivalents	918,798	(109,260)	563,359
Cash and cash equivalents at the beginning of the year/period	304,523	1,226,819	1,109,211
Effects of foreign exchange rate	3,498	(8,348)	8,055
Cash and cash equivalents at end of the year	**1,226,819**	**1,109,211**	**1,680,625**

In 2022, net cash generated from operating activities was RMB892.9 million. This net cash inflow was attributable to (i) our profit before tax of RMB820.8 million, as adjusted by non-cash items, primarily comprising depreciation of property and equipment of RMB129.4 million, and impairment losses on financial assets under expected credit losses model of RMB111.7 million, and (ii) changes in operating assets and liabilities, which primarily result from (a) an increase of RMB649.7 million in trade and bills receivables in line with our business growth, and (b) an increase of RMB167.0 million in other payables and accruals, partially offset by (c) an increase of RMB511.9 million in trade payables, which is primarily in line with our business growth. We seek to maintain strict control over the outstanding receivables to improve our net operating cash outflows position. To navigate the risks of these receivables, we have been, and will continue to put further focus on its collection efforts and will closely monitor these accounts to ensure proper and timely settlement in line with its historical experience. In particular, we have factored in our overall expected credit losses ("ECLs") through our ECL model which includes the historical loss experience of all customers. We have also included receivables settlement status as part of the criteria when reviewing the performance of our sales personnel, and have set monthly target for the collection of receivables with incentives provided to our employees who has settled more receivables during the month.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates or for the periods indicated:

	For the Year Ended December 31,		
	2020	2021	2022
Profitability ratios			
Gross profit margin[(1)]	40.7%	42.7%	39.0%
Net profit margin[(2)]	10.6%	9.5%	14.1%
Adjusted net profit margin[(3)]	13.4%	13.4%	12.3%
EBITDA margin[(4)]	17.8%	16.7%	22.3%
Adjusted EBITDA margin[(5)]	20.7%	20.7%	20.5%
Return on equity[(6)]	35.4%	34.1%	93.5%
Return on assets[(7)]	13.8%	11.1%	17.2%

	As of December 31,		
	2020	2021	2022
Liquidity ratios			
Current ratio[8]	2.31	1.83	1.61
Quick ratio[9]	2.21	1.75	1.52
Capital adequacy ratios			
Gearing ratio[10]	0.21	0.16	1.86

Notes:

(1) Gross profit for the period divided by revenue for the same period and multiplied by 100.0%.
(2) Profit for the period divided by revenue for the same period and multiplied by 100.0%.
(3) Adjusted net profit margin is a non-IFRS measure. It equals adjusted net profit for the period (non-IFRS measure) divided by revenue for the same period and multiplied by 100.0%. For reconciliation of adjusted net profit to net profit, see "Financial Information – Non-IFRS Measures".
(4) EBITDA margin is a non-IFRS measure. It equals EBITDA for the period divided by revenue for the same period and multiplied by 100.0%. For reconciliation of EBITDA from profit before tax, see "Financial Information – Non-IFRS Measures".
(5) Adjusted EBITDA margin is a non-IFRS measure. It equals adjusted EBITDA for the period (non-IFRS measure) divided by revenue for the same period and multiplied by 100.0%. For reconciliation of adjusted EBITDA from profit before tax, see "Financial Information – Non-IFRS Measures".
(6) Net profit for the period divided by average total equity as of the beginning and the end of such period and multiplied by 100.0%.
(7) Net profit for the period divided by average total assets as of the beginning and the end of such period and multiplied by 100.0%.
(8) Current assets divided by current liabilities as of the end of the period.
(9) Current assets less inventories divided by current liabilities as of the end of the period.
(10) Total borrowings divided by total equity as of the end of the period.

RECENT DEVELOPMENT

Recent Regulatory Development in China

According to Article 6 of the Special Administrative Measures (Negative List) for the Access of Foreign Investment (2021) (外商投資准入特別管理措施(負面清單)(2021年版)) (the "**2021 Negative List**") which took effect on January 1, 2022, where a domestic company engaged in the business in the prohibited areas provided in the 2021 Negative List seeks to issue and list its shares overseas, it shall complete the examination process and obtain approval by the relevant competent authorities; the foreign investors shall not participate in the operation and management of the company; its shareholding percentage shall be subject to the relevant provisions on the administration of domestic securities investment by foreign investors. As confirmed by our PRC Legal Advisor, according to the 2021 Negative List and based on interview with competent government authorities, our PCR testing services within our overall ICL business falls within the prohibited areas provided in the 2021 Negative List. Therefore, our Company has, through Aidiken WFOE, controlled Hangzhou Adicon and its subsidiaries as the subsidiaries of our Company through the Contractual Arrangements. For further details, please see "Contractual Arrangements".

On December 27, 2021, a spokesman from the NDRC held a press conference in relation to the 2021 Negative List. During the conference, it was held that the supervision and administration of the overseas issuance and listing by a domestic enterprise under 2021 Negative List shall be led by CSRC and the CSRC will seek the view of the competent authority in the relevant industry or sector after receipt of the application materials for an "overseas listing" ("境外上市"). On January 18, 2022, another press conference was held by the NDRC to further clarify the position of Article 6, during which the spokesman made it clear that Article 6 shall only be applying to the situations where domestic enterprises were seeking a direct overseas issuance and listing. With reference to the definition under the Overseas Listing Trial Measures, a direct overseas issuance and listing of a domestic company refers to a PRC-incorporated joint stock company issues shares or seeks to be listed overseas, where the listed company is the domestic company itself, such as H shares listing (the "**Direct Overseas Listing**"). Therefore, based on the clarification made by the NDRC, our PRC Legal Advisor is of the view that our proposed [**REDACTED**] does not constitute a Direct Overseas Listing, which is a case applicable under the Article 6 of the 2021 Negative List.

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

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

Based on the foregoing and as advised by our PRC Legal Advisor, if we are not deemed as an Existing Applicant, we will be required to complete the filing procedures with the CSRC in connection with the [**REDACTED**]. See "Risk Factors – Risks Relating to Doing Business in China – Filing with the CSRC may be required in connection with the [**REDACTED**], and, if required, we cannot predict whether we will be able to complete such filing".

COVID-19 Pandemic and Effects on Our Business

In December 2022, Chinese government eased its dynamic zero-COVID policy and lifted most of its COVID-19 related restrictions. Meanwhile, Chinese government also canceled mandatory PCR test requirements and mass testings previously implemented in various regions across the country. This had reduced the need for our COVID-19 related testing services nationwide and is expected to result in significant decline in revenues generated from such services in the future. For details, please see "Risk Factors – Risks Relating to Our Business and Industry – Revenues generated from COVID-19 related testing services may not be sustainable". However, with the lift of COVID-19 restrictions, demand for our base testing services is expected to further boost our non-Covid revenue growth which have been inhibited in recent years as a result of the COVID-19 related disruptions in China.

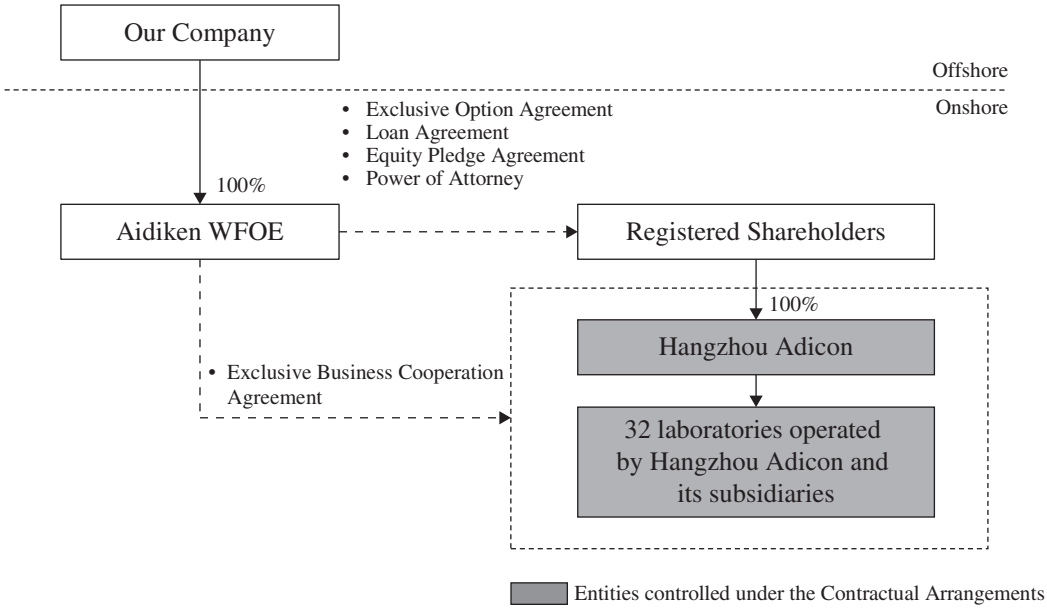
COVID-19 pandemic had also impacted our business and results of operations during the Track Record Period. For a detailed discussion, please see "Business – Impact of COVID-19 On Our Business". The extent to which the pandemic impacts our results of operations going forward will depend on future developments which are uncertain and unpredictable, including the frequency, duration and extent of outbreaks of COVID-19, the appearance of new variants with different characteristics, the unpredictability of future variants or declining population immunity to result in resurgence of cases, the effectiveness of efforts to contain or treat cases, and future actions that may be taken in response to these developments. Our management has been and will continue to closely monitor the impact of COVID-19 on all aspects of our business operation and respond to any challenges and opportunities the pandemic may bring about. For details, please see "Risk Factors – Risks Relating to Our Business and Industry – The COVID-19 pandemic had and may continue to have material impacts on our business, results of operations and financial performance".

No Material Adverse Change

Save as otherwise disclosed in this Document, our Directors confirm that, as of the date of this Document, there has been no material adverse change in our financial or trading position, indebtedness, mortgage, contingent liabilities, guarantees or prospects of our Group since December 31, 2022, the end of the period reported on in the Accountants' Report set out in Appendix I to this Document.

CONTRACTUAL ARRANGEMENTS

Due to regulatory restrictions on foreign ownership in the PRC, we entered into the Contractual Arrangements whereby Aidiken WFOE has acquired effective control over Hangzhou Adicon and its subsidiaries, and become entitled to all the economic benefits derived from our laboratories operated by Hangzhou Adicon and its subsidiaries. The following simplified diagram illustrates the existing structure of the Contractual Arrangements:



For further details, see "Contractual Arrangements".

DIVIDENDS

Under the Articles, our Company in general meeting may declare dividends in any currency to be paid to our shareholders, provided that no dividend shall exceed the amount recommended by our Directors. In addition, our Directors may from time to time pay to our shareholders interim dividends our Directors believe to be justified by the profits generated by our Company. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will also depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends be paid only out of the profit for the year/period calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require a foreign-invested enterprise to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves, which are not available for distribution as cash dividends. Distributions from us and our subsidiaries may also become subject to any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries may enter into in the future.

On June 23, 2021, our Board declared a dividend of US$69.9 million out of our share premium, which will be paid before the [**REDACTED**] from our internal cash resources. On May 18, 2022, we declared a special dividend of RMB865 million, representing 100% of retained earnings as of March 31, 2022 to the shareholders of the Company whose names appear on the register of members of the Company at the time of such dividend declaration. For the avoidance of doubt, the shareholders of the Company to receive the special dividend will not include any [**REDACTED**]. All the dividend declared had been paid by the end of 2022.

The amount of dividend actually distributed to our shareholders will depend upon our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to approval of our shareholders. Our Board has the absolute discretion to recommend any dividend. We currently intend to retain most, if not all, of our available funds and any future earnings after the [**REDACTED**] to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future.

[**REDACTED**] STATISTICS

All statistics in the following table are based on the assumptions that: (i) the [**REDACTED**] has been completed and [**REDACTED**] are issued pursuant to the [**REDACTED**], (ii) the [**REDACTED**] is not exercised, and (iii) [**REDACTED**] Shares are issued and outstanding following the completion of the [**REDACTED**].

	Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]	Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]
Market capitalization immediately after the [**REDACTED**][(1)]	HK$[REDACTED]	HK$[REDACTED]
Unaudited pro forma adjusted net tangible assets per Share[(2)(3)]	HK$[REDACTED]	HK$[REDACTED]

Notes:

(1) The calculation of market capitalization is based on [**REDACTED**] Shares expected to be in issue immediately upon completion of the [**REDACTED**], without taking into account any Shares which may be issued upon exercise of the [**REDACTED**]

(2) The Preferred Shares would have been converted into ordinary shares upon completion of [**REDACTED**]. The conversion of Preferred Shares would have been reclassified such preferred shares amounting to RMB589,179,000 from liabilities to equity and accordingly increased the unaudited pro forma adjusted consolidated net tangible assets of the Group as of December 31, 2022 by RMB589,179,000.

(3) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share is arrived at after adjustments referred in note 2 above and on the basis of [**REDACTED**] Shares are in issue, assuming that the Share Consolidation and the [**REDACTED**] has been completed on December 31, 2022 but does not take into account any Shares which may be sold pursuant to the exercise of the [**REDACTED**].

[**REDACTED**]

[**REDACTED**] are estimated to be approximately [**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of the indicative [**REDACTED**] range stated in this document, assuming that the [**REDACTED**] is not exercised), accounting for approximately of [**REDACTED**]% of our [**REDACTED**]. [**REDACTED**] primarily consist of (i) [**REDACTED**] of [**REDACTED**], and (ii) [**REDACTED**] of non-[**REDACTED**] related expenses, including (x) [**REDACTED**] of fees and expenses of legal advisors and accountants, and (y) [**REDACTED**] of other fees and expenses. An estimated amount of [**REDACTED**] for our [**REDACTED**], accounting for approximately [**REDACTED**]% of our [**REDACTED**], is expected to be expensed through the statement of profit or loss and the remaining amount of [**REDACTED**] is expected to be recognized directly as a deduction from equity upon the [**REDACTED**]. [**REDACTED**] of [**REDACTED**] were incurred on or before December 31, 2022,

of which [**REDACTED**] was charged to our consolidated income statements, while the remaining amount of [**REDACTED**] was recorded as a prepayment and will be subsequently charged to equity upon completion of the [**REDACTED**]. We estimate we will further incur [**REDACTED**] and other [**REDACTED**] of [**REDACTED**] after December 31, 2022, of which [**REDACTED**] will be charged to our consolidated income statements, and [**REDACTED**] is expected to be accounted for as a deduction from equity upon the completion of [**REDACTED**].

The [**REDACTED**] is responsible for the [**REDACTED**] of [**REDACTED**]%, and a discretionary [**REDACTED**] of up to [**REDACTED**]%, of the aggregate [**REDACTED**] of the [**REDACTED**], translating to an aggregate amount of approximately [**REDACTED**] (based on the mid-point of the indicative price range for the [**REDACTED**]). Such [**REDACTED**] and [**REDACTED**] are not included in the [**REDACTED**] of the Group.

[**REDACTED**]

The table below sets forth the estimated [**REDACTED**] of the [**REDACTED**] which we will receive after deduction of [**REDACTED**] and [**REDACTED**] and [**REDACTED**] payable by us in connection with the [**REDACTED**] (assuming the [**REDACTED**] is not exercised):

Assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the [**REDACTED**] range stated in this Document)	HK$[**REDACTED**]
Assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the high end of the [**REDACTED**] range stated in this Document)	HK$[**REDACTED**]
Assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the low end of the [**REDACTED**] range stated in this Document)	HK$[**REDACTED**]

We intend to use the [**REDACTED**] as follows (based on the mid-point of the [**REDACTED**] range stated in this Document):

- approximately HK$[**REDACTED**] (representing [**REDACTED**]% of the [**REDACTED**]) for strengthening our routine and esoteric testing capabilities, including research and development and sales and marketing capabilities;
- approximately HK$[**REDACTED**] (representing [**REDACTED**]% of the [**REDACTED**]) for network expansion through establishing new laboratories, partnership investments and development of new channels;
- approximately HK$[**REDACTED**] (representing [**REDACTED**]% of the [**REDACTED**]) for business development activities bringing in both new technologies as well as strategic and bolt-on acquisitions;
- approximately HK$[**REDACTED**] (representing [**REDACTED**]% of the [**REDACTED**]) for upgrade and expansion of our existing laboratories;
- approximately HK$[**REDACTED**] (representing [**REDACTED**]% of the [**REDACTED**]) for investment in operating infrastructure including logistics facilities, artificial intelligence technologies and IT infrastructure; and
- approximately HK$[**REDACTED**] (representing [**REDACTED**]% of the [**REDACTED**]) for working capital and general corporate purpose.

[We will not receive any of the [**REDACTED**] from the sale of the [**REDACTED**] by the [**REDACTED**] in the [**REDACTED**].] For further details, see "Future Plans and [**REDACTED**]".

In this Document, unless the context otherwise requires, the following terms shall have the following meanings. Certain technical terms are explained in the section headed "Glossary of Technical Terms".

"Accountant's Report"	the accountant's report of our Company, the text of which is set out in Appendix I to this document
"Adicon HK"	Adicon International Limited (艾迪康國際有限公司), a limited company incorporated in Hong Kong on March 7, 2008, a direct wholly-owned subsidiary of our Group
"affiliate(s)"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"AFRC"	the Accounting and Financial Reporting Council of Hong Kong
"Aidiken WFOE"	Aidiken (Hangzhou) BioTech Co., Ltd. (艾迪肯(杭州)生物科技有限公司), a limited liability company established in the PRC on July 18, 2008, an indirect wholly-owned subsidiary of our Group
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Beijing Adicon"	Adicon (Beijing) Clinical Laboratories Co., Ltd. (北京艾迪康醫學檢驗實驗室有限公司), a limited liability company established in the PRC on December 7, 2007, one of the PRC Operating Entities controlled by our Group through the Contractual Arrangements
"Board"	the board of Directors
"business day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
	[**REDACTED**]
"Carlyle"	The Carlyle Group Inc., a company listed on Nasdaq Global Select Market (ticker symbol: CG) and one of our Controlling Shareholders
	[**REDACTED**]

[**REDACTED**]

"Changsha Adicon"	Adicon (Changsha) Clinical Laboratories Co., Ltd. (長沙艾迪康醫學檢驗實驗室有限公司), a limited liability company established in the PRC on April 19, 2010, one of the PRC Operating Entities controlled by our Group through the Contractual Arrangements
"Chengdu Adicon"	Adicon (Chengdu) Clinical Laboratories Co., Ltd. (成都艾迪康醫學檢測實驗室有限公司), a limited liability company established in the PRC on June 11, 2010, one of the PRC Operating Entities controlled by our Group through the Contractual Arrangements
"China" or "the PRC"	the People's Republic of China, and for the purposes of this Document only, except where the context requires otherwise, references to China or the PRC exclude Taiwan and the special administrative regions of Hong Kong and Macau
"Chongqing Adicon"	Adicon (Chongqing) Clinical Laboratories Co., Ltd. (重慶艾迪康醫學檢驗實驗室有限公司), a limited liability company established in the PRC on September 21, 2016, one of the PRC Operating Entities controlled by our Group through the Contractual Arrangements
"close associate(s)"	has the meaning ascribed to it under the Listing Rules

"Companies Act" or "Cayman Companies Act"	the Companies Act, Cap. 22 (Act 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company", or "the Company"	ADICON Holdings Limited (艾迪康控股有限公司), an exempted limited liability company incorporated in the Cayman Islands on March 20, 2008
"Compliance Advisor"	Somerley Capital Limited
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"Contractual Arrangements"	the series of contractual arrangements entered into by Aidiken WFOE, Hangzhou Adicon and the Registered Shareholders, details of which are described in the section headed "Contractual Arrangements" in this Document
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules and in this context, refer to Carlyle, CAP V, L.L.C., Carlyle Asia Partners V, L.P., CAP V Co-Investment, L.P., CAP V General Partner, L.P. and Pearl Group Limited
"Corelink"	Corelink Group Limited, a limited liability company incorporated in the BVI on January 2, 2008, a company wholly-owned by Mr. LIN Jixun, one of our Founders and a non-executive Director
"Director(s)"	the director(s) of our Company
"EIT Law"	PRC Enterprise Income Tax Law (中華人民共和國企業所得税法) which was adopted by the National People's Congress on March 16, 2007 and became effective on January 1, 2008, as amended, supplemented or otherwise modified from time to time
"Employee Incentive Plans"	the Senior Executive Incentive Plan and the Senior Management Incentive Plan, details of which as set out in the section headed "D. Employee Incentive Plans" in Appendix IV to this Document
"Exchange Act"	the U.S. Securities and Exchange Act of 1934, as amended

"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
"FIE"	foreign invested entity
"FIL"	the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》) adopted by the National People's Congress on March 15, 2019 and became effective on January 1, 2020
"Founder(s)"	Mr. LIN Jixun and Mr. LIN Feng
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.
"Frost & Sullivan Report"	the report prepared by Frost & Sullivan
"Fuzhou Adicon"	Adicon (Fuzhou) Clinical Laboratories Co., Ltd. (福州艾迪康醫學檢驗實驗室有限公司), a limited liability company established in the PRC on February 6, 2009, one of the PRC Operating Entities controlled by our Group through the Contractual Arrangements
"GDP"	gross domestic product (all references to GDP growth rates are to real as opposed to nominal growth rates of GDP)
	[**REDACTED**]
"Governmental Authority"	any governmental, regulatory, or administrative commission, board, body, authority, or agency, or any stock exchange, self-regulatory organization, or other non-governmental regulatory authority, or any court, judicial body, tribunal, or arbitrator, in each case whether national, central, federal, provincial, state, regional, municipal, local, domestic, foreign, or supranational
	[**REDACTED**]
"Group", "our Group", "we", "us", or "our"	the Company, its subsidiaries and the PRC Operating Entities from time to time, and where the context requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time
"Guangzhou Adicon"	Adicon (Guangzhou) Clinical Laboratories Co., Ltd. (廣州艾迪康醫學檢驗所有限公司), a limited liability company established in the PRC on August 21, 2013, one of the PRC Operating Entities controlled by our Group through the Contractual Arrangements

"Guizhou Adicon"	Adicon (Guizhou) Clinical Laboratories Co., Ltd. (貴州艾迪康醫學檢驗中心有限公司), a limited liability company established in the PRC on July 16, 2021, one of the PRC Operating Entities controlled by our Group through the Contractual Arrangements
"Hangzhou Adicon"	Adicon (Hangzhou) Clinical Laboratories Co., Ltd. (杭州艾迪康醫學檢驗中心有限公司), a limited liability company established in the PRC on January 16, 2004, one of the PRC Operating Entities controlled by our Group through the Contractual Arrangements
"Hangzhou Aiyijian"	Hangzhou Aiyijian Technology Co., Ltd (杭州艾易檢科技有限公司), a limited liability company established in the PRC on April 8, 2020, an indirect wholly-owned subsidiary of our Group
"Hangzhou Huitu"	Hangzhou Huitu Biotech Co., Ltd. (杭州輝圖生物科技有限公司), a limited liability company established in the PRC on December 2, 2010, an indirect wholly-owned subsidiary of our Company
"Hangzhou Kangming"	Hangzhou Kangming Shengjin Technology Partnership (Limited Partnership) (杭州康銘盛錦科技合夥企業(有限合夥)), a limited partnership established in the PRC on August 12, 2020, which is a registered shareholder of Hangzhou Adicon and with its limited partners of certain employees of our Group
"Hefei Adicon"	Adicon (Hefei) Clinical Laboratories Co., Ltd. (合肥艾迪康醫學檢驗實驗室有限公司), a limited liability company established in the PRC on June 5, 2006, one of the PRC Operating Entities controlled by our Group through the Contractual Arrangements
"Heilongjiang Adicon"	Adicon (Heilongjiang) Clinical Laboratories Co., Ltd. (黑龍江艾迪康醫學檢驗實驗室有限公司), a limited liability company established in the PRC on January 13, 2020, one of the PRC Operating Entities controlled by our Group through the Contractual Arrangements
"Henan Adicon"	Adicon (Henan) Clinical Laboratories Co., Ltd. (河南艾迪康醫學檢驗實驗室有限公司), a limited liability company established in the PRC on October 16, 2019, one of the PRC Operating Entities controlled by our Group through the Contractual Arrangements
"HK" or "Hong Kong"	the Hong Kong Special Administrative Region of the PRC

[**REDACTED**]

[**REDACTED**]

"HKFRSs"	Hong Kong Financial Reporting Standards, as issued by the Hong Kong Institute of Certified Public Accountants

[**REDACTED**]

"Hong Kong dollars" or "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong

[**REDACTED**]

"Hong Kong Takeovers Code" or "Takeovers Code"	The Code on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time

[**REDACTED**]

"Huge King"	Huge King Limited (鉅尊有限公司), a limited company incorporated in Hong Kong on September 5, 2018, one of our [**REDACTED**] Investors
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board

"Independent Third Party(ies)"	any entity or person who is not a connected person of our Company or an associate of such person within the meaning ascribed to it under the Listing Rules
	[**REDACTED**]
"Jiangxi Jince"	Jiangxi Jince Biotechnology Co., Ltd. (江西錦測生物科技有限公司), a limited liability company established in the PRC on August 6, 2020, an indirect non-wholly owned subsidiary of our Group
"Jilin Adicon"	Adicon (Jilin) Clinical Laboratories Co., Ltd. (吉林艾迪康醫學檢驗實驗室有限公司), a limited liability company established in the PRC on April 23, 2009, one of the PRC Operating Entities controlled by our Group through the Contractual Arrangements
"Jinan Adicon"	Adicon (Jinan) Clinical Laboratories Co., Ltd. (濟南艾迪康醫學檢驗中心有限公司), a limited liability company established in the PRC on October 19, 2006, one of the PRC Operating Entities controlled by our Group through the Contractual Arrangements
	[**REDACTED**]
"Joint Sponsors"	the Joint Sponsors as named in the section headed "Directors and Parties involved in the [**REDACTED**]" in this Document

"Latest Practicable Date"	February 24, 2023, being the latest practicable date for ascertaining certain information in this Document before its publication
"Laws"	all laws, statutes, legislation, ordinances, rules, regulations, guidelines, opinions, notices, circulars, directives, requests, orders, judgments, decrees, or rulings of any Governmental Authority (including the Stock Exchange and the SFC) of all relevant jurisdictions
"Linyi Adicon"	Adicon (Linyi) Clinical Laboratories Co., Ltd. (臨沂艾迪康醫學檢驗實驗室有限公司), a limited liability company established in the PRC on November 10, 2021, one of the PRC Operating Entities controlled by our Group through the Contractual Arrangements

[**REDACTED**]

"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Liye HK"	Liye Asset Management Co., Limited, a company incorporated in Hong Kong on November 13, 2020, one of our Shareholder controlled by Mr. GU Yue, an Independent Third Party
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"Manson Grand"	Manson Grand International Limited (萬盛宏業有限公司), a limited company incorporated in Hong Kong on December 21, 2010, a direct wholly-owned subsidiary of our Group
"Mega Stream"	Mega Stream Limited, a limited liability company incorporated in the BVI on January 2, 2008 and is wholly-owned by Mr. LIN Feng, one of our Founders
"Memorandum", "Articles" or "Memorandum and Articles"	the memorandum and articles of association of our Company conditionally approved and adopted on [●] with effect from the [**REDACTED**], as amended, supplemented or otherwise modified from time to time, a summary of which is set out in the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law and Taxation" in Appendix III to this Document

"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Nanchang Adicon"	Adicon (Nanchang) Clinical Laboratories Co., Ltd. (南昌艾迪康醫學檢驗實驗室有限公司), a limited liability company established in the PRC on September 10, 2008, one of the PRC Operating Entities controlled by our Group through the Contractual Arrangements
"Nanjing Adicon"	Adicon (Nanjing) Clinical Laboratories Co., Ltd. (南京艾迪康醫學檢驗所有限公司), a limited liability company established in the PRC on December 4, 2009, one of the PRC Operating Entities controlled by our Group through the Contractual Arrangements
"Nanning Adicon"	Adicon (Nanning) Clinical Laboratories Co., Ltd. (南寧艾迪康醫學檢驗實驗室有限公司), a limited liability company established in the PRC on November 23, 2017, one of the PRC Operating Entities controlled by our Group through the Contractual Arrangements
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"NHC"	the National Health Commission of the PRC (中華人民共和國國家衛生健康委員會) (formally known as National Health Family Planning Commission)

[**REDACTED**]

[**REDACTED**]

"PRC Legal Advisor"	Han Yi Law Offices
"PRC Operating Entities"	the entities controlled by our Group through the Contractual Arrangements, namely Hangzhou Adicon and its subsidiaries
"[REDACTED] Investment(s)"	Round A [**REDACTED**] Investments and Round B [**REDACTED**] Investments
"[REDACTED] Investor(s)"	the [**REDACTED**] investors as set out in the section headed "History, Reorganization and Corporate Structure – [**REDACTED**] Investments" in this Document
"Preferred Share(s)"	the preferred share(s) of our Company with a par value of US$0.00002 each
"Preferred Shareholder(s)	the holder(s) of the Preferred Shareholders, the details of which are set out in the section headed "History, Reorganization and Corporate Structure" in this Document

[**REDACTED**]

"QIB"	a qualified institutional buyer within the meaning of Rule 144A
"Qingdao Adicon"	Adicon (Qingdao) Clinical Laboratories Co., Ltd. (青島艾迪康醫學檢驗實驗室有限公司), a limited liability company established in the PRC on May 13, 2019, one of the PRC Operating Entities controlled by our Group through the Contractual Arrangements

"Quzhou Adicon"	Adicon (Quzhou) Clinical Laboratories Co., Ltd. (衢州艾迪康醫學檢驗實驗室有限公司), a limited liability company established in the PRC on January 6, 2020, one of the PRC Operating Entities controlled by our Group through the Contractual Arrangements
"Registered Shareholders"	Ms. LAN Jia, Ms. LIAN Hailun and Hangzhou Kangming
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganization"	the corporate restructuring of the Group in preparation for the [**REDACTED**], as described in the section headed "History, Reorganization and Corporate Structure – Reorganization" in this Document
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Round A [REDACTED] Investments"	our Round A [**REDACTED**] Investments, details of which are set out in the section headed "History, Reorganization and Corporate Structure – [**REDACTED**] Investments" in this Document
"Round B [REDACTED] Investments"	our Round B [**REDACTED**] Investments, details of which are set out in the section headed "History, Reorganization and Corporate Structure – [**REDACTED**] Investments" in this Document
"RSU(s)"	the restricted share units under the Employee Incentive Plans
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAMR"	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局), formerly known as the SAIC
"Sanming Adicon"	Adicon (Sanming) Clinical Laboratories Co., Ltd. (三明艾迪康醫學檢驗所有限公司), a limited liability company established in the PRC on May 30, 2016, one of the PRC Operating Entities controlled by our Group through the Contractual Arrangements
	[REDACTED]
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO" or "Securities and Futures Ordinance"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Shanghai Adicon"	Shanghai Jince Clinical Laboratories Co., Ltd. (上海錦測醫學檢驗所有限公司), previously known as Shanghai Adicon Medical Laboratory Co., Ltd., a limited liability company established in the PRC on August 2, 2006, one of the PRC Operating Entities controlled by our Group through the Contractual Arrangements
"Shanghai Lv'angjie"	Shanghai Lv'angjie Biotech Co., Ltd. (上海律昂傑生物科技有限公司), a limited liability company established in the PRC on October 15, 2015, an indirect wholly-owned subsidiary of our Group
"Shanghai Mei Ai"	Shanghai Mei Ai Investment Management Co., Ltd, a limited liability company established in the PRC on December 30, 2015, a then Shareholder who ceased to be our Shareholder on December 24, 2019. Shanghai Mei Ai was a wholly-owned subsidiary of Meinian Onehealth Healthcare Holdings Co., Ltd. (美年大健康產業控股股份有限公司) (SZSE: 002044)
"Shangrao Adicon"	Adicon (Shangrao) Clinical Laboratories Co., Ltd. (上饒艾迪康醫學檢驗實驗室有限公司), a limited liability company established in the PRC on December 7, 2020, one of the PRC Operating Entities controlled by our Group through the Contractual Arrangements
"Share(s)"	ordinary share(s) in the share capital our Company with a par value of US$0.00002 each
"Shareholder(s)"	holder(s) of our Share(s)
"Shenyang Adicon"	Adicon (Shenyang) Clinical Laboratories Co., Ltd. (瀋陽艾迪康醫學檢驗所有限公司), a limited liability company established in the PRC on March 16, 2011, one of the PRC Operating Entities controlled by our Group through the Contractual Arrangements
"Shenzhen Adicon"	Adicon (Shenzhen) Clinical Laboratories Co., Ltd. (深圳艾迪康醫學檢驗實驗室), a limited liability company established in the PRC on May 13, 2019, one of the PRC Operating Entities controlled by our Group through the Contractual Arrangements
"Shijiazhuang Adicon"	Adicon (Shijiazhuang) Clinical Laboratories Co., Ltd. (石家莊艾迪康醫學檢驗實驗室), a limited liability company established in the PRC on June 21, 2022, one of the PRC Operating Entities controlled by our Group through the Contractual Arrangements

[**REDACTED**]

"STA"	the State Taxation Administration of the PRC (中華人民共和國國家税務總局)
	[**REDACTED**]
"State Council"	the State Council of the PRC (中華人民共和國國務院)
	[**REDACTED**]
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed to it in section 15 of the Companies Ordinance. Unless the context requires otherwise, reference to our subsidiaries shall also include the PRC Operating Entities
"substantial shareholder(s)"	has the meaning ascribed to it in the Listing Rules
"Suzhou Adicon"	Adicon (Suzhou) Clinical Laboratories Co., Ltd. (蘇州艾迪康醫學檢驗實驗室有限公司), a limited liability company established in the PRC on August 3, 2021, one of the PRC Operating Entities controlled by our Group through the Contractual Arrangements
"Tianjin Adicon"	Adicon (Tianjin) Clinical Laboratories Co., Ltd. (天津艾迪康醫學檢驗實驗室有限公司), a limited liability company established in the PRC on June 3, 2014, one of the PRC Operating Entities controlled by our Group through the Contractual Arrangements
"Track Record Period"	the three years ended December 31, 2020, 2021 and 2022
	[**REDACTED**]
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Exchange Act"	the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder

"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"US dollars", "U.S. dollars", "US$" or "USD"	United States dollars, the lawful currency of the United States
"VAT"	value-added tax
"Wenzhou Adicon"	Adicon (Wenzhou) Clinical Laboratories Co., Ltd. (溫州艾迪康醫學檢驗實驗室有限公司), a limited liability company established in the PRC on November 29, 2021, one of the PRC Operating Entities controlled by our Group through the Contractual Arrangements
"Wuhan Adicon"	Adicon (Wuhan) Clinical Laboratories Co., Ltd. (武漢艾迪康醫學檢驗所有限公司), a limited liability company established in the PRC on November 24, 2009, one of the PRC Operating Entities controlled by our Group through the Contractual Arrangements
"Xiamen Adicon"	Xiamen Guomao Adicon Clinical Laboratories Co., Inc. (廈門國貿艾迪康醫學檢驗實驗室有限公司), a limited liability company established in the PRC on September 25, 2020, one of the PRC Operating Entities controlled by our Group through the Contractual Arrangements
"Xi'an Adicon"	Adicon (Xi'an) Clinical Laboratories Co., Ltd. (西安艾迪康醫學檢驗實驗室有限公司), a limited liability company established in the PRC on May 23, 2016, one of the PRC Operating Entities controlled by our Group through the Contractual Arrangements
"Xinyang Adicon"	Adicon (Xinyang) Clinical Laboratories Co., Ltd. (信陽艾迪康醫學檢驗實驗室有限公司), a limited liability company established in the PRC on May 13, 2022, one of the PRC Operating Entities controlled by our Group through the Contractual Arrangements
"Yunnan Adicon"	Adicon (Yunnan) Clinical Laboratories Co., Ltd. (雲南艾迪康醫學檢驗所有限公司), a limited liability company established in the PRC on February 2, 2015, one of the PRC Operating Entities controlled by our Group through the Contractual Arrangements
"Zhengzhou Adicon"	Adicon (Zhengzhou) Clinical Laboratories (General Partnership) (鄭州艾迪康醫學檢驗所(普通合夥)), a general partnership established in the PRC on August 8, 2012, one of the PRC Operating Entities controlled by our Group through the Contractual Arrangements
"%"	per cent

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in the Document in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language are provided for identification purposes only.

GLOSSARY OF TECHNICAL TERMS

In this Document, unless the context otherwise requires, explanations and definitions of certain terms used in this Document in connection with our Group and our business shall have the meanings set out below. The terms and their meanings may not correspond to standard industry meaning or usage of these terms.

"app"	application, software designed to run on smartphones and other mobile devices
"biopsy"	a procedure to remove a piece of tissue or a sample of cells from the body so that it can be analyzed in a laboratory
"CAGR"	compound annual growth rate
"CAR-T"	chimeric antigen receptor T cells, T cells that have been genetically engineered to produce an artificial T-cell receptor for use in immunotherapy
"chemiluminescence"	a phenomenon in which a chemical reaction leads to the emission of light without incandescence
"circulating tumor DNA"	tumor-derived fragmented DNA in the bloodstream that is not associated with cells
"Class I hospitals"	typically township hospitals that contain less than 100 beds, and are tasked with providing preventive care, minimal health care and rehabilitation services
"Class II hospitals"	tend to be hospitals affiliated with medium size city, county or district and contain more than 100 beds, but less than 500 beds, and are responsible for providing comprehensive health services, as well as medical education and conducting research on a regional basis
"Class III hospitals"	comprehensive, referral, general hospitals at the city, provincial or national level with a bed capacity exceeding 500, and are responsible for providing specialist health services, which perform a bigger role with regard to medical education and scientific research care to multiple regions
"clinical chemistry"	refers to the biochemical analysis of bodily fluids
"clinical immunological testing"	Diagnostic tests employing an antigen to detect the presence of antibodies to a pathogen, or an antibody to detect the presence of an antigen
"COVID-19"	coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2
"CRO"	contract research organization, a company focused on providing research and development services to companies in the pharmaceutical and agrochemical markets

GLOSSARY OF TECHNICAL TERMS

"cytopathology"	a branch of pathology that studies and diagnoses diseases on the cellular level and is an important means of detecting oncogenesis for early prevention and treatment
"differential diagnosis"	a process wherein a doctor differentiates between two or more conditions that could be behind a person's symptoms
"dPCR"	digital polymerase chain reaction, a novel method for the absolute quantification of target nucleic acids
"DTC"	direct-to-consumer, a sales approach by which companies sell directly into the marketplace without going through a traditional distribution network
"ELISA"	a biochemical test commonly used to detect antibodies and other proteins in the blood
"FISH"	fluorescence in situ hybridization, a laboratory technique for detecting and locating a specific DNA sequence on a chromosome
"flow cytometry"	a technique used to detect and measure physical and chemical characteristics of a population of cells
"genomic"	the complete set of genes in a cell or living thing
"hematology"	the branch of medicine concerned with the study of the cause, prognosis, treatment, and prevention of diseases related to blood
"hepatitis"	an inflammatory condition of livers
"histopathological"	the microscopic examination of tissue in order to study the manifestations of disease
"HPV"	human papillomavirus, a DNA virus from the Papillomaviridae family
"ICL"	independent clinical laboratory, a laboratory certified to perform diagnostic and/or clinical tests independent of an institution or a physician's office
"immunofluorescence"	a technique used for light microscopy with a fluorescence microscope and is used primarily on microbiological samples
"immunohistochemistry"	the most common application of immunostaining, involving the process of selectively identifying antigens (proteins) in cells of a tissue section by exploiting the principle of antibodies binding specifically to antigens in biological tissues

GLOSSARY OF TECHNICAL TERMS

"immunology"	the branch of biomedical sciences concerned with all aspects of the immune system in all multicellular organisms
"infectious diseases"	a medical specialty dealing with the diagnosis and treatment of infections
"infertility"	a disease of the reproductive system defined by the failure to achieve a clinical pregnancy after 12 months or more of regular unprotected sexual intercourse
"ISO15189"	an international standard developed by the International Organisation for Standardization's Technical Committee 212 (ISO/TC 212) that specifies the quality management system requirements particular to medical laboratories
"IVD"	in vitro diagnostics, tests done on samples such as blood or tissue that have been taken from the human body
"karyotype analysis"	a test that evaluates the number and structure of a person's chromosomes in order to detect chromosomal abnormalities
"KOL"	key opinion leader, an expert whose opinion is valued in a specific industry or area of knowledge
"LDT"	laboratory developed test, a type of in vitro diagnostic test that is designed, manufactured and used within a single laboratory
"Levey-Jennings"	or z-score, a graphical representation of control data, arranged in chronological order, that shows a mean or target value and one or more sets of acceptable limits
"liquid-based cytology tests"	a method of preparing cervical cells for examination in a laboratory following a Pap smear
"liquid chromatography"	a technique used to separate a sample into its individual parts. This separation occurs based on the differential affinity of the sample passing through mobile and stationary substrates
"lymphoma"	a cancer of the lymphatic system
"mass spectrometry"	an analytical technique that is used to measure the mass-to-charge ratio of a chemical or biological substance
"MIC"	minimum inhibitory concentration, the minimum concentration of an antibiotic required to inhibit bacterial growth in a clinical isolate as a surrogate indicator of the agent's efficacy
"metagenomic"	a sequencing approach in which all of the nucleic acid (DNA and RNA) in a clinical sample is sequenced

GLOSSARY OF TECHNICAL TERMS

"microbial culture"	a method of growing microbial organisms by letting them reproduce in predetermined culture medium under controlled laboratory conditions
"molecular biology"	is the branch of biology that concerns the molecular basis of biological activity in and between cells, including molecular synthesis, modification, mechanisms and interactions
"neonatal"	of or relating to newborn children, especially in the first week of life and up to four weeks old
"NGS"	next-generation sequencing, a technology for determining the sequence of DNA or RNA to study genetic variation associated with diseases or other biological phenomena
"NIPT"	noninvasive prenatal testing, a method of determining the risk that the fetus will be born with certain genetic abnormalities
"OB-GYN"	obstetrics and gynecology, the branch of health science dealing with pregnancy, labor, and the puerperium, and diseases of the female reproductive organs
"pathology"	the science of the causes and effects of diseases, especially the branch of medicine that deals with the laboratory examination of samples of body tissue for diagnostic or forensic purposes
"PCR"	polymerase chain reaction, a technique used to amplify small segments of DNA
"POCT"	point-of-care testing, the analysis of patient specimens near or at the site of patient care, usually performed by clinical staff without laboratory training, also encompassing patient self-monitoring
"R&D"	research and development
"solid tumor"	an abnormal mass of tissue that usually does not contain cysts or liquid areas. Solid tumors may be benign or malignant
"trace element"	a chemical element whose concentration is very low
"tumor recurrence monitoring"	a methodology to early detect and monitor cancer recurrence
"testing volume"	measured by the number of samples tested during a given period

FORWARD-LOOKING STATEMENTS

Certain statements in this Document are forward looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as "will", "expect", "aim", "potential", "continue", "anticipate", "estimate", "believe", "going forward", "ought to", "may", "seek", "should", "intend", "plan", "projection", "could", "vision", "goals", "objective", "target", "schedules", "outlook" or other similar expressions) are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including but not limited to the risk factors detailed in this Document), uncertainties and other factors some of which are beyond our Company's control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our operations and business prospects;
- our ability to maintain relationships with, and the actions and developments affecting, our major customers and suppliers in the future;
- future developments, trends and conditions in the industries and markets in which we operate;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment in the industries and markets in which we operate;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- our ability to retain senior management and key personnel;
- our business strategies and plans to achieve these strategies, including our expansion plans;
- the actions of and developments affecting our competitors;
- our ability to reduce costs and offer competitive prices for our products in the future;
- our ability to defend our intellectual rights and protect confidentiality;
- our dividend policy;
- changes or volatility in interest rates, foreign exchange rates, equity prices, trading volumes, commodity prices and overall market trends;
- capital market developments;
- the actions and developments of our competitors; and
- all other risks and uncertainties described in the section headed "Risk Factors" in this Document.

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of, or references to, our intentions or those of any of our Directors are made as of the date of this Document. Any such intentions may change in light of future developments.

All forward-looking statements in this Document are expressly qualified by reference to this cautionary statement.

An investment in our Shares involves various risks. You should consider carefully all the information set out in this document and, in particular, the risks described below before making an investment in our Shares.

The occurrence of any of the following events could materially and adversely affect our business, financial position, results of operations or prospects. If any of these events occurs, the trading price of the Shares could decline and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us, or not expressed or implied below, or that we deem immaterial, could also harm our business, financial condition and results of operations. You should seek professional advice from your relevant advisors regarding your prospective investment in the context of your particular circumstances.

RISKS RELATING TO OUR BUSINESS AND INDUSTRY

Our operations face competition that could adversely affect our results of operations. If we cannot compete successfully with our competitors, we may be unable to increase or sustain our revenues or achieve and sustain profitability.

The ICL industry is highly competitive. We face competition from other companies engaging in the ICL testing business. We compete for a variety of matters, including but not limited to, testing portfolio, network coverage, testing and analytics capabilities, service quality, and R&D capabilities. Our current or future competitors include top market players in the ICL industry in China that have a national coverage network and comprehensive testing portfolio. We anticipate that we will continue to face increased competition as existing companies develop new or improved services and as new companies enter the market with new technologies. Extensive competition may render one or more of our technologies obsolete or uneconomical. Some of our competitors have greater financial and personnel resources, broader product lines, more focused product lines, more established customer base, and more experience in research and development than we do. In addition, as a result of mergers and acquisitions in the industry, more resources are being concentrated in our competitors and our upstream and downstream business partners. Competition may increase further due to the progress and improvements made in the commercial applicability of technologies and the increased capital investment in the industries. Our competitors may develop services and products which are more effective and less costly than ours, or obtain patent protection, regulatory approval, product commercialization, and market penetration more rapidly than we do. Furthermore, medical institutions and pharmaceutical companies, which are our potential customers and strategic partners, could also develop competing products. For details, see "Industry Overview."

We believe that customers in our markets display a significant amount of loyalty to their initial supplier of a particular service or product. Therefore, it may be difficult to generate sales to potential customers who have purchased services or products from our competitors. To the extent we are unable to be the first to develop or offer new services, our competitive position may suffer.

We and our competitors may also compete on the basis of price. If the cost of testing falls over time, we cannot be sure that the demand for related services will increase proportionately. We may be unable to increase cost efficiencies sufficiently, if at all, and as a result, our net earnings and cash flows could be negatively impacted by such price competition. We may also face increased competition from companies that do not comply with existing laws or regulations or otherwise disregard compliance standards in the industry. Additionally, we may also face changes in fee schedules, competitive bidding for laboratory services, or other actions or pressures reducing payment schedules as a result of increased or additional competition.

We conduct our business in a heavily regulated industry. We may be adversely affected by the uncertainties and changes in PRC regulations with respect to the ICL industry.

Our testing laboratories, technology platforms, R&D operations and marketing and distribution network are primarily in China, which we believe confers clinical, commercial and regulatory advantages. The ICL industry in China is subject to comprehensive government regulation and supervision, encompassing the approval, registration, licensing, marketing and offering of medical testing services. See "Regulatory Overview" for a discussion of regulatory requirements that are applicable to our current and planned business activities in China. If we, our customers or suppliers fail to comply with such applicable laws and regulations, we could be required to make significant changes to our business and operations or suffer fines or penalties, including the potential revocation of our business license and the suspension or cessation of our services.

In addition, regulatory requirements in China are constantly evolving and can be subject to changes and different interpretations, making the extent of our responsibilities uncertain. Any changes or amendments of our regulatory environment may result in increased compliance costs on our business. Tightened regulatory requirements could cause delays in or even prevent the success of the development or commercialization of our services in China and reduce the current benefits we believe are available to us from offering and developing testing services in China. Additionally, PRC authorities may periodically, and sometimes unexpectedly, change their enforcement practices. Therefore, prior enforcement, or lack of enforcement, is not necessarily predictive of future actions. Any failure by us or our partners to maintain compliance with applicable laws and regulations or obtain and maintain required licenses and permits may result in the suspension or termination of our business activities in China. We believe our strategy and approach are aligned with the PRC government's policies, but we cannot ensure that our strategy and approach will continue to be aligned.

If we fail to comply with applicable licensing requirements, or become damaged or inoperable, our ability to perform tests may be jeopardized.

Our ICL business is subject to extensive regulations in China. To operate our laboratories, we are required to obtain approvals and accreditations from the NHC or its local counterparts. We currently have obtained approvals and accreditations from the NHC and its local counterparts for each of our laboratories. However, as we intend to increase the number of laboratories we operate, we will be required to obtain NHC approvals and accreditations for such additional laboratories, and there is no guarantee that we could obtain such approvals and accreditations in a timely manner, or at all, as the NHC approval and accreditation process is costly, lengthy and uncertain. If we fail to maintain or renew any major license, permit, certificate, approval or accreditations for any or all of our laboratories, or if the testing professionals at our laboratories become unlicensed at any time during their practices, or if we or our laboratories are found to be non-compliant with any applicable PRC laws or regulations, we may face penalties, suspensions of our operations or even revocation of our operating licenses, depending on the nature of the findings, any of which could materially and adversely affect our business, financial condition and results of operations.

Our services could fail to receive or maintain regulatory approvals for many reasons, including but not limited to:

- failure to maintain the necessary level of quality of our services and ICLs;
- data integrity issues related to our diagnostic testing;
- regulatory requests for additional analyses, reports or data;
- our failure to conduct diagnostic testing in accordance with regulatory requirements or our diagnostic testing protocols;

- testing sites, devices or reagents, testing items, medical professionals or other participants deviating from diagnostic testing protocol, or failing to conduct the testing in accordance with regulatory requirements; and
- rejection by the relevant authorities to approve pending applications or supplements to approved applications filed by us or suspension, revocation or withdrawal of approvals.

In addition, if our laboratories or the research and development facilities or laboratory equipment become damaged or inoperable, we may not be able to replace our testing capacity quickly or inexpensively, or at all. In the event of a temporary or protracted loss of the laboratories, facilities or equipment, we might not be able to rebuild any of them in a timely manner. Even if we could rebuild them, it would likely be expensive and time-consuming, particularly since the new laboratories would need to comply with the necessary regulatory requirements and we would need certain regulatory agency approvals before our laboratories can open. Any damages or interruptions of our laboratory operations could result in our inability to satisfy the demand of our testing services and could materially harm our business, financial condition and results of operations.

Any adverse change in the regulatory regime relating to ICL industry or the healthcare industry may limit our ability to provide testing services and may have a material adverse effect on our business, results of operations and financial condition.

The rapid growth and development of ICL industry in China was fueled in part by the healthcare reform efforts and a series favorable policies implemented by Chinese government in recent years. For example, in July 2016, NHFPC issued the Basic Standards and Practice of Medical Test Laboratories (for Trial Implementation) (《醫學檢驗實驗室基本標準和管理規範(試行)》) to include ICLs into the local healthcare quality control system, suggest ICLs provide clinical tests for primary healthcare institutions and prioritize the approval process of chain ICL operators. Later in June 2018, NHC issued Circular on Further Reforming and Perfecting the Examination and Approval of Medical Institutions and Doctors (《關於進一步改革完善醫療機構、醫師審批工作的通知》) stipulating that medical institutions may, on the premise of ensuring medical quality and safety, entrust independent medical test laboratories to provide medical testing services. ICLs have been increasingly recognized by the Chinese government and the restrictions around ICLs collocation with hospitals have been loosened, all of which provided favorable regulatory backdrop for the overall development of the ICL industry.

However, government policies relating to ICL industry or even healthcare industry in China may change significantly in the future, depending upon the objectives prioritized by the Chinese government, as well as the political and social climate at any given time and the continued development of the healthcare industry in China. We cannot assure that currently effective policies and regulations may not change, or may continue to be favorable to us, or the Chinese government may continue to implement similar policies from which we could benefit. In addition, any future change in the relevant government policies may affect public hospital reform, limit private or foreign investments in healthcare services. Such future changes or reforms, if adopted and implemented, may limit the services we are able to or intend to provide and the sources of our revenue, increase the cost of revenue, restrict the ability to pursue potential acquisitions and expansions, intensify competition, or otherwise negatively affect us disproportionately compared to competitors. Moreover, unfavorable public opinion or negative media coverage of the healthcare industry may also trigger implementation of more stringent policies and heightened scrutiny on best practices at medical institutions. If we fail to keep up with new policies or best practices, our standard of operation may fall short of the latest standard and we could become more prone to non-compliance, resulting in increased cost of compliance and operation.

Failure in service quality control may adversely affect our operating results, reputation and business.

Our service and testing processes are required to meet certain quality standards. We have established a quality control and assurance system and adopted standardized operating procedures in order to prevent quality issues with respect to our services and operation processes. For further details of our quality control and assurance system, see "Business – Quality Assurance". As a market leader, we have also adopted industry-leading standards in the performance of our testing services. Despite our quality control and assurance system and procedures, we cannot eliminate the risk of service failure. Quality defects may fail to be detected or remediated as a result of a number of factors, many of which are outside of our control, including:

- operating errors;
- technical or mechanical malfunctions in any of our operating processes;
- human error or malfeasance by our quality control personnel;
- tampering by third parties; and/or
- quality issues with the equipment, medical devices, reagents or raw materials we purchase or use.

Our success depends on the market confidence that we can provide reliable, high-quality testing services that will provide patients or physicians with valuable clinical or diagnostic information. However, there is no assurance that our testing services will perform as expected at all times. Our tests may fail to accurately, incompletely or incorrectly identify the relevant diseases, or contain other errors or mistakes due to a variety of reasons (such as malfunction of our laboratory equipment and degraded samples provided by our delivery service providers), which may result in negative perception of our tests. In addition, failure to detect quality defects in our services or to prevent such defective services from being delivered to our customers could result in injury or death, license revocation, regulatory fines, professional liabilities or other problems that could seriously harm our reputation and business, expose us to liability, and materially and adversely affect our revenue and profitability. For example, we could face medical liability claims if someone alleges that our services produced inaccurate or incomplete information regarding their targeted testing item, or otherwise failed to perform as designed. A claimant could allege that our test results caused unnecessary treatment or other costs or resulted in the patient missing the best opportunity or timing for treatment. A patient could also allege other mental or physical injury or that our tests provided inaccurate or misleading information concerning the diagnosis, prognosis or recurrence of, or available therapies for, his or her disease. We may also be subject to medical liability for errors in, a misunderstanding of or inappropriate reliance upon the diagnostic information our tests provided. The tense physician-patient relationship in China could also expose us to an increased risk of potential medical liability claims.

Insurance companies in China generally offer a limited selection of medical liability and professional liability insurance policies and it is often difficult to secure suitable medical liability and professional liability insurance coverage at reasonable rates in China. Any medical liability or professional liability claim brought against us, with or without merit, could increase our insurance rates or prevent us from securing insurance coverage. Additionally, any medical liability or professional liability lawsuit could damage our reputation, or cause our business partners to terminate existing agreements with us and seek other business partners, or cause us to lose our current or potential customers. Any of these developments could adversely impact our results of operations and business prospects. In addition, not all of our medical liability claims could be covered by our insurance policies. We maintain medical liability insurance policies for a limited number of esoteric tests, for example, non-invasive prenatal testing, which we believe are in line with market practices and adequate for our business operation. For associated risks, please see "– Our insurance may not sufficiently cover, or may not cover at all, losses and liabilities we may encounter during the ordinary course of operation." During the Track Record Period and up to the Latest Practicable Date, medical liability claims against us did not, individually or in the aggregate, have a material adverse effect on our business, results of operations or financial conditions.

Failure to obtain and retain new customers, the loss of existing customers, or a reduction in tests requested or specimens submitted by existing customers could impact our ability to successfully grow our business.

The rapid growth of our revenue during the Track Record Period is primarily driven by the increasing number of customers and the tests requested by our customers. To maintain and further grow our business, we rely on continuous efforts in retaining existing customers and attracting new ones. Our ability to retain existing customers is dependent upon multiple factors, some of which are beyond our control (including among others, customers may no longer need the diagnostic testing services that we provide for a number of reasons; or member medical institution customers may fail to obtain, maintain or renew the approvals, permits, licenses or certificates requisite for their operations, or are otherwise found to be non-compliant with any applicable laws, regulations and regulatory practices). We may not be able to provide quality testing services in a timely manner or in a satisfactory manner to our customers, our pricing may not be competitive in the industry, and our logistics network and information systems may not be able to function effectively and efficiently to meet our customers' evolving needs.

Besides, we may be required by relevant laws or regulations, or some of our customers' internal procurement policies, to undergo public or voluntary bidding process, whose respective standards and requirements may vary from time to time. We may not always be able to compete effectively in securing customer contracts during bidding process, which may materially and adversely affect our results of operations.

In addition, during the ordinary course of our business, we may also receive customer complaints from time to time, primarily focusing on the accuracy of our test results, promptness of test results, aftersales service, and responsiveness of customer service, among others. Although we have put in place a robust customer service system to deal with complaints and rectify our action in a timely manner, we cannot assure you that such efforts would always be effective or satisfy our customer's expectation. Any failure to provide satisfactory experience may cause our customers to lose confidence in us and may even stop cooperating with us altogether. Even if we are able to provide high-quality and satisfactory services, a reduction in tests ordered or specimens submitted by existing customers due to reasons beyond our control, could impact our ability to successfully grow our business and could have a material adverse effect on our revenues and profitability.

Furthermore, although we have taken efforts in attracting new customers and business partners, these efforts may not be cost-effective and we cannot assure you that we will be able to grow our customer base and enhance our brand as we expect, which may in turn materially and adversely affect our business operations and prospects.

Also, government policy and regulatory practices may change or tighten to restrict, prohibit our cooperation with our customers, making it unlawful for us to continue to perform our obligations under the relevant agreements.

We believe that maintaining and enhancing our service quality is critical to achieving widespread acceptance of our services, to strengthening our relationships with our existing customers and to attract new customers. If our services cannot meet our customers' standards or their evolving needs, they may lose confidence in us and they may reduce or cease their use of our services. If actions we take or changes we make to our services upset these customers, they may comment negatively on us, which could harm our brand and reputation. If we fail to attract new customers or retain existing customers, our ability to generate revenue will be materially impaired, and our business, results of operations and financial condition could be adversely affected.

Our past financial performance may not be indicative of our future results.

We experienced significant growth during the Track Record Period. Our total revenues grew from RMB2,741.7 million in 2020 to RMB3,379.5 million in 2021, and further increased to RMB4,860.6 million in 2022. We cannot assure you that the demand for our services will continue to grow at a similar rate in the future due to a variety of factors, some of which are out of our control, including market saturation as well as competition from new market participants.

The COVID-19 pandemic had and may continue to have material impacts on our business, results of operations and financial performance.

Since the outbreak of COVID-19 pandemic in late December 2019, the Chinese government imposed a series of measures to contain its spread, including travel bans, quarantine measures, social distancing, restrictions on business operations and freedom of movement, which resulted in, among other things, a significant reduction in patients' hospital visits, cancellation of elective medical procedures and decrease in routine health checks. As a result, we experienced a material decline in our base testing volumes in the first quarter of 2020, as compared to the same period in 2019. In addition, with the outbreak of COVID-19, many hospitals in China allocated significant resources to contain the spread of the virus, and scaled back or postponed non-emergency care, which also led to a significant decline in demand for testing services, and resulted in a material adverse effect on our business, financial condition and results of operations.

In response to Chinese government's policies to contain the spread of the COVID-19, in early 2020, we implemented temporary adjustments to work schedules and travel plans. We had incurred and may continue to incur additional costs for the safety of our employees and the continuity of our operations, including increased frequency of deep cleaning and sanitation at each of our laboratory, additional safety training and processes, enhanced hygiene practices and materials, more efforts in keeping track of the travel history and the health of our employees and their immediate family members, flexible and remote working where possible, protective gears provided to our logistics personnel, and allowing for greater social distancing for the employees who must work on-site. These measures had temporarily increased our operating cost, and affected the capacity and efficiency of our operations. Our operations could also be disrupted if any of our employees, suppliers and other business partners were suspected of having contracted COVID-19, since this could require us and our suppliers and other business partners to quarantine some or all of these employees and disinfect facilities used for operations.

The rise of COVID-19 also made it increasingly important for us to develop agile and resilient responses to adjust forecasts to the market. The massive upsurge of the COVID-19 testing demand has triggered supply-side disruptions of reagents and consumables dictating course of COVID-19 testing services, resulting a leap in the prices of the raw materials. We experienced temporary difficulties in securing adequate supplies of reagents and consumables used in COVID-19 tests at the beginning of the outbreak. Failure to manage our inventories commensurately could have a material adverse impact on our ability to capitalize on emerging growth opportunities and to serve our customers.

The extent to which COVID-19 impacts our results of operations will depend on the future developments of the outbreak, including among others, the duration and the severity of the COVID-19 pandemic, further spread or resurgence of the virus, including the emergence of new strains of the virus such as the Delta and Omicron variants, potential resurgences of large scale quarantines and business restrictions, the need for, and availability of, booster vaccines; the effectiveness and efficiency of distribution of vaccines; the recovery time of the disrupted supply chains and industries, which are highly uncertain and unpredictable. We are uncertain as to when the COVID-19 pandemic will be fully contained in China and globally, nor can we predict whether COVID-19 will have long-term impact on our business operations. Despite the adverse impacts of COVID-19 mentioned above, leveraging our excellent operational and testing capabilities, we quickly developed COVID-19 testing protocol and started to offer COVID-19 tests as early as

February 2020, and were one of the forerunners among ICL service providers in China. However, we cannot assure you that the circumstances that have accelerated the growth of our COVID-19-related testing service stemming from the effects of the COVID-19 pandemic may not continue in the future once the impact of the COVID-19 pandemic tapers. For details, please see "– Revenues generated from COVID-19 related testing services may not be sustainable".

Revenues generated from COVID-19 related testing services may not be sustainable.

In response to the COVID-19 outbreak, we began to offer COVID-19 related tests in February 2020, and later turned COVID-19 related testing services into a regular line of service and continue to offer testing services for those who are in need. During the Track Record Period, we performed a total of over 133 million COVID-19 tests. Revenues from COVID-19 tests amounted to RMB924.5 million, RMB1,232.4 million and RMB2,284.6 million in 2020, 2021 and 2022, respectively. Although we have experienced heavy demand for COVID-19 testing as a result of the pandemic, which has had a positive impact on our overall testing volume, the duration and level of the demand for, and pricing for, COVID-19 testing is uncertain. The circumstances that have accelerated the growth of our COVID-19 related testing service may not continue in the future once the impact of the COVID-19 pandemic tapers. By the end of 2022, Chinese government eased its dynamic zero-COVID policy, lifted most of the COVID-19 related restrictions, and canceled mass testings previously implemented in various regions across the country. This had significantly reduced the demand of our COVID-19 related testing services nationwide, and is expected to result in significant decline of revenues generated from such services in the future. The extent to which the pandemic impacts our results of operations going forward will depend on future developments which are uncertain and unpredictable, including the frequency, duration and extent of outbreaks of COVID-19, the appearance of new variants with different characteristics, the effectiveness of efforts to contain or treat cases, and future actions that may be taken in response to these developments.

If we fail to keep up with industry and technology developments or implement new technologies into our test offerings in a timely and cost-effective manner, we may be unable to compete effectively and our business and prospects could suffer.

We operate in a market that evolves constantly and we must keep pace with new technologies and methodologies to maintain our competitive position. It is critical for us to continue investing significant amounts of capital resources to develop or acquire new technologies in order to enhance the scope and quality of our services. In particular, China's ICL industry is characterized by rapid changes, including technological and scientific breakthroughs, increasing amounts of data, frequent introductions of new tests, and evolving industry standards. If we are not able to keep pace with these advances and increased customer expectations as a result of these advances and capture new market opportunities that develop as a result of these advances, our proprietary technologies could be rendered obsolete, our existing testing services and testing services we are developing could be rendered less clinically effective, and our future operations and prospects could suffer. To remain competitive, we must expend significant amount of resources to continuously upgrade our existing testing services, and launch new services, and further optimize our technology platforms to keep pace with industry and technological advances. We cannot assure you that these efforts will be successful. We may never realize a return on investment on these efforts, especially if the new test or service offerings fail to perform as expected, in which case our business, financial condition and results of operations could be adversely affected.

We may also decide to continue expanding our business by entering into new markets and new geographic areas, and therefore may need to develop or adapt to new technologies and methodologies. We cannot assure you that we will be able to develop, enhance or adapt to new technologies and methodologies in a timely manner or at all. Any failure to do so could significantly reduce demand for our services and harm our business and prospects.

Furthermore, developing new technologies and methodologies successfully requires us to accurately assess and meet customers' needs, make significant capital expenditures or investments, hire, train and retain qualified personnel, obtain required regulatory clearances or approvals, increase customer awareness and acceptance of our services, provide high-quality services in a timely manner, price our services competitively, integrate innovations into our existing system and effectively incorporate customer feedback into our business planning. Any failure to do so could significantly affect our ability to develop and market our new technologies and methodologies and therefore significantly reduce demand for our services and harm our business and prospects.

If we suffer substantial disruption to our laboratories by any reason beyond our control, our business, financial condition and results of operations could be adversely affected.

Any interruption in testing operations in our laboratories could result in our inability to provide satisfactory services to our customers. A number of factors could cause interruptions, including equipment malfunctions or failures, technology malfunctions, damages to or destruction of our facilities due to natural disasters, regional power shortages, product tampering or terrorist activities. Any disruption that impedes our ability to provide our services in a timely manner could materially harm our business, financial condition and results of operations.

Any negative media coverage or publicity on us or the ICL industry, whether true or not, could adversely affect our business.

The reputation of our brand is critical to our business and competitiveness. If we fail, or are perceived to have failed, to deal with issues that may give rise to reputational risk, our business and prospects may be harmed. Failure to appropriately address these issues could reduce customers' confidence in us or increase customer attrition rate, which may adversely affect our reputation and business. In addition, any malicious or negative allegation made by the media or other parties about the foregoing or other aspects, including our management, business practices, compliance with law, financial conditions or prospects, whether with merit or not, could severely compromise our reputation and harm our business and operating results.

Negative publicity about the ICL industry in general may also have a negative impact on our reputation, regardless of whether we have engaged in any inappropriate activities. Moreover, negative publicity about our suppliers, business partners, service providers or other counterparties, such as negative publicity about their customer complaints and any failure by them to adequately protect the information of our customers and patients, to comply with applicable laws and regulations or to otherwise meet required quality and service standards could harm our reputation. If any of the foregoing takes place, our business and results of operations could be materially and adversely affected.

If our in-house logistics team or our logistics service providers encounter any performance issues, our business, results of operations and financial condition could be adversely affected, and our reputation and ability to provide our testing services on a timely basis could be harmed.

The quality of our testing service largely depends on our ability to deliver the properly stored and preserved test samples from the medical institutions to our laboratories. To render accurate testing results requires us to preserve test samples to a high standard, which could be difficult as test samples are sensitive to various external conditions, such as biological materials, temperature, air, or light. Therefore, we have established an in-house logistics team consisting of over 1,300 personnel as of December 31, 2022, a nationwide logistics service network and professional quality monitoring system to ensure high-quality logistics services. We also applied cold-chain technologies through our proprietary incubators to maintain the activity and effectiveness of the test sample during the delivery. See "Business – Our Logistics Capabilities."

We strive to operate our logistics team both effectively and efficiently, and we have not encountered any material inaccuracy in our testing results due to the unsatisfactory performance of our logistics team or the third-party logistics service providers we engage. However, our in-house logistics team or the third-party logistics service providers may encounter performance issues in the future that cause the test samples to be exposed to inappropriate temperatures or other improper storage conditions and lose activity or effectiveness, which in turn make the testing results based on such testing samples inaccurate. As a result, our business, results of operations and financial condition could be adversely affected, and our reputation and ability to provide our testing services on a timely basis could be harmed.

We rely on our in-house marketing force to promote our services. If our in-house sales and marketing personnel are unable to conduct effective marketing or sales, our business could be adversely affected.

Successful sales and marketing are crucial for us to increase the market penetration of our existing services, expand our coverage of medical institutions and other types of customers and promote new services in the future. If we are unable to increase or maintain the effectiveness and efficiency of our sales and marketing activities, our sales and business prospects could be adversely affected.

Our sales and marketing force must possess a relatively high level of technical knowledge, up-to-date understanding of industry trends, necessary expertise in the relevant specialty areas and testing services, as well as sufficient promotion and communication skills. If we are unable to effectively train our in-house sales personnel or monitor and evaluate their academic-driven marketing performances, our sales and marketing may be less successful than desired.

Moreover, our ability to attract, motivate and retain qualified and professional sales force is especially important because we also rely on our in-house sales force to market and sell our testing services. Competition for experienced marketing, promotion and sales personnel is intense. If we are unable to attract, motivate and retain a sufficient number of qualified and professional marketing, promotion and sales personnel, sales of our services may be adversely affected and we may be unable to expand our coverage or increase our market penetration as contemplated.

Failure in our information technology systems or delays in the development and implementation of updates or enhancements to those systems could significantly disrupt our operations.

We depend on our proprietary information technology systems, as well as those of third parties, to successfully deliver our services in all aspects including clinical testing, test reporting, billing, customer service and logistics. The satisfactory performance, reliability and availability of our IT systems are critical to our business operations. Any material disruption or slowdown of our systems or those of third parties whom we depend upon, or any technical failures associated with the information technology systems, including those caused by power loss, natural disasters, network failures, computer viruses, ransomware, or other unauthorized tampering could cause outages or delays in our services, which could harm our brand and adversely affect our operating results.

Additionally, we must continue to upgrade and improve our information technology infrastructure to support our business growth. However, we cannot assure you that we will be successful in executing these system upgrades, and the failure to do so may impede our growth. We may experience surges in orders associated with seasonal fluctuations and generally as we scale, which can put additional demand on our IT systems at specific times. Our technology or infrastructure may not function properly at all times. Any of such occurrences could cause severe disruption to our daily operations. As a result, our reputation may be materially and adversely affected, our market share could decline and we could be subject to liability claims.

We also rely on technologies that we license from third parties, including standard office software. These licenses may not continue to be available to us on commercially reasonable terms or at all in the future. As a result, we may be required to obtain substitute technologies. There is no assurance that we will be able to obtain such substitute technologies on commercially reasonable terms, or at all, which could negatively affect the functionality of our IT systems and our business operations.

We are subject to environmental, health and safety laws and regulations. If we fail to comply with such regulations, our business may be adversely impacted.

Our past and present business operations are subject to national and local laws and regulations in which we operate, including but not limited to the laws on the treatment and discharge of pollutants into the environment, on occupational health and safety for the healthcare industry and on the use of highly toxic and hazardous chemicals used in our business operations. Because the requirements imposed by such laws and regulations may change and more stringent laws or regulations may be adopted and relevant governmental authorities may regularly or irregularly conduct inspections of the laboratories, we may be unable to comply with, or to accurately predict the timing and the outcome of such safety inspections, with risks of substantial costs needing to be incurred to comply with, these laws, regulations and inspections. If we fail to comply with environmental protection and health and safety laws and regulations, we may be subject to various consequences, including substantial fines, possibility of significant monetary damages or suspensions of our business operations. As a result, any failure by us to control the use or discharge of hazardous substances could have a material and adverse impact on our business, financial condition and results of operations.

In addition, we cannot fully eliminate the risk of accidental contamination, biological hazards or personal injury at our facilities during normal operations. In the event of any accident, we could be held liable for damages and clean-up costs that, to the extent not covered by existing insurance or indemnification, could be burdensome to our business. Other adverse effects could result from such liability, including reputational damage resulting in the loss of business from customers. We may also be forced to close or suspend operations at certain of our affected facilities temporarily, or permanently. If we breach any environmental-related laws and regulations, or face any accusation of negligence in environmental protection, in addition to the potential fines and penalties, such incidents may also adversely affect our reputation and creditability. As a result, any accidental contamination or personal injury could have a material and adverse impact on our reputation, business, financial condition and results of operations.

Furthermore, potential transition risk may result from the transitioning to a lower-carbon economy which entails change in climate-related regulations and policies. In the medium term, we may be subject to heightened pollutant discharge policies, which may result in higher operating costs due to increased cost for pollutant charge, fines and penalties as a result of non-compliance and higher operating costs incurred in connection with investment in new facilities. In the long term, alongside with worldwide initiatives for reducing carbon emissions, we may be subject to higher operational costs or tax burdens, which could have a material and adverse impact on our business, financial condition and results of operations.

Pursuant to applicable rules and regulations, medical institution construction projects shall be subject to mandatory inspection and acceptance procedures, once their actual operations reach 75% or above of their designed operating scale. As of the Latest Practicable Date, certain of our laboratories have not yet reached 75% or above of the designed operational scale, and are voluntarily preparing for or going through the environmental protection inspection and acceptance procedures and may be required by competent government authorities to take certain improvement or rectification measures before completion of such procedures. We have obtained confirmations from the ecology and environment bureaus at district or above levels that (i) the current practice of the relevant laboratories is consistent with applicable rules and regulations, and (ii) no environment-related governmental penalty has been made against the relevant laboratories during

the Track Record Period. As advised by our PRC Legal Advisor, these local ecology and environment bureaus are the competent authorities to perform environmental protection inspection and acceptance procedures of the concerned laboratories. Based on the applicable rules and regulations, and the aforementioned confirmations, our PRC Legal Advisor is of the view that the operations of these laboratories during the Track Record Period in this regard are in compliance with applicable environmental protection laws and regulations in all material respects.

In addition, we did not obtain the Report Form on Environmental Impact of Construction Project for part of Jinan Adicon (890 square meters) due to a limitation of the condition of the leased site. The spacing between the exterior wall of the expansion area and the surrounding buildings does not meet relevant requirements of local practices. Pursuant to the Environmental Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》), the Administrative Regulations on Environmental Protection in Construction Projects (《建設項目環境保護管理條例》) and other related rules, if we fail to obtain an approval on an environmental impact report or form or fail to make a filing of an environmental impact registration form for construction projects (as the case may be, "**Environment Approval**") before we build up a new laboratory or make substantial changes in terms of testing volume, waste discharge measures, operational site, among others, to an existing laboratory, we may be ordered to (a) in the case of failure to obtain relevant approval, suspend the construction, subject to a fine ranging from 1% to 5% of total investment amount of the construction, which equals RMB9,600 to RMB48,000 in our case, or restore to original operating status by suspending all operations on or the construction of the concerned areas and to only operate on the approved areas; or (b) in the case of failure to make the relevant filing, make up the filing and subject to a fine up to RMB50,000. If we fail to complete environmental protection inspection and acceptance procedures in time in accordance with applicable regulations for one completed construction or changes for an existing construction which has been issued with an Environment Approval, we may be subject to, among other things, (i) an order that we make necessary rectifications with a prescribed deadline and a fine between RMB200,000 and RMB1,000,000; or (ii) in the case of failure to make rectifications, a fine between RMB1,000,000 and RMB2,000,000. We may also be ordered to suspend operations or use of the construction concerned if such non-compliance causes material environment pollution or ecological damage.

If we are unable to attract or retain experienced and qualified personnel, including key management personnel, qualified professionals, our business, financial conditions and results of operations could be adversely affected.

The loss of key management personnel or the inability to attract and retain experienced and qualified professionals, as well as employees at our laboratories could adversely affect our business. Our success is dependent in part on the efforts of key members of our management team. The operation of our laboratories also depends on employing and retaining qualified and experienced professionals, including specialists, who perform laboratory research activities and testing services. The supply of professionals in our industry is limited due to the length of study and training required, including academic study and clinical training, which can take years. We believe that skilled professionals generally consider the following key factors, among others, when selecting laboratories to work at, the reputation and culture of the company, the quality of facilities and supporting staff, the efficiency of management, the level of compensation, and the number and quality of training programs. We may not compete favorably with our competitors in respect of one or more of these factors and, we may not be able to attract or retain the talent desired.

The same is true for our sales and marketing staff as well as logistics personnel with specialized training required to perform activities related to specimen collection, handling and delivery. In the future, if competition for the services of professionals and staff increases, we may not be able to continue to attract and retain individuals in the market. Changes in key management, or the ability to attract and retain qualified personnel, could lead to strategic and operational challenges and uncertainties, distractions of management from other key initiatives, and inefficiencies and increased costs, any of which could adversely affect our business, financial condition, results of operations, and cash flows.

We depend on third-party suppliers and service providers for different aspects of our business. If these suppliers and service providers can no longer provide satisfactory services to us on commercially reasonable terms, our business and results of operations may experience adverse impact.

We depend on third parties for different aspects of our business, such as hazardous wastes disposal, supplying equipment, reagents, consumables and other raw materials, and delivering samples for our testing services. We also cooperate with some qualified third-party service providers on an insignificant portion of testing items to our customers. Selecting, managing and supervising these third-party suppliers and service providers require significant resources and expertise. Unsatisfactory performance by these third parties, including their failure to provide services according to applicable legal and regulatory requirements, the terms of our contracts or otherwise below standard, could significantly and negatively affect the quality of our services, damage our reputation or cause other harm or losses to us.

Our suppliers expose us to risks associated with fluctuations in prices of equipment, reagents, materials and services they provide us, and reductions in the availability of these services, equipment and materials may disrupt our operations. During the Track Record Period, our major suppliers were generally able to satisfy our demands, and the price set by our suppliers remained relatively stable. See "Business – Top Customers and Suppliers" for a detailed description of our suppliers. However, we cannot assure you that this will continue to be the case in the future. The prices may be affected by a number of factors beyond our control, including market supply and demand, the PRC or international environmental and regulatory requirements, natural disasters, the PRC and global economic conditions. A significant increase in the costs of such equipment, reagents, materials and services may increase our cost of sales and negatively affect our profit margins and, more generally, our business, financial conditions, results of operation and prospects. In addition, the service or supply agreements we have with third-party suppliers and service providers are generally not on an exclusive basis. If these third parties do not continue to maintain or expand their cooperation with us, we would be required to seek new substitutes for these third-party material or service providers, which could disrupt our operations and adversely affect our results of operations.

We have limited control over our third-party suppliers. Illegal actions, misconduct or any failure by our suppliers to provide satisfactory services could materially and adversely affect our business, reputation, financial condition, and results of operations. In addition, we may be unable to receive sufficient compensation from our suppliers for the losses caused by them.

Since we rely on third-party suppliers to conduct various aspect of our business, such as providing the testing equipment, reagent and materials or promoting our services, we are exposed to the risk of illegal actions, misconduct or any failure by our third-party suppliers to provide satisfactory services. For instance, certain of our suppliers are subject to various regulations and are required to obtain and maintain various qualifications, government licenses and approvals. If any of these suppliers loses its qualification or eligibility because of its failure to comply with regulatory requirements, we may not be able to find alternative suppliers in a timely manner or at all. In addition, some of our suppliers import certain equipment and materials from manufacturers located outside China and resell to us. As a result, trade or regulatory embargoes imposed by foreign countries or China could also result in delays or shortages that could harm our business. Moreover, general economic conditions could also adversely affect the financial viability of our suppliers, resulting in their inability to provide materials and services used in our operations. If we are unable to identify alternative materials or suppliers and secure approval for their use in a timely manner, our business could be materially harmed. Any change in suppliers could require significant effort or investment, particularly in circumstances where the items supplied are integral to service performance or incorporate unique technologies, and the loss of these supply contracts may have a material adverse effect on us. Any material misconduct or disputes against our suppliers could potentially harm our business and reputation.

Although we take precautions to detect and prevent misconduct of, or provision of defective products or services provided by our suppliers, it is not always possible to identify and deter such misconduct or defects, and we may not able to effectively control unknown or unmanaged risks or losses, or protect us from governmental investigations or other actions or lawsuits stemming such misconduct or defects. Our suppliers or service providers who are responsible for the claims, disputes or legal proceedings against us due to defective supplies or services provided to us or our customers, may not be able to indemnify us in a timely manner, or at all, for any costs or losses that we incur as a result of such claims, disputes and legal proceedings.

The price of equipment, reagents and consumables, which is affected by many factors beyond our control, could adversely affect our margins and results of operations.

We procure equipment, reagents, consumables and other goods and services necessary for our operations. The prices may increase in the future due to various factors beyond our control. In the event of significant price increases for such supplies, we may have to pass the increased costs to our customers. However, we cannot assure you that we will be able to raise the prices of our services sufficiently to cover such increased costs. As a result, any significant price increase of our raw materials may have an adverse effect on our profitability and results of operations. In order to meet the increasing demand arising out of our growth in business, we will be required to increase our procurement of the abovementioned products. However, as we grow, our existing suppliers may not be able to meet our increasing demand, and we may need to find additional suppliers. There is no assurance that we will always be able to secure suppliers who provide products at reasonable and acceptable prices, and the failure to do so will adversely affect our business performance and results of operations. Furthermore, as we sold certain medical products during the Track Record Period, we also face uncertainties in relation to the volume-based procurement policies in China. If any of the medical products we sell are subject to volume-based procurement scheme implemented in places where we operate, the procurement prices for such medical products may decrease, which may adversely affect our profitability and results of operations.

Availability of public and private insurance coverage and insurers reimbursement policies may affect our revenues, margins and results of operations

Sales of our testing services partly depends on the reimbursement policies of the governmental authorities and health insurers. Failure to obtain or maintain adequate medical insurance coverage and reimbursement for our testing services could limit our ability to market those services and decrease our ability to generate revenue.

Our ability to sell our testing services may be affected by the availability of governmental and private health insurance in China. China has a complex medical insurance system that is undergoing reform. The governmental insurance coverage or reimbursement level in China for new healthcare services is subject to significant uncertainty and varies from region to region, as local government approvals for such coverage must be obtained in each geographic region in China. In addition, the PRC government may change, reduce or eliminate the governmental insurance coverage currently available for treatments based on a number of factors, including due to price and efficacy.

We cannot assure you that our testing services will be covered by the PRC national medical insurance reimbursement list in the future or our services will be covered by private insurance companies in China in the future. In addition, currently certain private insurance companies in China tend to reimburse patients for a higher percentage of the cost if they use a medical device manufactured by a Chinese domestic company as opposed to an imported device. We cannot be certain that insurers will continue to adopt this favorable policy in the future.

On the other hand, PRC regulations and medical insurance plans may exert significant influence over our pricing policies, which could affect our profitability. We may need to lower the prices of our services in order to have them included in the medical insurance reimbursement list, and such price cuts and reimbursement may not necessarily lead to increase in our sales and our results of operations may be adversely affected.

Business development activities are inherently risky and integrating businesses we acquired with our existing operations may be difficult and unsuccessful.

We plan to expand our business from time to time through business development activities. For example, acquisitions of local laboratories with strong potential and broad local customer base, minority investments and strategic alliances. However, these plans are subject to the availability of appropriate opportunities and competition from other companies seeking similar opportunities. Moreover, the success of any such effort may be affected by a number of factors, including our ability to properly assess and value the potential business opportunity, and our ability to integrate the targeted business into our own. The success of our strategic alliances depends not only on our contributions and capabilities, but also on the property, resources, efforts and skills contributed by our strategic partners. Further, disputes may arise with strategic partners, due to conflicting priorities or conflicts of interests.

Structural differences in acquisitions such as asset acquisitions or acquisitions of equity interests may have differing risks. We may not be successful in integrating our acquisition targets, whom may have different systems, processes, policies and cultures. Integration of acquisitions involves a number of risks including the diversion of management's attention to the assimilate the operations of assets or businesses we have acquired, difficulties in the integration of operations and systems and the realization of potential operating synergies, the assimilation and retention of the personnel of the acquired businesses, challenges in retaining the customers of the combined businesses, and could have potential adverse effects on our operating results. The process of combining acquisitions may be disruptive to our businesses and may cause an interruption of, or a loss of momentum in, such businesses as a result of the difficulties in standardizing information and other systems, in consolidating facilities and infrastructure, to maintain the quality or timeliness of services that we have historically provided, as a result of diverting our management's attention from the day-to-day business as a result of the need to deal with the foregoing disruptions and integration, and the added costs of dealing with such disruptions.

If we are unable successfully to integrate strategic acquisitions in a timely manner, our business and our growth strategies could be negatively affected. Even if we are able to successfully complete the integration of the operations of other assets or businesses we may acquire in the future, we may not be able to realize all or any of the benefits that we expect to result from such integration, either in monetary terms or in expected capabilities in a timely manner, if at all.

If we fail to comply with anti-bribery or anti-money laundering laws, our reputation may be harmed, and we could be subject to significant penalties and expenses that could have a material adverse effect on our business, financial condition, and results of operations.

We are subject to the anti-bribery laws of the jurisdictions in which we operate, particularly China. In China, the Anti-Unfair Competition Law (《反不正當競爭法》) promulgated by SCNPC, as amended and effective as of April 23, 2019, the Interim Provisions on the Prohibition of Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》) promulgated by the former State Administration of Industry and Commerce on November 15, 1996 and other related laws and regulations, prohibit giving and receiving money or property (which includes cash, proprietary interests and items of value) to obtain an undue benefit. Further, in China, Anti-Money Laundering Law of the People's Republic of China (《中華人民共和國反洗錢法》), promulgated by the Standing Committee of the National People's Congress on October 31, 2006 and effective on January 1, 2007, prohibits money laundering. In addition, many of our customers require us to follow strict anti-bribery as part of doing business with us. Our procedures and controls to monitor

anti-bribery and anti-money laundering compliance may fail to protect us from reckless or criminal acts committed by our employees or agents. If we fail to comply with applicable anti-bribery laws and anti-money laundering laws, we may be subject to civil liabilities, and administrative and criminal penalties and sanctions or incur significant expenses, our reputation and bidding qualifications could be negatively affected and our customers could cancel or not renew contracts for our services, all of which could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to detect or prevent fraud, bribery, or other misconduct committed by our employees, customers or other third parties.

We are exposed to the risk of fraud, bribery, misconduct or other illegal activities by our employees, senior management, directors, customers, suppliers, business partners or other third parties, which may adversely affect our business and reputation. Misconduct by these parties could include intentional failures to (i) comply with the regulations of State Administration for Market Regulation or SAMR, National Medical Products Administration or NMPA, National Health Commission or NHC and overseas regulators that have jurisdiction over us, (ii) comply with healthcare fraud and abuse laws and regulations in China and abroad, (iii) report financial information or data accurately or, (iv) disclose unauthorized activities to us. Also, sales, marketing, and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, misconduct, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Such misconduct could also involve the improper use of information, including sensitive information such as personal data and other privacy, obtained in the course of clinical studies, which could result in regulatory sanctions and cause serious harm to our reputation.

We have established internal control policies on guiding and monitoring the conduct of our employees, senior management, directors, customers, suppliers, business partners or other third parties. We provide training on our internal control policies to our employees on a regular basis. However, it is not always possible to identify and deter employee misconduct, and our internal controls to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses, or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to comply with our internal control policies. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could result in the imposition of significant civil, criminal and administrative penalties, including, without limitation, temporary or permanent restrictions on our business, cancellation of licenses and permits, damages, monetary fines, individual imprisonment, disgorgement of profits, contractual damages, reputational harm, diminished profits and future earnings, additional reporting or oversight obligations, disqualification for biddings. If we become subject to a corporate integrity agreement or other agreement to resolve allegations of non-compliance with the law which could require curtailment or restructuring of our operations and could have a significant impact on our business. Whether or not we are successful in defending against such actions or investigations, we could incur substantial costs, including legal fees, and divert the attention of management while defending ourselves against any of these claims or investigations.

In particular, the promotion, sales and marketing of our testing services, as well as certain business arrangements in the ICL and healthcare industry, are subject to extensive laws designed to prevent fraud, kickbacks, self-dealing and other abusive practices. Activities subject to these laws also involve the improper use of information obtained in the course of clinical testing, which could result in regulatory sanctions and cause serious harm to our reputation. It is not always possible to identify and deter misconduct by our employees and other parties, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to comply with these laws or regulations. If any such actions are instituted against

us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of significant fines or other sanctions. In addition, our employees, management, directors, customers, suppliers, business partners and other third parties may be subject to legal, regulatory and administrative proceedings. The existence of such legal, regulatory and administrative proceedings, even if they do not involve us, may harm our reputation, and adversely affect our business and operations. We may also be subject to administrative or criminal penalties for misconducts and illegal activities conducted by our employees.

We cannot guarantee that our employees, management, directors, customers, suppliers, business partners and other third parties will not act in breach of our internal control policies nor attempt to evade our monitoring nor breach applicable laws and regulations. According to (2015) Min Xing Chu Zi No. 3087 Judgment, the People's Procuratorate of Minhang District, Shanghai prosecuted Shanghai Adicon due to bribery conducts in a total amount of RMB1,814,378 as a result of its sales manager and the relevant sales representatives with the approval of its then general manager from January 2011 to May 2014 seeking to maintain a competitive advantage (the "**Shanghai Incident**"). In December 2015, due to the Shanghai Incident, Shanghai Adicon was fined RMB600,000 and became disqualified to participate in government procurement activities for the following three years. After the Shanghai Incident, we terminated the employment agreements with these aforementioned employees and relevant sales representatives. Other than Shanghai Adicon, the business of our other subsidiaries has not been affected by the Shanghai Incident. The impact of the Shanghai Incident on Shanghai Adicon was not material and Shanghai Adicon has been eligible to participate in government procurement activities from 2019. As of the Latest Practicable Date, the main business of Shanghai Adicon is to provide testing services for CRO and pharmaceutical companies for scientific research or clinical trial purposes. See "Business – Incidents – Incidents Relating To Bribery."

In addition, we may have disputes with our employees, third-party suppliers, consultants and commercial partners due to such misconduct or for other reasons, such as quality of products or services provided by these third-parties, which may result in suspension or termination of supply of products or services to us, suspension or termination of certain of our production or research and development activities, litigation or arbitration, contractual damages and other payments by us, other liabilities of ours, writing off of amounts paid or receivables, and other negative impacts on our business operations, and such results may have a material adverse effect on our business, financial condition and results of operations.

Any change in the regulations governing the use of personal data in China, which are still under development, and any failure to comply with such current or future regulations, could adversely affect our business and reputation.

In the ordinary course of our business, we collect and store sensitive data, including protected health information, personally identifiable information, financial information, intellectual property, and proprietary business information owned or controlled by ourselves or our customers, payors, and other parties in China. Any such unauthorized access, loss, or dissemination of information could result in legal claims, proceedings or liability under PRC laws and regulations that protect the privacy of personal information. For example, pursuant to the Measures for the Administration of General Population Health Information (for Trial Implementation) (《人口健康信息管理辦法(試行)》), the medical institutions including our medical laboratories are responsible for collection, management, utilization, safety and privacy protection of personal healthcare data.

We have established internal systems to safeguard relevant personal healthcare data. However, the laws and regulations regarding privacy and data protection in China, as well as other jurisdictions, are generally complex and evolving, with uncertainty as to the interpretation and application thereof. As such, we cannot assure you that our privacy and data protection measures are, and will be, always considered sufficient under applicable laws and regulations. If we are

unable to comply with the applicable laws and regulations, or to address any data privacy and protection concerns, such actual or alleged failure could damage our reputation, deter current and potential customers from using our services and could subject us to significant legal, financial and operational consequences.

Furthermore, we are subject to a variety of laws and other obligations relating to the security and privacy of data, including restrictions on the collection, use and storage of personal information and requirements to take steps to prevent personal data from being divulged, stolen, or tampered with. In light of the constantly evolving and potentially more stringent regulatory requirements of cybersecurity and data privacy and the possible variation of regulations and interpretations, it remains unclear how and to what extent such regulatory requirements will apply to us.

For example, on June 10, 2021, the SCNPC promulgated the Data Security Law of the People's Republic of China (《中華人民共和國數據安全法》), or the Data Security Law, which became effective on September 1, 2021. The Data Security Law provides that "data" refers to any recording of information by electronic or other means and "data processing" includes the collection, storage, use, processing, transmission, availability and disclosure of data, etc. Data processors shall establish and improve the whole-process data security management rules, organize and implement data security training as well as take appropriate technical measures and other necessary measures to protect data security. Data processing activities that affect or may affect national security shall be subject to a data security review procedure. However, as of the Latest Practicable Date, Chinese governments have not yet promulgated any specific measures on how to implement such data security review system in practice.

In addition, on December 28, 2021, the CAC, jointly with other 12 governmental authorities, promulgated the revised Measures for Cybersecurity Review (《網絡安全審查辦法》), or the Revised CAC Measures, which became effective from February 15, 2022. On the basis of the Measures for Cybersecurity Review promulgated on April 13, 2020, or the CAC Measures, the Revised CAC Measures further restates and expands the applicable scope of the cybersecurity review. Pursuant to the Revised CAC Measures, a cybersecurity review is required when national security has been or may be affected where a critical information infrastructure operator (the "**CIIO**") (關鍵信息基礎設施運營者) purchases network products and services, and an online platform operator carries out data processing activities. Moreover, the Revised CAC Measures also provide that an online platform operator (網絡平台運營者) possessing personal information of more than one million users that applies for listing abroad, shall make declaration for cybersecurity review with the Office of Cybersecurity Review. On July 30, 2021, the State Council promulgated the Regulations for Safe Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》) (the "CII Regulation") which came into effect on September 1, 2021. Pursuant to the CII Regulation, critical information infrastructure refers to important network infrastructure and information system in public telecommunications, information services, energy sources, transportation and other critical industries and domains, in which any destruction or data leakage will have severe impact on national security, the nation's welfare, the people's living and public interests. The CII Regulation also stipulates the procedures for determining critical information infrastructure. It provides that competent authorities shall promulgate detailed rules in designating critical information infrastructure, identify critical information infrastructure in the relevant industries, and notify operators of such critical information infrastructure in a timely manner. As of the Latest Practicable Date, the responsible authorities had not promulgated any implementation provisions or identification rules which include ICL industry in the relevant scope of "critical information infrastructure". In addition, as of the Latest Practicable Date, we had not been notified by any authorities of being classified as a CIIO, involved in any cybersecurity review or received any investigation, inquiry, notice, warning or sanctions by any governmental authorities on such basis. Based on the foregoing, our Directors believe that we should not be classified as a CIIO. In addition, on March 14, 2022, our PRC Legal Advisor and the PRC legal advisor to the Joint Sponsors conducted a telephone consultation with the China Cybersecurity Review Technology and Certification Center (中國網絡安全審查技術與認證中心) (the "**Center**"), the department responsible for accepting cybersecurity review applications under the guidance of the Cybersecurity

Review Office. During the consultation, our PRC Legal Advisor and the PRC legal advisor to the Joint Sponsors have informed the Center our proposed [**REDACTED**] plan, and the Center confirmed that [**REDACTED**] does not fall within the scope of "listing abroad" under the Revised CAC Measures, and therefore we are not required to proactively apply for cybersecurity review with respect to our proposed [**REDACTED**]. Our PRC Legal Advisor is of the view that the Center is the competent authority for the Consultation, and the staff who responded our inquires during the Consultation is the duly designated person in the Center to handle public inquiries. As such, our PRC Legal Advisor is of the view that [**REDACTED**] does not fall within the scope of "listing abroad" under the Revised CAC Measures and thereby we are not required to proactively apply for cybersecurity review with respect to the proposed [**REDACTED**].

Based on the fact that (i) our Directors believe that we should not be identified as CIIO, (ii) our PRC Legal Advisor is of the view, that we are not required to proactively filed for cybersecurity review with the CAC currently, (iii) as of the Latest Practicable Date, we had not received any notice from the competent government authorities requiring us to apply for the cybersecurity review, nor had we been subject to any fines or administrative penalties imposed by regulatory authorities for any violation of laws and regulations regarding cybersecurity or national security concerns, (iv) we source certain of our IT related products and services reliable providers with relevant qualifications required by applicable laws, (v) our integrated management system (信息綜合管理平台) has obtained the Filing Certificate for Information System Security Protection (Level II) issued by Hangzhou Public Security Bureau to ensure the security of information related to our business, and (vi) we have implemented a comprehensive set of internal policies, procedures, and measures to ensure our compliance practice, and to our best knowledge as of the Latest Practicable Date, none of our data processing activities have or may have any national security concerns, our Directors do not anticipate any impediment for us in complying with the Revised CAC Measures in all material aspects, nor do they foresee the Revised CAC Measures would have any material adverse impact on our business operations or our proposed [**REDACTED**].

Nevertheless, there remain uncertainties with respect to any future development of the relevant regulatory regime. There can be no assurance that the relevant authorities will not take a view that is contrary to or otherwise different from that of our Directors and our PRC Legal Advisor above, and it is also possible that the PRC government authorities may require us to apply for the cybersecurity review for other reasons, which is out of our control.

On November 14, 2021, the CAC issued the Regulations on the Administration of Cyber Data Security (Consultation Draft) (《網絡數據安全管理條例(徵求意見稿)》) (the "**Draft Data Security Regulations**") for public comments. The Draft Data Security Regulations have set out requirements on matters such as the protection of personal information, security of important data, security management of cross-border data transfer, application for cybersecurity review and obligations of internet platform operators. According to the Draft Data Security Regulations, a data processor shall apply for a cybersecurity review if it involves the following activities: (i) the merger, reorganization or separation of internet platform operators that possess a large number of data resources related to national security, economic development or public interests, that influence or may influence national security; (ii) seeking listing abroad and processing personal information of more than one million users; (iii) seeking listing in Hong Kong, which will influence or may influence the national security; (iv) other data processing activities that will influence or may influence national security. However, neither the Revised CAC Measures nor the Draft Data Security Regulations provides further explanation or interpretation for "influence or may influence national security". If (i) we are deemed as online platform operators and our data processing activities are deemed to influence or may influence national security under the Revised CAC Measures, or (ii) the Draft Data Security Regulations is fully implemented in the current form, and our [**REDACTED**] is deemed to influence or may influence national security, we may be subject to cybersecurity review.

Given that as of the date of this Document, the Draft Data Security Regulations were released for public comments only and has not come into effect, and is thus subject to substantial uncertainties, it is impractical for us to predict the impact of the Draft Data Security Regulations on us at the current stage. Based on the facts that as of the date of this Document, (a) the Draft Data Security Regulations have not been formally adopted, and are subject to further guidance or related implementation rules, (b) we have not received any notices or inquiries from competent authorities requiring us to apply for the cybersecurity review according to the Draft Data Security Regulations, and (c) we have not been involved in any investigations on cybersecurity review made by the CAC on such basis and not received any inquiry, notice, warning, or sanctions in such respect, we and our PRC Legal Advisor do not expect, which the PRC legal advisor to the Joint Sponsors concurs, that as of the date of this Document, the Draft Data Security Regulations would have a material adverse impact on our business operations or the [**REDACTED**]. We will closely monitor the rule-making process and will assess and determine whether we are required to apply for the cybersecurity review once the Draft Data Security Regulations are formally promulgated.

In addition, as advised by our PRC Legal Advisor, by collecting, storing and otherwise processing certain information via internet during our business operation, we will be subject to relevant requirements under the Draft Data Security Regulations in terms of personal data protection, cybersecurity management, assessment and report and other applicable aspects assuming such regulations were to take full effect in the current form. In preparation of the Draft Data Security Regulations becoming effective in the future, we have studied various requirements under the Draft Data Security Regulations with regard to the protection of personal information, cybersecurity control, assessment and report, and have taken immediate internal control measures to ensure the compliance with the regulatory requirements in the current form, including thoroughly reviewing our business practices and operational policies, improving our privacy policies and service agreements with our customers, establishing relevant mechanism in response to data security incidents. We will continuously improve our operational procedures and take preventative measures to avoid future non-compliance under the guidance of relevant authorities. Based on the fact that during the Track Record Period and up to the Latest Practicable Date, (i) we had not been subject to material fines or administrative penalties imposed by relevant PRC government authorities for any violation of laws and regulations regarding data security and cybersecurity, and (ii) there had been no incident of data or personal information leakage, infringement of data protection laws and regulations or investigation or other legal proceeding against us in such aspects that materially and adversely affected our business, we and our PRC Legal Advisor are of the view, which the PRC legal advisor to the Joint Sponsors concurs, that if the Draft Data Security Regulations are fully implemented in the current form, we currently do not expect the Draft Data Security Regulations will have a material adverse impact on our business operations.

We expect that we will continue to face uncertainty as to whether our efforts will be sufficient to comply with evolving obligations under PRC data protection, privacy and security laws. Any non-compliance or perceived non-compliance with Data Security Law, Cybersecurity Law or related PRC regulations may result in fines or other penalties such as making certain required rectification, suspending our related business, taking down our operations and reputational damages or proceedings or actions against us by PRC regulatory authorities, customers or others, which may have an adverse effect on our business, operation or financial conditions.

Our insurance may not sufficiently cover, or may not cover at all, losses and liabilities we may encounter during the ordinary course of operation.

We maintain insurance policies that are required under PRC laws and administrative regulations as well as based on our assessment of our operational needs and industry practice. However, we cannot assure that our insurance coverage will be sufficient or available to cover damage, liabilities or losses we may incur in the ordinary course of our business. Our insurance coverage may be insufficient to cover any claim for medical disputes, damage to our fixed assets or employee injuries. Any liability or damage to, or damage caused by, our facilities or our personnel beyond our insurance coverage may result in our incurring substantial costs and require

significant management attention. In addition, there are certain losses for which insurance is not available in the PRC on commercially practicable terms, such as losses suffered due to earthquakes, typhoons, flooding, war or civil disorder. If we are held responsible for any such damages, liabilities or losses and there is insufficient or unavailable insurance, we could suffer significant costs and diversion of our resources, and thereby materially and adversely affect our business, financial condition and results of operation.

Any breaches to our security measures leading to failure to maintain the security of customer-related information or compliance with security requirements could adversely reduce use of our services from customers and damage our reputation and brand name.

In the ordinary course of our business, we collect, process, and store sensitive data including, among other things, legally protected patient health information, personally identifiable information about our employees and proprietary business information, which makes our IT systems attractive targets and potentially vulnerable to cyberattacks, computer viruses, ransomware, physical or electronic break-ins or similar disruptions. While we have taken steps to protect the confidential information that we have access to, our security measures could be breached. Because techniques used to sabotage or obtain unauthorized access to systems change frequently and generally are not recognized until they are launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. Any accidental or willful security breaches or other unauthorized access to our systems could cause confidential patient information to be stolen and used for criminal purposes. Security breaches or unauthorized access to confidential information could also expose us to liability related to the loss of the information, time-consuming and expensive litigation and negative publicity. If security measures are breached because of third-party action, employee error, malfeasance or otherwise, or if design flaws in our technology infrastructure are exposed and exploited, our reputation and brand name could be severely damaged, we could incur significant liability and our business and operations could be adversely affected.

We may not be able to obtain, maintain, or enforce our intellectual property rights and may be subject to intellectual property litigations that could adversely impact our business.

Intellectual property rights are essential to our business, and we devote significant time and resources to their development and protection. Our business relies on intellectual property, including patents, copyrights, trademarks, etc. The value of our intellectual property relies in part on our ability to maintain proprietary rights to such intellectual property. If we are unable to obtain or maintain the proprietary rights to our intellectual property, if we are unable to prevent attempted infringement against our intellectual property, or if we are unable to defend against claims of infringing on another party's intellectual property, our business could be adversely affected. These adverse effects could include having to abandon, alter or delay the deployment of services or processes that rely on such intellectual property, having to procure and pay for licenses from the holders of intellectual property rights that we seek to use, and having to pay damages, fines, and costs in connection with intellectual property litigation.

Assertions by third parties of infringement or other violations by us of their intellectual property rights could result in significant costs and harm our business and results of operations.

The validity, enforceability and scope of intellectual property rights protection in China are uncertain and still evolving. We cannot be certain that our tests, technologies and services do not or will not infringe patents, software copyrights, trademarks or other intellectual property rights held by third parties. From time to time, we may be subject to legal proceedings and claims alleging infringement of patents, trademarks or copyrights, or misappropriation of creative ideas or formats, or other infringement of proprietary intellectual property rights. Any such proceedings and claims could result in significant costs to us and divert the time and attention of our management and technical personnel from the operation of our business. These types of claims could also potentially adversely impact our reputation and our ability to conduct business and raise capital, even if we are

ultimately absolved of all liability. Moreover, third parties making claims against us may be able to obtain injunctive relief against us, which could block our ability to offer one or more services or tests and could result in a substantial award of damages against us. Intellectual property litigation can be very expensive, and it may have material adverse effect on our results of operations and financial positions to defend ourselves.

Because patent applications can take many years to issue, there may be pending applications, some of which are unknown to us, that may result in issued patents upon which our services, tests or proprietary technologies may infringe. Moreover, we may fail to identify issued patents of relevance or incorrectly conclude that an issued patent is invalid or not infringed by our technology or any of our services or tests. There is a substantial amount of litigation involving patents and other intellectual property rights in the PRC. If a third-party claim that we infringe upon a third-party's intellectual property rights, we may have to, among others:

- seek to obtain licenses that may not be available on commercially reasonable terms, if at all;
- abandon any services alleged or held to infringe, or redesign our services or processes to avoid potential assertion of infringement;
- pay substantial damages including, in exceptional cases, treble damages and attorneys' fees, if a court decides that the device, test or proprietary technology at issue infringes upon or violates the third-party's rights;
- pay substantial royalties or fees or grant cross-licenses to our technology; and
- defend litigation or administrative proceedings that may be costly whether we win or lose, and which could result in a substantial diversion of our financial and management resources.

If we are unable to maintain the confidentiality of our trade secrets or know-hows, our reputation, business and competitive position may be harmed.

Our commercial success will depend, in large part, on our ability to obtain, maintain and defend know-hows and other intellectual property protection with respect to our services. We seek to protect our trade secrets or know-hows, in part, by entering into agreements, including confidentiality agreements and non-disclosure agreements, with parties that have access to them, such as our employees, consultants, corporate partners and, other third-party service providers. Nevertheless, there can be no guarantee that an employee or a third party will not make an unauthorized disclosure of such proprietary confidential information. This might happen intentionally or inadvertently. It is possible that a competitor will make use of such information, and that our competitive position will be compromised, in spite of any legal action we might take against persons making such unauthorized disclosure. In addition, to the extent that our employees, consultants or contractors use intellectual property owned by others in their work for us, disputes may arise as to the rights of related work products created or the resulting know-how and inventions. Enforcing a claim that a third party illegally obtained and is using any of our trade secrets or know-hows is expensive and time-consuming, and the outcome is unpredictable.

We sometimes collaborate with third parties, such as research institutions to conduct research relevant to our business. The ability of these third-parties to publish or otherwise publicly disclose data and other information generated during the course of their research is subject to certain contractual limitations. These contractual provisions may be insufficient or inadequate to protect our confidential information. If we do not apply for patent protection prior to such publication, or if we cannot otherwise maintain the confidentiality of our confidential information, then our ability to obtain patent protection or to protect our trade secrets or know-hows may be jeopardized. Failure to protect our intellectual property may severely disrupt our business operations, reduce or eliminate any competitive advantage we have developed, and materially harm our business, financial condition results of operations and prospects, and any remediation may significantly divert management's attention and resources from other activities.

We are subject to credit risks in relation to trade and bill receivables and customers could default on their obligations to pay our fees.

We are exposed to credit risks from our customers. Our trading terms with our customers are mainly on credit, except for new customers, where payment in advance is normally required. In general, we normally grant a credit period of 90 to 120 days. Starting from 2022, in response to Chinese government's measures to contain the spread of the Omicron variant, we have participated in an increasing number of COVID-19 mass testing organized by local governments, which may have longer payment periods. We seek to maintain strict control over our outstanding receivables and we seek to minimize credit risks. However, there is no guarantee that all of our customers will settle payment in full as it falls due. If any of our customers refuses to settle the payment, becomes insolvent or delays its payment of our fees, our cash flow, as well as our business, results of operations, and financial position could be adversely affected. As of December 31, 2020, 2021 and 2022, we had total trade and bills receivables of RMB942.0 million, RMB1,213.5 million and RMB1,856.8 million, respectively. Any financial difficulties experienced by our customers may result in a reduction in their engagement of our services and expose us to higher credit risks, which could in turn materially and adversely affect our financial condition and results of operations.

We may not be able to effectively manage our inventory levels.

Our inventories mainly include reagents and consumables used in relation to our laboratory services, as well as finished goods which are equipment and instruments we sell to our customers. We have adopted a centralized inventory management system, to help manage our inventory levels based on our forecasts of customer demand for our services in each laboratory. Customer demand, however, can be affected by numerous uncertainties, including in relation to the outbreak of pandemic, regulatory approvals, possible seasonality and other factors beyond our control. Our inventories amounted to RMB102.9 million, RMB109.4 million and RMB229.4 million as of December 31, 2020, 2021 and 2022, respectively. If we fail to manage our inventory levels effectively, we may be subject to a higher risk of inventory obsolescence, a decline in the value of inventories, and potential inventory write-downs or write-offs. Procuring additional inventories may also require us to commit substantial working capital, which would prevent us from using this capital for other purposes. Any of the foregoing may adversely affect our results of operations and financial condition.

Our results of operations, financial conditions have been adversely affected by fair value changes of our convertible redeemable preferred shares during the Track Record Period and the effect of the fair value change may continue to adversely affect our results of operations and prospects.

We use significant unobservable inputs, such as expected volatility, discount for lack of marketability, risk-free interest rate and discount rate, in valuing our convertible redeemable preferred shares. Changes in fair value of our convertible redeemable preferred shares may significantly affect our financial position and results of operations. Accordingly, such determination requires us to make significant estimates, which may be subject to material changes, and therefore inherently involves a certain degree of uncertainty. Fair value of our convertible redeemable preferred shares amounted to RMB443.9 million, RMB621.9 million and RMB589.2 million as of December 31, 2020, 2021 and 2022, respectively. We experienced fair value losses on convertible redeemable preferred shares of RMB61.5 million in 2021. Factors beyond our control can significantly influence and cause adverse changes to the estimates we use and thereby affect the fair value of such liabilities. These factors include, but are not limited to, general economic condition, changes in market interest rates and stability of the capital markets. Any of these factors, as well as others, could cause our estimates to vary from actual results, which could materially and adversely affect our results of operations and financial condition. We will continue to experience fluctuation of the fair value of our convertible redeemable preferred shares after December 31, 2022 till the [**REDACTED**], upon which all the convertible redeemable preferred shares will automatically convert into our Shares. After the automatic conversion of the convertible redeemable preferred shares into Shares upon the [**REDACTED**], which may result in a net asset position, we do not expect to recognize any further loss or gain on fair value changes from the convertible redeemable preferred shares in the future.

Our deferred tax assets may not be recovered.

Our deferred tax assets amounted to RMB52.0 million, RMB74.6 million and RMB118.4 million, as of December 31, 2020, 2021 and 2022, representing approximately 1.9%, 2.4% and 2.4% of our total assets as of the same dates, respectively. We periodically assess the probability of the realization of deferred tax assets, using accounting judgments and estimates with respect to, among other things, historical operating results, expectations of future earnings and tax planning strategies. In particular, as those deferred tax assets can only be recognized to the extent that it is probable that future taxable profits will be available against which the unused tax credits can be utilized. However, there can be no assurance that our expectation of future earnings will always be accurate as a result of factors beyond our control, such as general economic conditions or negative development of regulatory environment, or if we fail to recover impaired receivables and advances or financial assets, in which case the value of our deferred tax assets may not be recoverable and may result in a valuation allowance that would negatively affect our financial condition and results of operations.

We may suffer from goodwill impairment.

Goodwill is initially measured at cost. After initial recognition, goodwill is measured at cost less any accumulated impairment charges. We test goodwill for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash generating units to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. Estimating the value in use requires us 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. There are inherent uncertainties related to these factors and to our judgment in applying these factors to the assessment of goodwill recoverability. We could be required to evaluate the recoverability of goodwill prior to the annual assessment if there are any impairment indicators which could potentially be caused by our failure to successfully integrate the operations of our acquisition of the business to which the goodwill relates with our other operations. Where the actual future cash flows are less than expected, a material impairment charge may arise. The carrying amount of goodwill as of December 31, 2022 was RMB79.8 million, and we have not recognized any impairment charges as of the same date. Impairment charges could substantially affect our reported results of operations in the periods of these charges. In addition, impairment charges could negatively impact our financial ratios and limit our ability to obtain financing.

We have intangible assets other than goodwill. If our other intangible assets were determined to require impairment, it could adversely affect our results of operations and financial position.

We have intangible assets other than goodwill in the form of software, patents, and customer relationship. As of December 31, 2020, 2021 and 2022, the carrying value of our intangible assets excluding goodwill amounted to RMB3.0 million, RMB20.5 million and RMB143.7 million, respectively. At the end of each reporting period, we review the carrying amounts of intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment charge. In the event that our intangible assets are impaired, the amount of the impairment will constitute a non-cash expense to the profit or loss. A slowdown in revenue growth or a decrease in profit margins could result in an impairment to our intangible assets other than goodwill. We cannot assure you that we will continue to maintain the same level of revenue growth or profit margins. In addition, a change in the assumptions used in the impairment testing of intangible assets may lead to significant impairment charges. While we did not identify any indicators of impairment during the Track Record Period, if our intangible assets are impaired, or there is a change in the assumptions used in the impairment testing of our intangible assets, our results of operations could be adversely affected.

We may not be able to fulfil our obligations in respect of contract liabilities, which may have a material and adverse impact on our results of operations and financial condition.

Our contract liabilities amounted to RMB11.7 million, RMB20.7 million and RMB21.1 million, as of December 31, 2020, 2021 and 2022, respectively. Our contract liabilities primarily arose from the advance payments from customers for the delivery of services and equipment. If we fail to fulfill our obligations under our contracts with customers, we may not be able to convert such contract liabilities into revenue, and our customers may also require us to refund the advance payments we have received, which may adversely affect our cash flow and liquidity condition. In addition, it may adversely affect our business, our relationship with such customers, which may also affect our reputation and results of operations in the future.

We have incurred, and expect to continue to incur, share-based compensation expenses, which may have a material and adverse effect on our results of operations.

We adopted Employee Incentive Plans in July 9, 2019, which were subsequently amended and restated on November 7, 2020, April 14, 2021 and October 1, 2021, to enhance our ability to attract and retain qualified individuals and align their interests with our growth and performance. For details of the Employee Incentive Plans, see "Appendix IV – Statutory and General Information". We recorded RMB63.6 million, RMB37.3 million and RMB15.0 million in share-based compensation expenses in 2020, 2021 and 2022, respectively. We believe the granting of share based compensation is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share based compensation to key personnel in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations.

Certain of our leased properties are subject to land defects, and we could be required to vacate such properties which may adversely affect our business, financial condition and results of operations.

As of the Latest Practicable Date, we did not own any real property, and we entered into 43 lease agreements of properties across different regions used for our offices and operating laboratories in the PRC. Upon expiration of the leases, we will need to negotiate for renewal of the leases and may have to pay increased rent. We cannot assure you that we will be able to renew our leases on terms which are favorable or otherwise acceptable to us, or at all.

As of the Latest Practicable Date, with respect to our leased properties in Changchun, Qingdao, Xiamen, Harbin and one of the leased properties in Hangzhou, the lessors had not provided valid title certificates, but all provided the Planning Permit for Construction Engineering for such properties. As advised by our PRC Legal Advisor, the validity and enforceability of the relevant lease agreements are not affected by such non-compliance. The lessor of the leased properties used by our newly acquired laboratory in Henan also failed to provide relevant valid title certificates. The competent local government authorities have acknowledged the major terms of and confirmed our laboratory's rights under the underlying lease agreement and we will not be subject to any penalties or forced relocation due to the lack of the relevant title certificates. The landlords of the properties in Qingdao, Xiamen, Harbin and Henan have agreed to indemnify the damages or losses that we would suffer due to the lack of title certificate of the leased properties concerned. Nevertheless, we cannot assure you that the lessors will not be subject to any challenges, lawsuits or other actions taken against the properties leased by us. If the lessors' rights with respect to any of such properties were successfully challenged, we may be forced to relocate our operations on the affected properties. If we fail to find suitable replacement properties on terms acceptable to us for the affected operations, our business, financial condition and results of operations may be materially and adversely affected.

As of the Latest Practicable Date, we had one property each in Jinan and Kunming leased by Jinan Adicon and Yunan Adicon, respectively, that were built on allocated land (劃撥用地). Pursuant to the Provisional Regulations of the People's Republic of China Concerning the Grant and Assignment of the Right to Use State-owned Land in Urban Areas (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》), lease of any property built on allocated land should be approved by local competent land and housing administrative authorities. As advised by our PRC Legal Advisor, according to consultations with and the compliance letter issued by the competent government authorities, according to the local practice in Tianqiao District of Jinan and Wuhua District of Kunming, no government approval is required for the lease of premises built on the allocated land by Jinan Adicon and Yunan Adicon. The landlords have agreed to indemnify the damages or losses that Jinan Adicon and Yunnan Adicon would suffer due to the lack of government approval for the lease of allocated land. Nevertheless, we cannot assure you that the landlords of Jinan Adicon and Yunnan Adicon will not be subject to any challenges, lawsuits or other actions taken against the properties leased by us. If the landlords' rights with respect to such properties were successfully challenged, we may be forced to relocate our operations in Jinan and Kunming. Our business, financial condition and results of operations in Jinan may be materially and adversely affected.

As of the Latest Practicable Date, the actual land use of the properties leased for our laboratories is inconsistent with the designated land use as specified in their land use right certificates. As of the Latest Practicable Date, one of our laboratories is located on land for commercial use, one of our laboratories is located on land for warehousing use, two of our laboratories are located on land for scientific study and educational use, one of our laboratories is located on construction land without specific use restrictions, one of our laboratories is located on land to be used as general plants for biology, medical and pharmaceutical industry and the rest of our operating laboratories are located on land for industrial use. Pursuant to applicable laws and regulations in China, any change in the use of land within an urban planning area shall be approved by the competent land and natural resources administration authorities and submitted to the competent authority that originally approved the land use for approval. If the use of a premise is inconsistent with the designated purpose of the state-owned land where the premise locates and deemed by competent natural resources and planning bureaus as a violation of applicable land related laws and regulations, the landlords of the properties would be required to rectify the noncompliance, imposed on a penalty ranging from RMB100 to RMB500 per square meter of the concerned land and even be ordered to return the land if the noncompliance could not be rectified within a required time period. As a tenant, we will not be subject to the aforesaid administrative penalties. However, if a landlord of the properties for our leases is required by competent authorities to rectify such land use or return the land, we may have to relocate and bear relocation costs. We may not be able to find other suitable properties to lease for our laboratory operation in a timely manner or at all, which may adversely affect our business operations. Please see "Business – Properties."

The above mentioned inconsistent land use is primarily due to the limited land available for medical purposes. In practice, due to the long cycle of formulation, modification and change of urban land use planning, the land for medical purposes is relatively limited, which hardly meet the needs of rapid development of medical services. Therefore, it is difficult for many non-hospital medical institutions (such as medical examination centers, independent clinical laboratories) to find suitable medical land, resulting in a large number of non-hospital medical institutions, like us, using non-medical properties in practice. However, in recent years, to ease the tight supply of suitable premises for privately-run medical institutions, relevant PRC government authorities have released several guidance, including Opinions on Promoting the Sustainable and Healthy and Standardized Development of Socially-run Medical Institutions (《關於促進社會辦醫持續健康規範發展的意見》), which confirmed that the premises approved to be used for commercial, industrial, office purposes could be used by medical institutions without changing the designated land use for a transitional period of five years, subject to local implementations. Our PRC Legal Advisor has confirmed that there are currently no locations where we operate laboratories where local policies or relevant government authorities have commenced the five-year transitional period or announced a date for the commencement of the five-year transitional period. Despite such positive development relating to land use for private medical institutions, we cannot assure you that such policies and regulations will continue to be of our advantage.

We may be subject to fines due to the lack of registration of our leases.

Pursuant to the Measures for Administration of Lease of Commodity Properties (《商品房屋租賃管理辦法》) which was promulgated by the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) on December 1, 2010 and became effective on February 1, 2011, both lessors and lessees are required to file the lease agreements for registration and obtain property leasing filing certificates for their leases.

As of the Latest Practicable Date, the lease agreements with respect to 11 properties we lease in the PRC for our business operations had not been registered and filed with the relevant PRC government authorities. As advised by our PRC Legal Advisor, failure to register such lease agreements with the relevant PRC government authorities does not affect the validity and enforceability of the relevant lease agreements but the relevant PRC government authorities may order us or the lessors to, within a prescribed time limit, register the lease agreements. Failure to do so within the time limit may subject us to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease. During the Track Record Period and as of the Latest Practicable Date, we had not received any such request or suffered any such fine from the relevant PRC government authorities.

As confirmed by our PRC Legal Advisor, the estimated aggregate maximum penalty is RMB110,000 with respect to the unregistered leases of properties leased by our Group. We are not subject to any action, claim or investigation being conducted or threatened by any third parties or the competent government authorities with respect to the registration in our leased properties as of the Latest Practicable Date. For more details, see "Business – Properties."

We may be adversely affected by the uncertainties and changes in the regulation of laboratory developed tests ("LDT") in the PRC, and any lack of requisite approvals, permits, registrations or filings in relation to our testing technologies developed in-house may have a material adverse effect on our business, results of operations and prospects.

Certain esoteric tests provided by Hangzhou Adicon are conducted in the form of LDTs with unregistered testing reagents as there is no registered testing reagent available in the market. As confirmed by our industry advisor, Frost & Sullivan, it is common for ICLs, including us, to provide testing services in the form of LDTs with unregistered testing reagents if there is no registered testing reagent available in the market. Revenues generated from LDTs each accounted for 0.5%, 0.5% and 0.3% of our total revenues in 2020, 2021 and 2022, respectively. Once registered reagents are available in the market, we plan to switch to those registered reagents.

Pursuant to Article 53 of Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》), or the Medical Devices Regulation, promulgated by the State Council and effective from April 1, 2000, latest amended on February 9, 2021 and effective on June 1, 2021, for in-vitro testing reagents that are not available in China, qualified medical institutions can develop such testing reagents on their own according to their clinical needs, and use such testing reagents within their own medical institutions under the guidance of practicing physicians. Specific administrative measures with respect to such development and use shall be formulated by National Medical Products Administration or NMPA in conjunction with the National Health Commission or NHC.

As advised by our PRC Legal Advisor, notwithstanding the latest amendments to the Medical Devices Regulation, up to the Latest Practicable Date, there is no specific definition for LDTs under the PRC laws and regulations, nor is there any specific administrative measure or standard for the use of LDTs within the PRC healthcare industry. As the latest amendments of the Medical Devices Regulation only became effective on June 1, 2021, a comprehensive regulatory framework governing the LDT industry has not yet been established. We cannot rule out the possibility that some common practices in the application of tests developed in-house might be viewed as not being in full compliance with the applicable PRC laws and regulations.

As advised by our PRC Legal Advisor, we may be subject to medical liability claims if the test is found to be inaccurate or erroneous as a result of the use of unregistered testing reagents and causes damage or loss to the clients or related parties. As further advised by our PRC Legal Advisor, pursuant to the Medical Devices Regulation, illegal or unpermitted use of unregistered medical devices may be subject to a fine of not less than five (5) times but not more than ten (10) times (for non-compliance before June 1, 2021) or twenty (20) times (for noncompliance after June 1, 2021) the value of such unregistered medical devices, and unregistered medical devices may be confiscated by NMPA or its local counterpart and in extreme circumstance, the business concerned may be ordered to be suspended. If all of our LDTs conducted during the Track Record Period were deemed to be illegal or unpermitted, the maximum penalty we may be exposed would be a monetary penalty of a cumulative of RMB122.3 million plus confiscation of unregistered testing reagents. During the Track Record Period, we did not make any provisions in this regard. According to the compliance letter issued by NHC of Xihu District, Hangzhou, Hangzhou Adicon has been in strict compliance with all applicable laws and regulations governing ICLs in terms of its technology, testing items, testing products and devices, among others during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, we had not been penalized or investigated by any relevant government authorities for provision of tests developed in-house by us. Additionally, we undertake to closely monitor the regulatory development and practices, and once the detailed implementing rules with respect to LDT are formally released by the NMPA and the NHC, we will take all necessary measures to ensure our LDT business is in compliance with such rules. Based on the consultations with Zhejiang NMPA and Hangzhou NMPA and applicable PRC laws and regulations, our PRC Legal Advisor is of the view that Article 53 of the Medical Devices Regulation provided legal basis of our current LDT business in principle and the likelihood of us being penalized due to our use of unregistered testing reagents for our LDT business will be substantially reduced.

We face risks associated with uncertainties relating to the interpretation and implementation of the Regulation for the Administration of Human Genetic Resources and other applicable laws and regulations.

The collection, preservation, usage and outbound provision of human genetic resources in the PRC are governed by Regulation for the Administration of Human Genetic Resources of the People's Republic of China (《中華人民共和國人類遺傳資源管理條例》), or HGR Regulation, except for activities relating to human genetic resources conducted for some specific purposes including clinical diagnosis and treatment. As advised by our PRC Legal Advisor, according to consultation with the competent government authority, our testing business for the purpose of clinical diagnosis and treatment ("**Clinical Testing**") are not governed by HGR Regulation. However, we cannot assure you that all our Clinical Testing will be continuously deemed as conducted for the purpose of clinical diagnosis and treatment by the relevant government authority. If such business is not deemed as for the purpose of clinical diagnosis and treatment, additional regulatory requirements including regulatory approvals may be required. Meanwhile, our testing services including those conducted in collaboration with external institutions for scientific research may be governed by HGR Regulation.

As advised by our PRC Legal Advisor, although an entity controlled, directly or indirectly, by foreign persons through shareholding ownership would be deemed as a restricted entity ("**Restricted Entity**", which would be not allowed to or restricted to engage in certain activities relating to human genetic resources for non-clinical diagnosis and treatment purpose), HGR Regulation remains unclear as to whether a variable interest entity controlled by a wholly foreign owned enterprise through contractual arrangements would be deemed and filed as a Restricted Entity. We cannot assure you that our PRC Operating Entities will not be deemed as Restricted Entities, given the lack of clear statutory interpretation regarding HGR Regulation. If our PRC Operating Entities are deemed as the Restricted Entities by relevant government authority, our non-clinical diagnosis and treatment business may be adversely affected and we may have to seek approval for such business from the relevant government authority, which may be difficult or impracticable and/or cooperate with domestic entities that are not Restricted Entities for purposes of the HGR Regulation and be required to obtain approvals or file with relevant government authority for such cooperation, which could result in additional cost and our business, financial condition and results of operations will be adversely affected.

Any litigation, legal and contractual disputes, claims, or administrative proceedings against us could be costly and time-consuming to defend or settle.

We may from time to time be involved in contractual disputes or legal and administrative proceedings and claims arising out of the ordinary course of business or pursuant to governmental or regulatory enforcement activity. Any claims, disputes or legal proceedings initiated by us or brought against us, with or without merit, may result in substantial costs and diversion of resources, and if we are unsuccessful, could materially harm our reputation. Any litigation, legal disputes, claims or administrative proceedings that are initially not material may escalate and become material to us due to a variety of factors, such as changes in the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake and the parties involved. Laws, regulations and legal actions could also have significant regulatory consequences and result in regulatory enforcement actions.

In 2019, due to inaccurate information presented in bidding materials as result of the carelessness of our employees, our subsidiary Hefei Adicon was disqualified on a bid with Mingguang Municipal People's Hospital, was imposed a fine of RMB5,100, and banned from participating in government procurement activities for one year from October 31, 2019, and was recorded and publicly disclosed as an ordinary dishonest conduct (一般失信行為) on website of Credit China (www.creditchina.gov.cn). Hefei Adicon had fully paid the fine and made all necessary rectification measures, and the competent government authorities made the decision on February 12, 2020, to restore the credibility of Hefei Adicon and the public disclosure of the ordinary dishonest conduct was subsequently withdrawn from Credit China. See "Business – Incidents – Incident Relating To Bidding."

Furthermore, claims, disputes or legal proceedings against us may be due to our counterparties, such as our suppliers, customers, and other third party service providers. Even if we are able to seek indemnity from them, they may not be able to indemnify us in a timely manner, or at all, for any losses or costs that we incur as a result of such claims, disputes and legal proceedings.

Our insurance might not cover claims brought against us, might not provide sufficient payments to cover all of the costs to resolve one or more such claims and might not continue to be available on terms acceptable to us. In particular, any claim could result in unanticipated liability to us if such claim is outside the scope of the indemnification arrangement we have with our customers, our customers do not abide by the indemnification arrangement as required or the liability exceeds the amount of any applicable indemnification limits or available insurance coverage. A claim brought against us that is uninsured or underinsured could result in unanticipated costs and could have a material adverse effect on our business, financial condition and results of operations.

Fluctuations in interest rate may adversely affect our cash flow.

We currently fund our operations principally by cash generated from our business operations and bank borrowings. We had no indebtedness, mortgages or charges, did not issue any debt securities and did not utilize any bank facilities, except as disclosed in "Financial Information – Indebtedness". We entered into a credit facility agreement of US$150 million on July 20, 2022, for the purposes of paying the special dividend we declared on May 18, 2022 and other general corporate purposes. For details, see "Financial Information – Dividends". However, we cannot assure you that we will be able to obtain bank loans or renew existing credit facilities in the future on favorable terms, or at all. Additionally, any fluctuation in interest rates may affect our ability to fund our operations and dividend payments.

Our operations may be adversely impacted by the effects of natural disasters such as hurricanes and earthquakes, public health emergencies and health pandemics, acts of terrorism and other criminal activities.

Natural disasters, acts of war or terrorism or other factors beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the regions where we conduct our business. Serious natural disasters may result in loss of lives, injury, destruction of assets and disruption of our business and operations. Acts of war or terrorism may also injure our employees, cause loss of lives, disrupt our business network and destroy our markets. Any of these factors and other factors beyond our control could have an adverse effect on the overall business sentiment and environment, cause uncertainties in the regions where we conduct business, cause our business to suffer in ways that we cannot predict and materially and adversely impact our business, financial conditions and results of operations.

A severe or prolonged downturn in the domestic or global economy could materially and adversely affect our business and financial condition.

The global macroeconomic environment is facing numerous challenges. There are threats of trade wars between the United States and its major trading partners, including China, and uncertainties over the impact of Brexit. The growth rate of the Chinese economy has generally been slowing since 2012 and the trend may continue. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China. There have been concerns over unrest and terrorist threats in the Middle East, Europe and Africa, which have resulted in market volatility. There have also been concerns on the relationship between China and other countries, including the surrounding Asian countries, which may potentially have economic effects. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Any severe or prolonged slowdown in the global or Chinese economy may materially and adversely affect our business, results of operations and financial condition.

RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

If the PRC government deems that the Contractual Arrangements do not comply with PRC regulatory restrictions on foreign investment in the relevant industries, or if these regulations or the interpretation of existing regulations change in the future, we could be subject to severe penalties or be forced to relinquish our interests received through the Contractual Arrangements.

Foreign ownership of certain business in PRC is subject to restrictions under current PRC laws and regulations. For example, except for qualified service providers from Hong Kong, Macao and Taiwan, foreign investors are not allowed to own 100% of the equity interest in medical institutions.

We are an exempted company incorporated in the Cayman Islands, as such, we are classified as a foreign enterprise under PRC laws and regulations. Through our wholly-owned PRC subsidiary, Aidiken WFOE, we have entered into a series of Contractual Arrangements with Hangzhou Adicon and the Registered Shareholders. Please see "Contractual Arrangements" for a detailed description of the Contractual Arrangements. Through our shareholdings and the Contractual Arrangements, our Company acquired effective control over the PRC Operating Entities and, at our Company's sole discretion, can receive all of the economic benefits generated by the PRC Operating Entities.

As advised by our PRC Legal Advisor, save as disclosed in the section headed "Contractual Arrangements – Legality of the Contractual Arrangements" in this Document, the Contractual Arrangements are legal, valid, enforceable and binding upon the parties thereto under the current laws and regulations. However, our PRC Legal Advisor has also advised us that there are substantial uncertainties regarding the interpretation and application of current or future PRC laws and

regulations. In addition, certain PRC court rulings may invalidate certain contractual agreements if they are considered to be entered into with the intention of circumventing foreign investment restrictions in the PRC in contravention of the Civil Code of the People's Republic of China (《中華人民共和國民法典》). Accordingly, there can be no assurance that the PRC government will ultimately take a view that is consistent with the opinion of our PRC Legal Advisor.

On March 15, 2019, the National People's Congress approved the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》) (the "**FIL**") which became effective on January 1, 2020. According to the FIL, the "foreign investment" refers to investment activities carried out directly or indirectly by foreign natural persons, enterprises or other organizations (hereinafter referred to as "**Foreign Investors**"). However, the interpretation and application of the FIL remain uncertain. In addition, the FIL stipulates that foreign investment includes "*Foreign Investors investing in PRC through many other methods under laws, administrative regulations or provisions prescribed by the State Council*". We cannot assure you that the Contractual Arrangements will not be deemed as a form of foreign investment under laws, regulations or provisions prescribed by the State Council in the future, as a result of which, it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and the impact on the Contractual Arrangements.

If our ownership structure, Contractual Arrangements or the business of Hangzhou Adicon and its subsidiaries are found to be in violation of any existing or future PRC laws or regulations, or we fail to obtain or maintain any of the required permits or approvals, the relevant governmental authorities would have broad discretion in dealing with such violations, including:

(i) levying fines on us;

(ii) confiscating our income or the income of the PRC Operating Entities;

(iii) revoking our business licenses and/or operating licenses;

(iv) shutting down our institutions;

(v) discontinuing or imposing restrictions or onerous conditions on our operations, requiring us to undergo a costly and disruptive restructuring; and

(vi) taking other regulatory or enforcement actions that could be harmful to our business.

Any of these actions could cause significant disruption to our business operations and severely damage our reputation, which would result in us failing to receive a portion of the economic benefits from Hangzhou Adicon and its subsidiaries, and in turn may materially and adversely affect our business, financial condition and results of operations.

Furthermore, new PRC laws, rules and regulations may be introduced to impose additional requirements that may be applicable to our corporate structure and the Contractual Arrangements. In addition, if any equity interest held by Aidiken WFOE in the PRC Operating Entities is held in the court custody in connection with its litigation, arbitration or other judicial or dispute resolution proceedings, we cannot assure you that the equity interest will be disposed of to us in such proceedings in accordance with the Contractual Arrangements. The occurrence of any of these events could adversely affect our business, financial condition and results of operations.

Our Contractual Arrangements may not be as effective in providing operational control as direct ownership and our PRC Operating Entities and their shareholders may fail to perform their obligations under our Contractual Arrangements.

We provide business support, technical and consulting services to Hangzhou Adicon and its subsidiaries, in which we have no ownership interest and rely on the Contractual Agreements with Hangzhou Adicon and the Registered Shareholders to control and operate the relevant business. Although we have been advised by our PRC Legal Advisor that, save as disclosed in this Document, our Contractual Arrangements constitute valid and binding obligations enforceable against each party of such agreements in accordance with their terms, these Contractual Arrangements may not be as effective in providing us with control over Hangzhou Adicon as direct ownership. Direct

ownership would allow us, for example, to directly or indirectly exercise our rights as a shareholder to effect changes in the board of directors of the PRC Operating Entities, which, in turn, could effect changes, subject to any applicable fiduciary obligations, at the management level.

If any PRC Operating Entity fails to perform its respective obligations under the Contractual Arrangements, we may incur substantial costs and expend substantial resources to enforce our rights. All of these Contractual Arrangements are governed by and interpreted in accordance with PRC laws, and disputes arising from these Contractual Arrangements will be resolved through arbitration or litigation in PRC. However, there are very few precedents and little official guidance as to how Contractual Arrangements in the context of a variable interest entity should be interpreted or enforced under PRC law. There remain significant uncertainties regarding the outcome of arbitration or litigation. These uncertainties could limit our ability to enforce these Contractual Arrangements.

The Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of the PRC Operating Entities, injunctive relief and/or winding up of these entities. These agreements also contain provisions to the effect that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, under PRC laws, these terms may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant injunctive relief to issue a provisional or final liquidation order. In addition, interim remedies or enforcement order granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC. In the event we are unable to enforce these Contractual Arrangements or we experience significant delays or other obstacles in the process of enforcing the Contractual Arrangements, we may not be able to exert effective control over the PRC Operating Entities and may not prevent leakage of equity and values to the shareholders of the PRC Operating Entities or obtain the full economic benefits of the same. Our ability to conduct our business may be negatively affected.

Our Contractual Arrangements may result in adverse tax consequences to us.

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the Contractual Arrangements were not made on an arm's length basis and adjust our income and expenses for PRC tax purposes by requiring a transfer pricing adjustment. A transfer pricing adjustment could materially and adversely affect us by (i) increasing the tax liabilities of the PRC Operating Entities without reducing the tax liability of Aidiken WFOE; or (ii) limiting the ability of the PRC Operating Entities to obtain or maintain preferential tax treatments and other financial incentives.

The Registered Shareholders of PRC Operating Entities may have conflicts of interest with us, which may materially and adversely affect our business.

The Registered Shareholders of PRC Operating Entities may potentially have a conflict of interest with us, and they may breach the Contractual Arrangements with us, if they believe it would further their own interest or if they otherwise act in bad faith. We cannot assure you that when conflicts of interest arise between us and PRC Operating Entities, the Registered Shareholders of PRC Operating Entities will act in our interests or that the conflicts of interest will be resolved in our favor.

In addition, the Registered Shareholders of PRC Operating Entities may breach or cause PRC Operating Entities to breach the Contractual Arrangements. If PRC Operating Entities or the Registered Shareholders breach the Contractual Arrangements with us or otherwise have disputes with us, we may have to initiate legal proceedings, which involve significant uncertainty. Such disputes and proceedings may significantly disrupt our business operations, adversely affect our ability to control PRC Operating Entities and otherwise result in negative publicity. We cannot assure you that the outcome of any such dispute or proceeding will be in our favor.

If we exercise the option to acquire equity ownership and assets of PRC Operating Entities, the ownership or asset transfer may subject us to certain limitations and substantial costs.

Pursuant to the Contractual Arrangements, Aidiken WFOE or its designated person(s) has the exclusive right to purchase all or any part of the equity interests in PRC Operating Entities from the Registered Shareholders for a nominal price.

The equity transfer may be subject to the approvals from and filings with the SAMR and other competent governmental authorities and/or their local competent branches. In addition, the equity transfer price may be subject to review and tax adjustment by the relevant tax or commerce authority. The Registered Shareholders will pay the equity transfer price they receive to PRC Operating Entities under the Contractual Arrangements. The amount to be received by PRC Operating Entities may also be subject to enterprise income tax. Such tax amounts could be substantial.

RISKS RELATING TO DOING BUSINESS IN CHINA

China's economic, political and social conditions, as well as governmental policies, could affect the business environment and financial markets in China, our ability to operate our business, our liquidity and our access to capital.

Substantially all of our operations are conducted in China. Accordingly, our business, results of operations, financial condition and prospects may be influenced to a significant degree by economic, political, legal and social conditions in China as well as China's economic, political, legal and social conditions in relation to the rest of the world. China's economy differs from the economies of developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While China's economy has experienced significant growth over the past 40 years, growth has been uneven across different regions and among various economic sectors of China. China's government has implemented various measures to encourage economic development and guide the allocation of resources. Some of these measures may benefit the overall economy in China, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are currently applicable to us. In addition, in the past, China's government implemented certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity in China, which may adversely affect our business and results of operation. More generally, if the business environment in China deteriorates from the perspective of domestic or international investment, our business in China may also be adversely affected.

Uncertainties with respect to Chinese legal system and changes in laws, regulations and policies in China could materially and adversely affect us.

We conduct our business primarily through our subsidiaries in China. PRC laws and regulations govern our operations in China. Our subsidiaries are generally subject to laws and regulations applicable to foreign investments in China, which may not sufficiently cover all of the aspects of our economic activities in China. In addition, the implementation of laws and regulations may be in part based on government policies and internal rules that are subject to the interpretation and discretion of different government agencies (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not always be aware of any potential violation of these policies and rules. Such unpredictability regarding our contractual, property and procedural rights could adversely affect our business and impede our ability to continue our operations. Furthermore, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties could materially and adversely affect our business and results of operations.

Filing with the CSRC may be required in connection with the [REDACTED], and, if required, we cannot predict whether we will be able to complete such filing.

In January 2015, the Ministry of Commerce of China, or the MOFCOM, published a discussion draft of the proposed FIL. The FIL passed the legislative review in March 2019, and came into effect on January 1, 2020. Foreign-invested entities will enjoy national treatment in industry sectors that are not prohibited or restricted from foreign investment. The FIL imposes information reporting requirements on foreign investors and the applicable foreign invested entities. Non-compliance with the reporting requirements will result in corrective orders and fines between RMB100,000 and RMB500,000. The FIL reinforces the duties of government authorities to protect intellectual property rights and trade secrets of foreign-investment entities. Government authorities cannot compel technology transfer by administrative means, reveal or provide trade secrets of foreign-invested entities to third parties. Last but not least, the FIL calls for the establishment of a foreign investment security review mechanism. In addition, any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention.

According to Article 6 of the 2021 Negative List, where a domestic company engaged in the business in the prohibited areas provided in the 2021 Negative List seeks to issue and list its shares overseas, it shall complete the examination process and obtain approval by the relevant competent authorities; the foreign investors shall not participate in the operation and management of the company; its shareholding percentage shall be subject to the relevant provisions on the administration of domestic securities investment by foreign investors. See "Regulatory Overview – Regulations Relating to Foreign Investment" and "Contractual Arrangements – Recent Regulatory Development in China" for more details.

Furthermore, on February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) (the "**Overseas Listing Trial Measures**") and five supporting guidelines, which will come into effect on March 31, 2023. The Overseas Listing Trial Measures will regulate both direct and indirect overseas offering and listing of PRC domestic companies' securities by adopting a filing-based regulatory regime. Pursuant to the Overseas Listing Trial Measures, where an issuer submits an application for initial public offering to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted. The Overseas Listing Trial Measures also requires subsequent reports to be filed with the CSRC on material events, such as change of control or voluntary or forced delisting of the issuer(s) who have completed overseas offerings and listings.

On the same day, the CSRC also held a press conference for the release of the Overseas Listing Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (關於境內企業境外發行上市備案管理安排的通知), which, among others, clarifies that companies that satisfy all of the following conditions shall be deemed as "Existing Applicants" and are not required to complete the overseas listing filing immediately, but shall complete filings as required if they conduct refinancing or are involved in other circumstances that require filing with the CSRC (i) the application for overseas offering or listing shall have been approved by the relevant overseas regulatory authority or stock exchange (such as passing the hearing for the listing application of its shares on the Stock Exchange) prior to March 31, 2023, (ii) the company is not required to reapply for offering and listing procedures to the overseas regulatory authority or securities exchanges (such as a new hearing for the listing application of its shares on the Stock Exchange) after March 31, 2023, and (iii) such overseas securities offering or listing shall be completed on or prior to September 30, 2023. See "Regulatory Overview – Regulations Relating to Foreign Investment". Based on the foregoing, if we are not deemed as an Existing Applicant, we will be required to complete the filing procedures with the CSRC in connection with the [**REDACTED**].

As of the date of this document, we had not received any inquiry, notice, warning, or sanctions regarding the proposed [**REDACTED**] or our corporate structure from the CSRC or any other PRC government authorities with respect to the filing requirement under the Overseas Listing Trial Measures or with respect to the VIE structure. However, given that the Overseas Listing Trial Measures were recently promulgated, there remains substantial uncertainties as to their interpretation, application, and enforcement and how they will affect our operations and our future financing. In addition, we cannot guarantee that new rules or regulations promulgated in the future will not impose any additional requirements on us or otherwise tighten the regulations on companies with a VIE structure. If it is determined that we are subject to any CSRC approval, filing, other governmental authorization or requirements, we may fail to obtain such approval or meet such requirements in a timely manner or at all. Such failure may subject us to fines, penalties or other sanctions which may have a material adverse effect on our business and financial condition as well as our ability to complete the [**REDACTED**].

Restrictions on currency exchange may limit our ability to receive and use financing in foreign currencies effectively.

Our PRC subsidiaries' ability to obtain foreign exchange is subject to significant foreign exchange controls and, in the case of transactions under the capital account, requires the approval of and/or registration with PRC government authorities, including the State Administration of Foreign exchange of the PRC, or SAFE. In particular, if we finance our PRC subsidiaries by means of foreign debt from us or other foreign lenders, the amount is not allowed to, among other things, exceed the statutory limits and such loans must be registered with the local counterpart of the SAFE. If we finance our PRC subsidiaries by means of additional capital contributions, these capital contributions are subject to registration with the SAMR or its local branch, reporting of foreign investment information with the PRC Ministry of Commerce, or registration with other governmental authorities in China.

In the light of the various requirements imposed by PRC regulations on loans to, and direct investment in PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government formalities or obtain the necessary government approvals on timely basis, if at all, with respect to future loans or capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approval, our ability to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

Discontinuation of government grant and preferential tax treatments we currently enjoy or other unfavorable changes in tax law could result in additional compliance obligations and costs, and may impact on our business and results of operations.

A number of our PRC operating entities enjoy various types of government grants and preferential tax treatment according to the prevailing PRC tax laws. Our PRC subsidiaries may, if they meet the relevant requirements, qualify for certain preferential tax treatment.

For a qualified high and new technology enterprise, the applicable enterprise income tax rate is 15%. For a qualified enterprise registered in western regions, the applicable enterprise income tax rate is 15%. For a qualified small low-profit enterprise, the applicable enterprise income tax rate is 20%. For our subsidiaries which are medical institutions, its revenues arising out of medical services are exempt from a 6% value-added tax. Pursuant to the policy on the exemption of value-added tax specified in Item 7 of Article 1 of the Annex 3 to the Circular on the Pilot Program for Overall Implementation of the Collection of Value Added Tax Instead of Business Tax (Cai Shui [2016] No. 36) (《財政部、國家税務總局關於全面推開營業税改徵增值税試點的通知》(財税[2016]36號)), revenues arising out of medical services rendered by a medical institution is exempt from value-added tax. On February 2, 2019, STA and Ministry of Finance issued Circular on Clarifying the Exemption of Elderly Care Agencies from Value-added Tax and Other Policies《財政部、税務

總局關於明確養老機構免徵增值税等政策的通知》(財税[2019]20號) ("**2019 VAT Circular**"), pursuant to which, from February 1, 2019 to December 31, 2020, a medical institution's revenues arising out of medical services rendered as entrusted by another medical institution shall be exempted from value-added tax.

If such PRC subsidiaries fail to maintain its respective qualification under the relevant PRC laws and regulations, their applicable enterprise income tax rates may increase to up to 25% and they may need to pay value-added tax for clinical testing revenues collected from customers, which could have a material adverse effect on our results of operations. In addition, the discontinuation of our existing government grants may also negatively impact on our business and results of operations.

Failure by the shareholders or beneficial owners who are PRC residents to make any required applications and filings pursuant to regulations relating to offshore investment activities by PRC residents may prevent us from distributing profits and could expose us and our PRC resident shareholders or beneficial owners to liability under the PRC laws.

Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) ("**Circular 37**"), which was promulgated by SAFE and became effective on July 4, 2014, together with relevant laws and regulations, requires PRC residents to register with banks designated by local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in Circular 37 as a "special purpose vehicle."

In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiary of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the offshore parent may be restricted in its ability to contribute additional capital into the PRC subsidiary. Furthermore, failure to comply with the SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

As of the Latest Practicable Date, each of our senior management who indirectly hold shares in our Company, being PRC resident and subject to the SAFE regulations have completed the initial registrations with the local SAFE branch or qualified banks as required by Circular 37. However, we may not be informed of the identities of all the PRC residents holding direct or indirect interest in our Company, and we cannot provide any assurance that these PRC residents will comply with our request to make or obtain any applicable registrations or continuously comply with all requirements under Circular 37 or other related rules. Even if our Shareholders and beneficial owners who are PRC residents comply with such request, we cannot provide any assurance that they will successfully obtain or update any registration required by Circular 37 or other related rules in a timely manner due to many factors, including those beyond our and their control. For example, due to the inherent uncertainty in the implementation of the regulatory requirements by PRC authorities, such registration might not be always practically available under all circumstances as prescribed in those regulations. Any failure by our PRC residents Shareholders or beneficial owners to register with SAFE or update their SAFE registrations in a timely manner pursuant to Circular 37 and subsequent implementation rules, or the failure of our future shareholders or beneficial owners who are PRC residents to comply with the registration requirements set forth in Circular 37 and subsequent implementation rules may result in penalties and limit our PRC subsidiary's ability to make distributions, pay dividends or other payments to us or affect our ownership structure and restrict our cross-border investment activities, which could adversely affect our business, financial condition and results of operations.

Failure to comply with PRC regulations regarding the registration requirements for the Employee Incentive Plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In February 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies (the "**SAFE Circular 7**",《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》). Under SAFE Circular 7 and other relevant rules and regulations, PRC residents who participate in a stock incentive plan in an overseas publicly-listed company are required to register with the SAFE or its local branches or commercial banks and complete certain other procedures.

Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly listed company or another qualified institution selected by a PRC subsidiary, to conduct SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend its SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes.

We and our PRC employees who are granted options and/or restricted share unites will be subject to these regulations upon the completion of this [**REDACTED**]. Failure to complete their SAFE registrations may subject these PRC residents to fines of up to RMB300,000 for entities and up to RMB50,000 for individuals, and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiary, limit our PRC subsidiary's ability to distribute dividends to us, or otherwise materially adversely affect our business.

The Chinese tax authorities have strengthened their scrutiny over transfers of equity interests in a Chinese resident enterprise by a non-resident enterprise.

On February 3, 2015, the STA issued the Public Announcement on Several Issues Concerning Enterprise Income Tax for Indirect Transfer of Assets by Non-Resident Enterprises (關於非居民企業所得税源泉扣繳有關問題的公告) ("**Bulletin 7**"), which has been further amended by the Bulletin on Issues Concerning the Withholding of Non-PRC Resident Enterprise Income Tax at Source ("**Bulletin 37**") issued by the STA on October 17, 2017 and amended on June 15, 2018. Pursuant to these bulletins, an "indirect transfer" of PRC assets, including a transfer of equity interests in a non-PRC holding company of a Chinese resident enterprise, by non-Chinese resident enterprise may be re-characterized and treated as a direct transfer of the underlying PRC assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax (the "**PRC Taxable Assets**").

For example, Bulletin 7 provides that where a non-resident enterprise transfers PRC Taxable Assets indirectly by disposing of equity interests in an overseas holding company directly or indirectly holding such PRC Taxable Assets, PRC tax authorities may disregard the existence of the overseas holding company and re-characterize the nature of the indirect transfer of PRC Taxable Assets as a direct transfer of PRC Taxable Assets, if such transfer is deemed to have been conducted for the purposes of avoiding PRC EIT and without any other reasonable commercial purpose.

Although Bulletin 7 contains certain exemptions, it is unclear whether any exemptions under Bulletin 7 will be applicable to the transfer of our Shares or to any future acquisition by us outside of China involving PRC Taxable Assets, or whether China's tax authorities will reclassify such transactions by applying Bulletin 7. Therefore, China's tax authorities may deem any transfer of our Shares by our shareholders that are non-resident enterprises, or any future acquisition by us outside of China involving PRC Taxable Assets, to be subject to the foregoing regulations, which may subject our shareholders or us to additional PRC tax reporting obligations or tax liabilities.

We may be subject to penalties under relevant PRC laws and regulations due to failure to be in full compliance with social insurance and housing provident fund regulation.

Pursuant to PRC laws and regulations, we are required to participate in the employee social welfare plan administered by local governments. Such plan consists of pension insurance, medical insurance, work-related injury insurance, maternity insurance, unemployment insurance and housing provident fund. The amount we are required to contribute for each of our employees under such plan should be calculated based on the employee's actual salary level of previous year, and be subject to a minimum and maximum level as from time to time prescribed by local authorities. During the Track Record Period, we did not pay social insurance and housing provident fund in full for our employees based on their actual salary level in accordance with the relevant PRC laws and regulations.

Our PRC Legal Advisor has advised us that, pursuant to relevant PRC laws and regulations, if we fail to pay the full amount of social insurance contributions as required, we may be ordered to pay the outstanding social insurance contributions within a prescribed time limit and may be subject to an overdue charge of 0.05% of the delayed payment per day from the date on which the payment is payable. If such payment is not made within the stipulated period, the competent authority may further impose a fine from one to three times the amount of any overdue payment. Our PRC Legal Advisor has further advised us that, pursuant to relevant PRC laws and regulations, if we fail to pay the full amount of housing provident fund as required, the housing provident fund management center may order us to make the outstanding payment within a prescribed time limit. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement. As of the Latest Practicable Date, no competent government authorities had imposed administrative action, fine or penalty to us with respect to this non-compliance incident nor had any competent government authorities required us to settle the outstanding amount of social insurance payments and housing provident fund contributions.

In addition, during the Track Record Period, some of our PRC subsidiaries engaged third-party human resources agencies to pay social insurance premium and housing provident funds for certain of our employees. Pursuant to the agreements entered into between such third-party human resources agencies and our relevant PRC subsidiaries, the third-party human resources agencies have the obligation to pay social insurance premium and housing provident funds for our relevant employees. These third-party human resources agencies have confirmed in writing that they have paid such contributions in full compliance with the agreements with us. Pursuant to the PRC laws and regulations, the contributions to social insurance premium and housing provident funds made through third-party accounts may not be viewed as contributions made by us. As of the Latest Practicable Date, neither our Company nor our PRC subsidiaries had received any administrative penalty or labor arbitration application from employees for its agency arrangement with third-party human resources agencies. As of December 31, 2022, our PRC subsidiaries paid contributions to social insurance premium and housing provident funds for seven employees through third party agencies per such employees' personal requests.

As the interpretation and implementation of labor laws and regulations are still evolving, we cannot assure you that our employment practice policy is and will at all times be deemed to be in full compliance with labor-related laws and regulations in China, which may subject us to labor disputes or government investigations. If we are deemed to have violated relevant labor laws and regulations, we could be required to provide additional compensation to our employees and our business, financial condition and results of operations could be materially and adversely affected.

PRC rules on mergers and acquisitions may make it more difficult for us to pursue growth through acquisitions in China.

PRC regulations and rules concerning mergers and acquisitions including the Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (《關於外國投資者併購境內企業的規定》), or the M&A Rules, and other regulations and rules with respect to mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex. For example, the M&A Rules require that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that have or may have impact on the national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. Moreover, according to the Anti-Monopoly Law of PRC promulgated on August 30, 2007 and the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings (《國務院關於經營者集中申報標準的規定》) issued by the State Council in August 2008 and amended in September 2018, the concentration of business undertakings by way of mergers, acquisitions or contractual arrangements that allow one market player to take control of or to exert decisive impact on another market player must also be filed in advance with the anti-monopoly enforcement agency of the State Council when the threshold is crossed and such concentration shall not be implemented without the clearance of prior notification. In addition, in 2011, the General Office of the State Council promulgated a Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知》), also known as Circular 6, which officially established a security review system for mergers and acquisitions of domestic enterprises by foreign investors. Under Circular 6, a security review is required for mergers and acquisitions by foreign investors having "national defence and security" concerns and mergers and acquisitions by which foreign investors may acquire the "de facto control" of domestic enterprises with "national security" concerns. On December 19, 2020, the NDRC and MOFCOM jointly promulgated the Measures on the Security Review of Foreign Investment (《外商投資安全審查辦法》), effective on January 18, 2021, setting forth provisions concerning the security review mechanism on foreign investment, including the types of investments subject to review, review scopes and procedures, among others. The Office of the Working Mechanism of the Security Review of Foreign Investment (外商投資安全審查工作機制辦公室) (the "Office of the Working Mechanism") will be established under NDRC, who will lead the task together with MOFCOM. Foreign investor or relevant parties in China must declare the security review to the Office of the Working Mechanism prior to the investments in, among other industries, important cultural products and services, important information technology and internet products and services, important financial services, key technologies and other important fields relating to national security, and obtain control in the target enterprise. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from competent government authorities may delay or inhibit our ability to complete such transactions. It is unclear whether our business would be deemed to be in an industry that raises "national defense and security" or "national security" concerns. However, the NDRC, the MOFCOM or other government agencies may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in the PRC, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

Payment of dividends may be subject to restrictions under the PRC laws.

Under the PRC laws, dividends may be paid only out of distributable profits. Distributable profits are the net profit as determined under PRC GAAP or IFRS, whichever is the lower, less any recovery of accumulated losses and appropriations to statutory and other reserves required to be made. As a result, we may not have sufficient, or any, distributable profits to enable us to make dividend distributions to our Shareholders in the future, including periods for which our financial statements indicate that our operations have been profitable. Any distributable profits that are not distributed in a given year are retained and available for distribution in subsequent years.

Moreover, as the calculation of distributable profits under PRC GAAP is different from the calculation under IFRS in certain respects, our operating subsidiaries may not have distributable profits as determined under PRC GAAP, even if they have profits for that year as determined under IFRS, or vice versa. Accordingly, we may not receive sufficient distributions from our subsidiaries. Failure by our operating subsidiaries to pay dividends to us could have a negative impact on our cash flows and our ability to make dividend distributions to our Shareholders in the future, including those periods in which our financial statements indicate that our operations have been profitable.

Holders of our Shares may be subject to PRC income tax obligations.

Under current PRC tax laws, regulations and rules, non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to the dividends paid to them by us and the gains realized upon the sale or other disposition of Shares.

Non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate under Individual Income Tax Law of the People's Republic of China (中華人民共和國個人所得税法) for the interests, dividends and bonus they obtain from the PRC. Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdiction in which the foreign individual resides reduce or provide an exemption for the relevant tax obligations. Generally, in accordance with the Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045 Issued by the STA (國家税務總局關於國税發[1993]045號文件廢止後有關個人所得税徵管問題的通知), domestic non-foreign-invested enterprises issuing shares in Hong Kong may, when distributing dividends to overseas resident individuals in the jurisdiction of the tax treaty, withhold individual income tax at the rate of 10%. When a tax rate of 10% is not applicable, the withholding company shall: (a) return the excessive tax amount pursuant to due procedures if the applicable tax rate is lower than 10%; (b) withhold such foreign individual income tax at the effective tax rate agreed on if the applicable tax rate is between 10% and 20%; or (c) withhold such foreign individual income tax at a rate of 20% if no taxation treaty is applicable.

For non-PRC resident enterprises that were established under foreign laws with no real management body in China but have establishments or premises in China, or for those which have no establishments or premises in China but whose income is derived from China, under the Enterprise Income Tax Law of the People's Republic of China (中華人民共和國企業所得税法), dividends paid by us and gains realized by such foreign enterprises upon the sale or other disposition of H Shares are ordinarily subject to PRC enterprise income tax at a 20% rate. In accordance with the Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知) issued by the STA, such tax rate has been reduced to 10%, subject to a further reduction under special arrangements or applicable treaties between China and the jurisdiction of the residence of the relevant non-PRC resident enterprise.

Despite the arrangements mentioned above, there are significant uncertainties as to the interpretation and application of applicable PRC tax laws and regulations due to several factors, including whether the relevant preferential tax treatment will be revoked in the future such that all non-PRC resident individual holders will be subject to PRC individual income tax at a flat rate of 20%.

In addition, there remain significant uncertainties as to the interpretation and application of applicable PRC tax laws and regulations by the PRC's tax authorities, including individual income tax on dividends paid to non-PRC resident Shareholders, and on gains realized on sale or other disposition of our Shares. The PRC's tax laws and regulations may also change. If there is any change to applicable tax laws and regulations or in the interpretation or application of such laws and regulations, the value of your [**REDACTED**] in our [**REDACTED**] may be materially affected.

Investors may experience difficulties in effecting service of legal process and enforcing judgments against us, our Directors, Supervisors or senior management.

Our operations are primarily in the PRC and most of our assets and our subsidiaries are located within the PRC. Most of our Directors, Supervisors and senior management reside within the PRC. As a result, it may not be possible to effect service of process outside of the PRC upon us or most of our Directors, Supervisors and senior management.

A judgment of a court of another jurisdiction may be reciprocally recognized or enforced in the PRC only if the jurisdiction has a treaty with the PRC or if the jurisdiction has been otherwise deemed by the PRC courts to satisfy the requirements for reciprocal recognition, subject to the satisfaction of other requirements. However, the PRC is not a party to treaties providing for the reciprocal enforcement of judgments of courts with foreign countries such as the United States and the United Kingdom and enforcement in the PRC of judgments of a court in these jurisdictions may consequently be difficult or impossible. On July 14, 2006, the Supreme People's Court of the PRC and the Government of the Hong Kong Special Administrative Region signed the Arrangement between the Mainland and the HKSAR on Reciprocal Recognition and Enforcement of the Decisions of Civil and Commercial Cases under Consensual Jurisdiction (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "2006 Arrangement"). Under the 2006 Arrangement, where any designated PRC court or Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, the party concerned may apply to the relevant PRC court or Hong Kong court for recognition and enforcement of the judgment. The 2006 Arrangement took effect on August 1, 2008, but the effectiveness of any action brought under the arrangement still remain uncertain. On January 18, 2019, the Supreme People's Court of the People's Republic of China and the Department of Justice under the Government of the Hong Kong Special Administrative Region signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "2019 Arrangement"). The 2019 Arrangement regulates, among others, the scope and particulars of judgments, the procedures and methods of the application for recognition or enforcement, the review of the jurisdiction of the court that issued the original judgment, the circumstances where the recognition and enforcement of a judgment shall be refused, and the approaches towards remedies for the reciprocal recognition and enforcement of judgments in civil and commercial matters between the courts in mainland China and those in the Hong Kong Special Administrative Region. As for now, the 2019 Arrangement has not come into force.

RISKS RELATING TO THE [REDACTED]

There has been no [REDACTED] for the Shares and an [REDACTED] may not develop.

Prior to completion of the [**REDACTED**], there has been no [**REDACTED**] for our Shares. There can be no guarantee that an [**REDACTED**] for our Shares will develop or be sustained after completion of the [**REDACTED**]. The [**REDACTED**] is the result of negotiations among our Company, the [**REDACTED**] and the [**REDACTED**] (for themselves and on behalf of the [**REDACTED**]), which may not be indicative of the price at which our Shares will be [**REDACTED**] following completion of the [**REDACTED**]. The [**REDACTED**] of our Shares may drop below the [**REDACTED**] at any time after completion of the [**REDACTED**].

The trading price of our Shares may be volatile, which could result in substantial losses to you.

The trading price of our Shares may be volatile and could fluctuate widely in response to factors beyond our control, including general market conditions of the securities markets in Hong Kong, China, the United States and elsewhere in the world. In particular, the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have [**REDACTED**] their securities in Hong Kong may affect the volatility in the price of and trading volumes for our Shares. A number of PRC-based companies have [**REDACTED**] their securities, and some are in the process of preparing for [**REDACTED**] their securities, in Hong Kong. Some of these companies have experienced significant volatility, including significant price declines after their [**REDACTED**]. The trading performances of the securities of these companies at the time of or after their [**REDACTED**] may affect the overall investor sentiment towards PRC-based companies [**REDACTED**] in Hong Kong and consequently may impact the trading performance of our Shares. These broad market and industry factors may significantly affect the market price and volatility of our Shares, regardless of our actual operating performance.

Investors will experience immediate dilution.

As the [**REDACTED**] of our Shares is higher than the consolidated net tangible assets per share immediately prior to the [**REDACTED**], purchasers of our Shares in the [**REDACTED**] will experience an immediate dilution in pro forma adjusted consolidated net tangible assets. Our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per share of their shares. In addition, holders of our Shares may experience further dilution of their interest if the [**REDACTED**] exercise the [**REDACTED**] or if we issue additional shares in the future to raise additional capital.

Future sales or perceived sales of substantial amounts of our Shares in the public market could have a material adverse effect on the prevailing market price of our Shares and our ability to raise additional capital in the future.

The market price of our Shares could decline as a result of substantial future sales of our Shares or other securities relating to Shares in the public market. Such a decline could also occur with the issuance of new Shares or other securities relating to our Shares, or the perception that such sales or issuances may occur. Future sales, or perceived sales, of substantial amounts of our Shares could materially adversely affect the prevailing market price of our Shares and our ability to raise future capital at a favorable time and price. Our shareholders would experience a dilution in their holdings upon the issuance or sale of additional securities for any purpose.

If securities or industry analysts do not publish research reports about our business, or if they adversely change their recommendations regarding our Shares, the market price and trading volume of our Shares may decline.

The trading market for our Shares will be influenced by the research and reports that industry or securities analysts publish about us or our business. If one or more of the analysts who cover us downgrade our Shares, the price of our Shares would likely decline. If one or more of these analysts cease coverage of our Company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

Because we do not expect to pay dividends in the foreseeable future after the [REDACTED], you must rely on price appreciation of Shares for a return on your investment.

We currently intend to retain most, if not all, of our available funds and any future earnings after the [**REDACTED**] to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in our Shares as a source for any future dividend income.

Our Board has discretion as to whether to declare and pay dividends. In addition, our shareholders may in a general meeting also declare dividends, provided that no dividends shall exceed the amount recommended by our Directors. In either case, in no circumstances may a dividend be paid if this would result in our Company being unable to pay its debts as they fall due in the ordinary course of business. Even if our Board decides to declare and pay dividends, or to recommend such dividends to our shareholders, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions (if any) received by us from our subsidiaries, our financial condition, contractual restrictions and other factors deemed relevant by our Board. Accordingly, the return on your investment in our Shares will likely depend entirely upon any future price appreciation of our Shares. There is no guarantee that our Shares will appreciate in value after the [**REDACTED**] or even maintain the price at which you purchased the Shares. You may not realize a return on your investment in our Shares and you may even lose your entire investment in our Shares.

Investors may experience difficulties in enforcing Shareholder rights.

Our Company is an exempted company incorporated in the Cayman Islands with limited liability and the laws of the Cayman Islands differ in some respects from those of Hong Kong or other jurisdictions where investors may be located. The corporate affairs of our Company are governed by the Memorandum and the Articles, the Companies Act and the common law of the Cayman Islands. The rights of Shareholders to take legal action against our Company and/or our Directors, actions by minority Shareholders and the fiduciary duties of our Directors to our Company under Cayman Islands laws are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. Shareholders may have different remedies in exercising their rights in the face of actions taken by the management of our Company, Directors or major Shareholders than they would as shareholders of a Hong Kong company or company incorporated in other jurisdictions. Such differences could mean that minority Shareholders could have different protections than they would have under the laws of Hong Kong or other jurisdictions with which minority Shareholders are more familiar.

There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various government publications, market data providers and other independent third-party sources, including the industry expert reports, contained in this document.

This document, particularly the section headed "Industry Overview," contains information and statistics relating to the healthcare and ICL industries. Such information and statistics were extracted from different official government publications, available sources from public market research and other sources form independent suppliers, and from the independent industry report prepared by Frost & Sullivan, an independent third party we engaged in connection with the [**REDACTED**]. The information from official government sources has not been independently verified by us, the [**REDACTED**], the [**REDACTED**], Joint Sponsors, [**REDACTED**], [**REDACTED**], any of the [**REDACTED**], the [**REDACTED**], any of their respective directors and advisers, or any other persons or parties involved in the [**REDACTED**], and no representation is given as to its accuracy. Accordingly the information from official government sources contained herein may not be accurate and should not be unduly relied upon.

You should read the entire document carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the [REDACTED].

There may be, subsequent to the date of this document but prior to the completion of the [**REDACTED**], press and media coverage regarding us and the [**REDACTED**], which may contain, among other things, certain financial information, projections, valuations and other forward-looking information about us and the [**REDACTED**]. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this document, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this document only and should not rely on any other information.

You should rely solely upon the information contained in this document, the [**REDACTED**] and any formal announcements made by us in Hong Kong in making your investment decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the [**REDACTED**] or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in our [**REDACTED**]. By applying to purchase our Shares in the [**REDACTED**], you will be deemed to have agreed that you will not rely on any information other than that contained in this document and the [**REDACTED**].

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

Our Company is incorporated under the laws of the Cayman Islands as an exempted company with limited liability. Given that our executive Director, headquarters, senior management, business operations and assets are primarily based in the PRC, our Company does not, and will not for the foreseeable future, have two executive Directors who are ordinarily resident in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules. Hence, we have applied to the Stock Exchange for, and the Stock Exchange [has granted] us, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. We will ensure that there is an effective channel of communication between our Company and the Stock Exchange by adopting the following arrangements:

(a) pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorized representatives, namely Ms. YANG Ling, our chairwoman, and Mr. WANG Lawrence Allen, our joint company secretary, to be the principal communication channel at all times between the Stock Exchange and our Company. Each of our authorized representatives will be readily contactable by the Stock Exchange by telephone, mobile and/or e-mail to deal promptly with enquiries from the Stock Exchange. The authorized representatives are authorized to communicate on our behalf with the Stock Exchange;

(b) we will implement a policy to provide the contact details of each Director (including telephone numbers, mobile numbers and email addresses) to each of the authorized representatives and to the Stock Exchange. This will ensure that each of the authorized representatives and the Stock Exchange will have the means to contact all our Directors (including our independent non-executive Directors) promptly as and when required, including the means to communicate with our Directors when they are travelling;

(c) we will ensure that all Directors who are not ordinarily resident in Hong Kong have valid travel documents to visit Hong Kong and will be able to come to Hong Kong to meet with the Stock Exchange within a reasonable period of time when required; and

(d) we have retained the services of a compliance advisor, being Somerley Capital Limited (the "**Compliance Advisor**"), in accordance with Rule 3A.19 of the Listing Rules. The Compliance Advisor will serve as a channel of communication with the Stock Exchange in addition to the authorized representatives of our Company. The Compliance Advisor will provide our Company with professional advice on ongoing compliance with the Listing Rules. We will ensure that the Compliance Advisor has prompt access to our Company's authorized representatives and Directors who will provide to the Compliance Advisor such information and assistance as the Compliance Advisor may need or may reasonably request in connection with the performance of the Compliance Advisor's duties. The Compliance Advisor will also provide advice to our Company when consulted by our Company in compliance with Rule 3A.23 of the Listing Rules. Meetings between the Stock Exchange and the Directors could be arranged through the authorized representatives or the Compliance Advisor, or directly with the Directors within a reasonable time frame. Our Company will inform the Stock Exchange as soon as practicable in respect of any change in the authorized representatives and/or the Compliance Advisor in accordance with the Listing Rules.

WAIVER IN RESPECT OF JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, the company secretary must be an individual who, by virtue of his/her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary. Pursuant to Note 1 to Rule 3.28 of the Listing Rules, the Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or barrister as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong); and

(c) a certified public accountant as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong).

Pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing "relevant experience", the Stock Exchange will consider the individual's:

(a) length of employment with the issuer and other issuers and the roles he/she played;

(b) familiarity with the Listing Rules and other relevant law and regulations including the SFO, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

Our Company appointed Mr. WANG Lawrence Allen and Ms. SO Ka Man, as joint company secretaries. Please refer to the section headed "Directors and Senior Management" in this Document for their biographies.

Ms. SO Ka Man is a Chartered Secretary, a Chartered Governance Professional and a fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. Ms. SO meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules and is in compliance with Rule 8.17 of the Listing Rules.

While Mr. WANG Lawrence Allen does not possess the formal qualifications required of a company secretary, we have applied for, and the Stock Exchange [has granted] us, a waiver from strict compliance with Rules 3.28 and 8.17 of the Listing Rules for a three year period from the [**REDACTED**] on the condition that (i) Mr. WANG Lawrence Allen must be assisted by Ms. SO Ka Man who possesses the qualifications and experience as required under Rule 3.28 of the Listing Rules and who is appointed as a joint company secretary throughout the three-year waiver period; and (ii) the waiver can be revoked if there are material breaches of the Listing Rules by our Company.

CONNECTED TRANSACTIONS

We have entered into certain transactions which will constitute continuing connected transactions of our Company under the Listing Rules following the completion of the [**REDACTED**]. We have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with (where applicable) (i) the announcement requirement of the Listing Rules, (ii) the annual cap requirement, and (iii) the requirement of limiting the term of the continuing connected transactions set out in Chapter 14A of the Listing Rules for such continuing connected transactions. Should there be any amendment of terms of the Contractual Arrangements or any proposed transaction to be entered into between our Company and its connected person(s), our Group shall comply with the requirements under Chapter 14A of the Listing Rules unless a waiver from the Stock Exchange is obtained as appropriate. For further details, see the section headed "Connected Transactions" in this Document.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

DIRECTORS

Name	Address	Nationality
Chairwoman and non-executive Director		
Ms. YANG Ling (楊凌)	House No. 5, 50 Island Road Repulse Bay, Hong Kong	Chinese (Hong Kong)
Executive Director		
Mr. GAO Song (高嵩)	Room 901, No. 17, Lane 518 Changshou Road Putuo District Shanghai, the PRC	Chinese
Non-executive Directors		
Mr. LIN Jixun (林繼迅)	Flat D, 26/F, Tower 2 Centrestage 108 Hollywood Road Hong Kong	Chinese (Hong Kong)
Ms. FENG Janine Junyuan (馮軍元)	House 12B, Belleview Garden 5 Belleview Drive Repulse Bay, Hong Kong	Chinese (Hong Kong)
Ms. LIM Kooi June	Biyun Road Lane 777 Building 6-202 Pudong New District Shanghai, the PRC	Malaysian
Independent non-executive Directors		
Mr. MI Brian Zihou (宓子厚)	Room 705, No. 2, Lane 180 Hongshan Road Pudong New Area Shanghai, the PRC	American
Mr. YEH Richard (葉霖)	Room 21C, Tower 9, Marinella 9 Welfare Road Aberdeen, Hong Kong	Canadian
Mr. ZHANG Wei (張煒)	Room 1205, Block 2 Vanke Xingyuan Yangshan Road Chaoyang District Beijing, the PRC	Chinese

See the section headed "Directors and Senior Management" in this Document for further details.

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors and [REDACTED]

Morgan Stanley Asia Limited
46/F, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Jefferies Hong Kong Limited
Level 26, Two International Finance Centre
8 Finance Street
Central
Hong Kong

[**REDACTED**]

[**REDACTED**]

Legal Advisors to our Company	*As to Hong Kong law and United States law* **Kirkland & Ellis** 26th Floor, Gloucester Tower The Landmark, 15 Queen's Road Central Central, Hong Kong *As to PRC law* **Han Yi Law Offices** Suite 1801, Tower I, Huayi Plaza 2020 West Zhongshan Road Shanghai, PRC *As to Cayman Islands law* **Walkers (Hong Kong)** 15/F, Alexandra House 18 Chater Road Central, Hong Kong
Legal Advisors to the Joint Sponsors and the [REDACTED]	*As to Hong Kong law and United States law* **Clifford Chance** 27/F, Jardine House One Connaught Place Central, Hong Kong *As to PRC law* **Commerce & Finance Law Offices** 12-14th Floor, China World Office 2 No. 1 Jianguomenwai Avenue Beijing, PRC
Auditors and Reporting Accountants	**Ernst & Young** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 27/F, One Taikoo Place 979 King's Road Quarry Bay, Hong Kong

Industry Consultant	**Frost & Sullivan (Beijing) Inc. Shanghai Branch Co.** Room 1014 – 1018, Tower B Greenland Center 500 Yunjin Road Xuhui District Shanghai, PRC

[**REDACTED**]

CORPORATE INFORMATION

Principal Place of Business and Headquarters in China	No. 208, Zhenzhong Road West Lake District Hangzhou, the PRC
Principal Place of Business in Hong Kong	Suite 1303, 13/F, Golden Centre 188 Des Voeux Road Central Sheung Wan Hong Kong
Registered Office	Third Floor, Century Yard Cricket Square P.O. Box 902 Grand Cayman, KY1-1103 Cayman Islands
Company's Website	**www.adicon.com.cn** *(the information contained on the website does not form part of this Document)*
Joint Company Secretaries	Mr. WANG Lawrence Allen (王之翰) Flat 17B, Azura, 2A Seymour Road Mid-Levels, Hong Kong Ms. SO Ka Man (蘇嘉敏) (FCG, HKFCG (PE)) 5/F, Manulife Place 348 Kwun Tong Road Kowloon, Hong Kong
Authorized Representatives	Ms. YANG Ling (楊凌) House No. 5, 50 Island Road Repulse Bay, Hong Kong Mr. WANG Lawrence Allen (王之翰) Flat 17B, Azura, 2A Seymour Road Mid-Levels, Hong Kong
Audit Committee	Mr. YEH Richard (葉霖) *(Chairman)* Mr. ZHANG Wei (張煒) Mr. MI Brian Zihou (宓子厚)
Remuneration Committee	Mr. MI Brian Zihou (宓子厚) *(Chairman)* Ms. YANG Ling (楊凌) Mr. ZHANG Wei (張煒)
Nomination Committee	Ms. YANG Ling (楊凌) *(Chairwoman)* Mr. ZHANG Wei (張煒) Mr. YEH Richard (葉霖)

Strategy Committee	Ms. YANG Ling (楊凌) *(Chairwoman)* Mr. GAO Song (高嵩) Mr. MI Brian Zihou (宓子厚)

[**REDACTED**]

Compliance advisor	**Somerley Capital Limited** 20th Floor, China Building 29 Queen's Road Central Central, Hong Kong
Principal Bank	**Industrial and Commercial Bank of China Limited Hangzhou Gudang Sub-branch** Ground floor, Block 1 Gudang Xincun Hangzhou, Zhejiang Province PRC

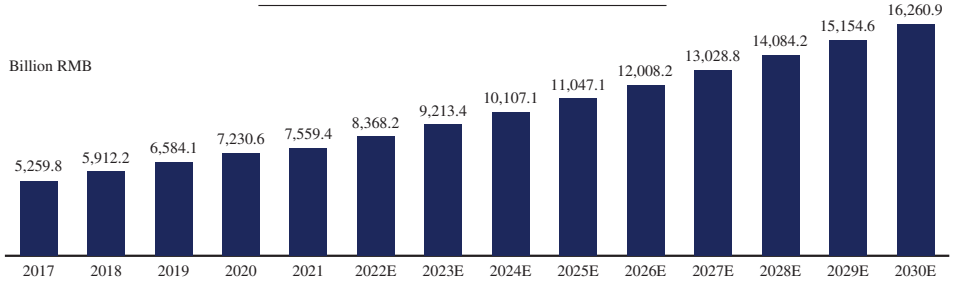
The information and statistics set out in this section and other sections of this document were extracted from different official government publications, available sources from public market research and other sources from independent suppliers, and from the independent industry report prepared by Frost & Sullivan. We engaged Frost & Sullivan to prepare the Frost & Sullivan Report, an independent industry report, in connection with the* [REDACTED]. *The information from official government sources has not been independently verified by us, the* [REDACTED], *the* [REDACTED], *Joint Sponsors,* [REDACTED], [REDACTED], *the* [REDACTED], *any of the* [REDACTED], *any of their respective directors and advisers, or any other persons or parties involved in the* [REDACTED], *and no representation is given as to its accuracy.

OVERVIEW OF HEALTHCARE SERVICES MARKET IN CHINA

With the accelerated growth of the aging population, rising health awareness and increasing life expectancy, China's total healthcare expenditure has grown rapidly in recent years and ranked the second highest globally, reaching RMB7,559.4 billion in 2021, and it is expected to grow further to reach RMB11,047.1 billion in 2025 at a CAGR of 9.9% from 2021 to 2025. Moreover, healthcare expenditure per capita in China has also experienced significant growth. From 2017 to 2021, it grew at a CAGR of 9.2% from RMB3,757 to RMB5,348, and is expected to reach RMB7,724 by 2025 and RMB11,243 by 2030, representing a CAGR of 9.6% from 2021 to 2025 and a CAGR of 7.8% from 2025 to 2030.

Total Healthcare Expenditure in China, 2017-2030E

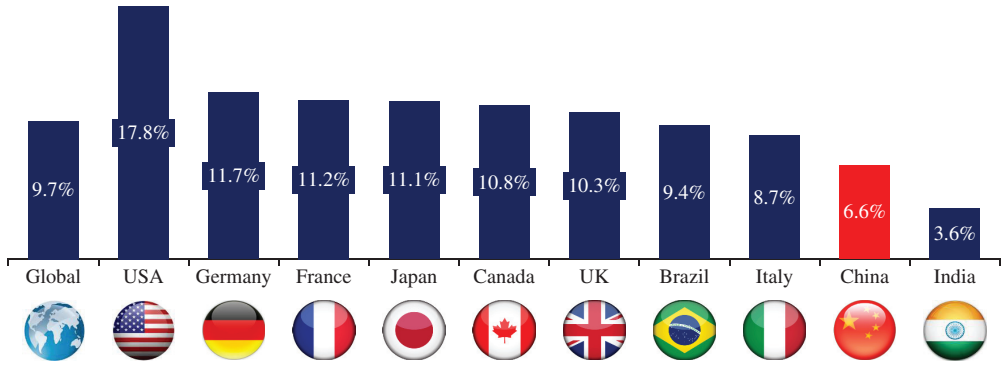
Period	CAGR
2017-2021	9.5%
2021-2025E	9.9%
2025E-2030E	8.0%



Source: NBSC, Frost & Sullivan Analysis

For most of the top 10 countries by GDP, healthcare expenditure as a percentage of GDP is approximately 10%. Of the top 10 countries by GDP, the United States has the highest percentage of healthcare expenditure at 17.8%, compared to a relatively low percentage of 6.6% for China and is expected to increase to be closer to the peer average.

Healthcare Expenditure as a Percentage of Top 10 GDP Countries in 2019

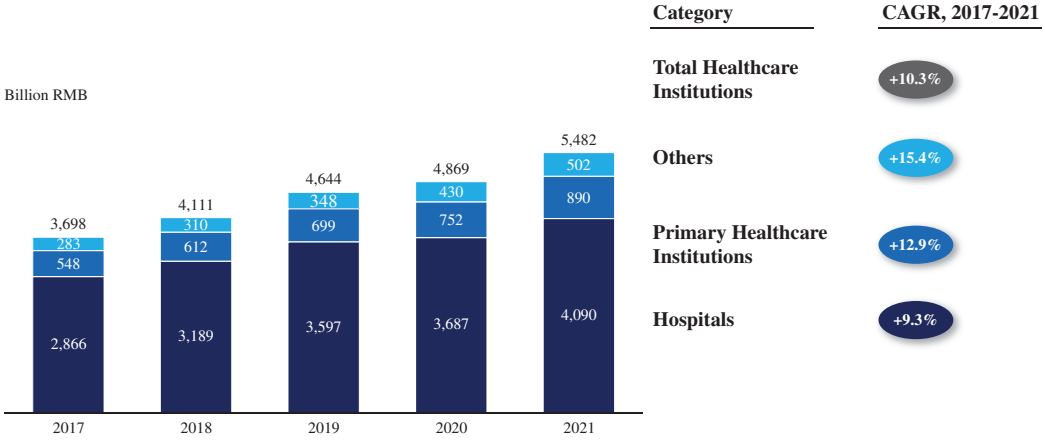


Source: NBSC, BEA, Frost & Sullivan analysis

China's healthcare services market has witnessed continuous and robust growth. The total size of the healthcare services market, as measured by total revenues generated by all types of healthcare institutions, has increased at a CAGR of 8.9% from RMB3,698 billion in 2017 to RMB5,207 billion in 2021, and is expected to further grow at a CAGR of 8.7% and reach RMB7,269 billion by 2025.

Healthcare service providers in China primarily consist of hospitals (public and private hospitals), primary healthcare institutions (including community healthcare centers, rural healthcare centers and village clinics), and other healthcare institutions (such as women and children healthcare institutions, special disease prevention agencies and center of disease control). Hospitals play the most important role in China's healthcare services industry, with hospitals' revenue taking 74.6% of the market share among the entire healthcare institution market in China in 2021. The following chart shows the evolution of the revenue composition of China's healthcare institutions from 2017 to 2021.

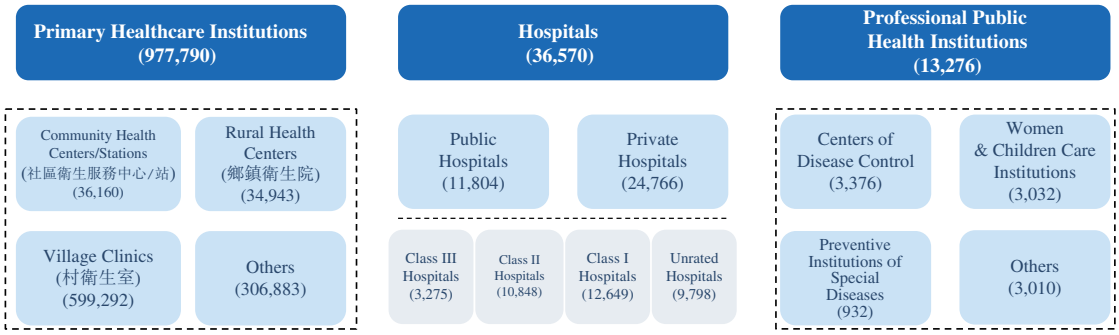
Revenue of Healthcare Institutions in China, 2017-2021



Source: NHC, Frost & Sullivan Analysis

The total number of hospitals in China reached 36,570 in 2021. In particular, from 2017 to 2021, there has seen a significant growth in private hospitals in terms of total number and capacity, while public hospital growth has been comparatively stagnant. The number of private hospitals grew at a CAGR of 7.2% from 18,759 in 2017 to 24,766 in 2021, accounting for 67.7% of total hospitals in 2021, whereas the number of public hospitals has seen a decline in the same period.

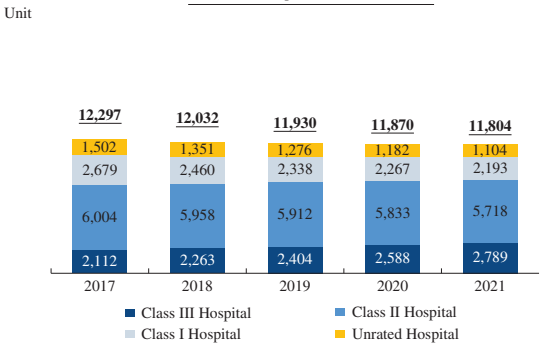
China Healthcare Service System, 2021



Source: NHFPC, Frost & Sullivan analysis

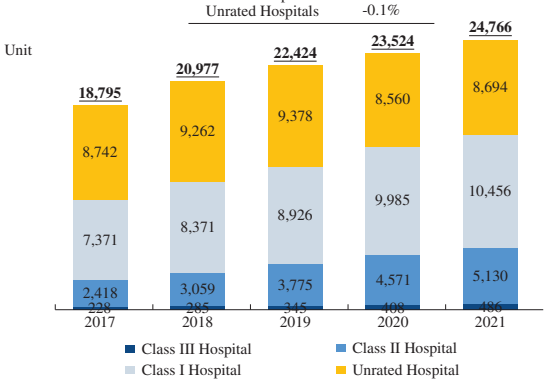
The Number of Public Hospitals by Grade, 2017-2021

CAGR	2017-2021
Total Public Hospitals	-1.0%
Class III Hospitals	7.2%
Class II Hospitals	-1.2%
Class I Hospitals	-4.9%
Unrated Hospitals	-7.4%



The Number of Private Hospitals by Grade, 2017-2021

CAGR	2017-2021
Total Private Hospital	7.2%
Class III Hospitals	20.8%
Class II Hospitals	20.7%
Class I Hospitals	9.1%
Unrated Hospitals	-0.1%



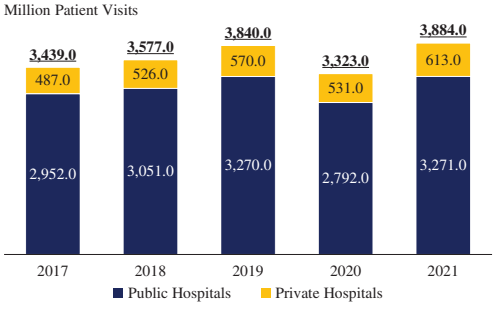
Source: NHC, Frost & Sullivan analysis

Public policies have encouraged growth in the private healthcare market. In 2013, the National Health and Family Planning Commission and State Administration of Traditional Chinese Medicine issued the Several Opinions on Accelerating the Development of Socially-run Medical Institutions (《關於加快發展社會辦醫的若干意見》), allowing non-public medical institutions to be included in the designated scope of medical insurance and allowing doctors to practice at multiple sites to help them simultaneously work in private and public hospitals. In 2016, the National Health and Family Planning Commission issued the Notice on Printing and Distributing the Guiding Principles for the Setup Plan of Medical Institutions (2016-2020) (《關於印發醫療機構設置規劃指導原則(2016-2020年)的通知》), encouraging private medical institution development and accelerating the formation of a diversified medical institution pattern, so that private hospitals have gradually gained the same position as public hospitals in applying for designated institutions of medical insurance and scientific research and teaching. In addition, by providing service-oriented care with lengthier patient visits and an increased emphasis on preventative care, private hospitals have gradually gained the trust from the public and created a positive perception, which in turn encouraged further growth of private hospitals.

Although public hospitals have historically received more than 80% of both inpatient and outpatient visits, private hospitals visits have started to catch up in recent years. Outpatients and inpatients received by private hospitals have accounted for a growing percentage of total hospital patient visits from 2017 to 2021, increasing from 14.2% to 15.8% for outpatients and from 17.5% to 18.4% for inpatients.

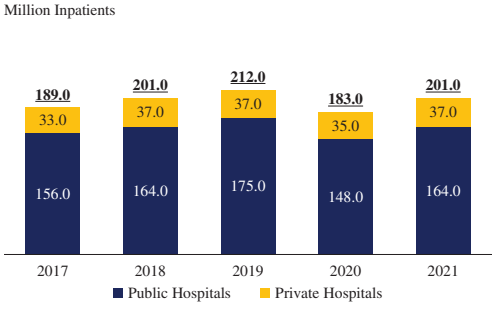
Outpatient Visits of Hospitals in China, 2017-2021

	Public Hospitals	Private Hospitals	Total
CAGR (2017-2021)	2.6%	5.9%	3.1%



Inpatients of Hospitals in China, 2017-2021

	Public Hospitals	Private Hospitals	Total
CAGR (2017-2021)	1.3%	2.9%	1.6%



Source: Frost & Sullivan analysis

Pain Points and Unmet Needs of Healthcare Services Market in China

Despite its rapid growth, China's healthcare services market is still immature. Pain points and unmet needs of the market include the following:

Uneven Geographical Distribution of Medical Services

China has both a shortage of medical resources and uneven geographical distribution of existing medical resources. For example, as one of the most developed cities in China, Beijing has abundant medical resources, with more than 110 Class III hospitals and more than five Class III hospitals per million population in 2021. In contrast, provinces such as Hebei and Henan had less than 1.5 Class III hospital per million population in 2021. As such, there is expected to be an increasing number of hospitals established in lower tier cities, which will drive the demand for ICL testing in these areas.

Concentration of Medical Resources and Diagnostic Demands in Higher-tiered Hospitals

China's medical resources are concentrated in large Class III hospitals, and patients also preferentially seek healthcare services in higher-tier hospitals, which leads to a severe concentration of medical resources and diagnosis demand in higher-tier hospitals. In 2021, Class III hospitals accounted only for 9.0% of the total number of hospitals in China, while receiving 57.5% of the total outpatient visits. The severe concentration of medical resources and diagnosis demand have caused poor patient experiences. For instance, on average, diagnosis time only accounted for 4.4% (approximately eight minutes) out of the approximate average of 180 minutes per outpatient visit in 2021, according to Frost & Sullivan. In addition, higher-tiered hospitals often charge more per outpatient visit. In 2021, Class III hospitals charged the most at RMB370.0 per outpatient visit on average, followed by RMB232.1 per visit for Class II hospitals and RMB174.6 per visit for Class I hospitals. Various initiatives have been rolled out by the Chinese government to drive a hierarchical healthcare system, including hospital alliances, publication of standardized referral pathways and reimbursement reform, to improve patients' access to primary care and balance public

medical resources. For example, the hospital alliance system is a network of medical treatment providers within a specific region, consisting of one central leading hospital, some lower tier hospitals along with community medical service facilities, and a referral mechanism to facilitate patient transfers within the system, in order to more efficiently utilize the provision of healthcare services. In response to the hierarchical medical system, medical institutions at all levels are inclined to outsource testing items to ICLs.

Heavy Reliance on Drug Sales in the Revenue Structure of Medical Institutions

Even though revenues generated by public hospitals in China has experienced gradual growth in recent years, such revenues have been focused on sales of drugs rather than examination or treatment, according to Frost & Sullivan. In 2021, revenue generated by drug sales in public hospitals accounted for 38.8% and 24.8% of outpatient revenues and inpatient revenues, respectively, and was the largest contributor of public hospital revenue. On the contrary, revenues generated by examinations accounted for only 20.4% and 10.2% of outpatient revenues and inpatient revenues, respectively. In recent years, a series of healthcare reforms have been carried out by the Chinese government to optimize the hospital revenue structure by reducing their reliance on medication and putting more emphasis on examination and treatment, which requires more expertise and service capabilities of physicians and hospitals. It is expected that revenues generated by examination and treatment will contribute a growing percentage of total revenues of hospitals. The change in the revenue structure and emphasis on examination and treatment may potentially result in an increasing demand for clinical testing, which will lead to more outsourcing demand to ICLs.

Overwhelming Financial Burden on Public Healthcare System

The Chinese government has made strong efforts to increase the accessibility and affordability of healthcare services through its healthcare reforms. Huge amount of investments have been made to construct and upgrade healthcare infrastructure and expand medical insurance coverage. A medical insurance system encompassing URBMIS and UEBMIS have been established to cover 96.5% of the Chinese population in 2021. While the funding for China's basic medical insurance fund is expected to grow with a CAGR of 6.6% from 2021 to 2025, expenditure is expected to experience a much higher growth with a CAGR of 8.9% in the same period, and surpass the funding in 2028, which puts a severe financial burden on both individuals and the government funding this program. The government continues to expand the scope of medical insurance payments. The funding for basic medical insurance increased from RMB1,793.2 billion in 2017 to RMB2,872.8 billion in 2021, with a CAGR of 12.5%. The expenditure of basic medical insurance increased from RMB1,442.2 billion in 2017 to RMB2,404.3 billion in 2021, with a CAGR of 13.6%. The growth rate of commercial health insurance premiums from 2017 to 2021 is also less than the growth rate of expenditure. In order to respond to costs pressure, public medical institutions could choose to outsource laboratory testing, which encourages the development of ICL to some extent.

OVERVIEW OF THE ICL MARKET IN CHINA

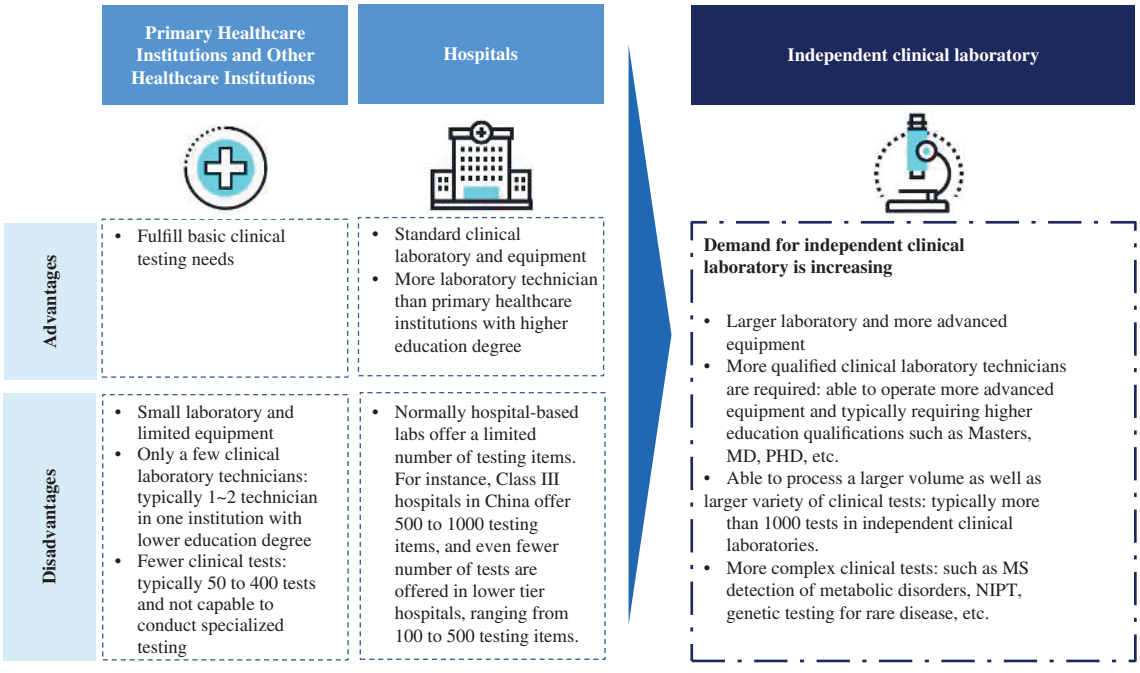
Unless otherwise indicated, China's ICL market data presented in this Document excludes the data of COVID-19 testing. For market data related to COVID-19 testing, please see "– Impact of COVID-19 on China's ICL Market."

Introduction of Clinical Diagnostic Testing

Clinical diagnostic tests are a group of medical tests carried out in laboratories that provide information about a person's health status. This information can assist physicians to make precise and personalized diagnostic decisions around patient care. According to Frost & Sullivan, roughly 70% to 80% of clinical decisions are based on some forms of laboratory testing. Moreover, clinical tests also are able to assist pharmaceutical and biotech companies in developing new drugs and vaccines, support private employers to detect alcohol and drug abuse of their employees, and help insurance providers assess the risks relating to applicants' health conditions.

Clinical diagnostic tests are generally carried out by three types of providers, namely, hospital-based laboratories, independent clinical laboratories, or ICLs, and others, such as, physician offices, nursing homes, and ambulatory surgery centers, among which hospital-based laboratories have been the largest providers of clinical testing services, both in terms of revenue and test volume. A hospital-based laboratory typically performs testing only for its own captive patients, whereas ICLs, on the other hand, are independent from hospitals, and receive samples from a plethora of hospitals and research institutions for analysis. Compared to hospital-based laboratories, ICLs are generally larger in scale. They normally have more advanced equipment and more technically trained laboratory personnel, which enable them to perform specialized tests and process larger volume of tests more cost-effectively. According to Frost & Sullivan, hospital-based laboratories typically have a test menu of around 800, mostly routine test items, fulfilling the basic diagnostic demands of patients of seen at a single hospital, whereas ICLs typically are capable of performing over 1,000 test items, consisting of a broad range of test types, including specialized esoteric tests.

The following chart summarizes the advantages and disadvantages of clinical testing service providers in China.



Source: Frost & Sullivan analysis

History of ICLs in China

An ICL is a medical institution is an independent legal entity with qualifications to engage in clinical testing or pathology laboratory services under the permission of the health administrative department. The development of ICL industry in China can be divided into five stages, infancy stage (1980s–1994), exploration stage (1994–2004), primary development stage (2004–2016), rapid development stage (2016–2019) and accelerated development stage (2019 till now).

Infancy stage (1980s–1994)

Prior to 1980s, all of the medical diagnosis services in China were provided by the clinical laboratory and pathology departments under medical institutions. With the development of diagnostic technology and changes in clinical needs, small and medium-sized hospitals had been unable to undertake comprehensive tests due to their limited capacity, resulting in the need to transfer their patients' samples to large hospitals for diagnosis. In the mid-1980s, Yangzhou medical examination center began to provide medical testing services.

Exploration stage (1994–2004)

Later, with the opening of market development for medical services, some testing service centers began to cooperate with hospitals to form as single ICLs, which only provide limited testing and did not achieve scale benefits. In 1994, the first ICL was established in China and was affiliated with a medical college. From 1994 to 2004, the ICL industry in China began to slowly develop.

Primary development stage (2004–2016)

In 2004, Ministry of Health organized the first ICL seminar in China which brought together medical experts, suppliers of medical devices and reagents across China. Since then, a large number of domestic ICLs and chain institutions had been established. In 2009, the Ministry of Health issued Basic Standards for Medical Laboratory, officially recognizing the legal status of ICLs, and since then the industry has experienced significant growth. Since 2014, the ICL industry has entered a new stage of innovative development. ICLs in China started to expand rapidly in a larger scale. On September 8, 2015, the General Office of the State Council issued the Guiding Opinions on Boosting the Construction of a Tiered Diagnosis and Treatment System (《關於推進分級診療制度建設的指導意見》) to guide localities in promoting the development of a hierarchical system for provision of diagnostic and medical services. With the implementation of these policies, the ICL market continued to flourish.

Rapid development stage (2016-2019)

In 2016, the National Health Commission issued the Basic Standards and Practice of Medical Test Laboratories (for Trial Implementation) (《醫學檢驗實驗室基本標準和管理規範(試行)》), which encouraged the development of chain ICLs and application of new testing technology, promoting the expansion of esoteric testing market. In 2018, Nation Health Commission issued a policy that the medical testing services of public hospitals can be outsourced to third-party medical institution, further boosting the growth of the ICL market.

Accelerated development stage (2019 till now)

In response to the outbreak of COVID-19 late in 2019, the government has issued many regulations on standardize the management and quality control systems of ICLs to improve their level of accuracy and consistency. In March 2021, the State Council issued Regulations for the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》), which provided that for in-vitro diagnostic reagents that do not have an approved marketed version in China, qualified medical institutions can develop them on their own according to the clinical needs of their own laboratories, and use them in their own laboratories under the guidance of qualified medical personnel. This can be seen as a favorable policy for laboratory developed tests, or LDT. Due to increasing demand and favorable policies, the number of ICLs in China increased from less than 70 in 2009 to over 2,100 in 2021.

Key Growth Drivers of China's ICL Market

The growth of China's ICL market is and will continue to be driven by the following key factors:

Growing Test Volume Driven by Population Aging and Better Diagnostic Services

The population in China has aged rapidly, with the number of people aged above 65 grew at a CAGR of 6.1% from 2017 to 2021 and is expected to grow further at a CAGR of 5.4% from 2021 to 2025 and reach 247.1 million by the end of 2025. China's severe aging issue has directly led to a surge in the prevalence of chronic diseases and an increase in the patient flow of serious diseases, both of which have and will continue to drive the testing demands, thereby boost the testing volume. In addition, the growing health awareness and soaring instances of chronic diseases are pushing people to conduct early detection and take initiatives for preventive measures. Health check industry in China has experienced growth with a CAGR of 4.3% from RMB118.3 billion in 2017 to RMB140.0 billion in 2021 and is expected to reach RMB178.4 billion by 2026. The number of people who seek medical check-ups in China reached 447.4 million in 2021, and is expected to grow with a CAGR of 4.4% to 521.1 million by 2026. Driven by increasing demand from customers, there has been a growing outsourcing rate of tests from health check centers as they are incentivized to seek cost competitive tests performed with premium quality.

In addition, the evolving field of precision medicine and emergence of novel technologies have also significantly stimulated the development of China's ICL market. Precision medicine is a medical model that proposes the personalization of medical decisions, treatments, practices, or products being tailored to a subgroup of patients, instead of a one-drug-fits-all model. Precision medicine is expected to shift the emphasis of medicine and treatment from reaction to prevention, improve disease detection, and preempt disease progression, which thereby drives the demand for more precise and higher-quality healthcare services. In 2015, the Ministry of Science and Technology held the "National Expert meeting on Precision Medicine Strategy" for the first time, which represented that China has entered the era of "precise medicine" at the strategic level. ICLs are increasingly important in the era of precision medicine. It will largely help physicians to integrate individual health data and information from clinical factors, real-time monitoring factors, molecular/diagnosis factors (multi-omics including epigenetics), and exogenous factors (environmental, behavioral, socio-economic, lifestyle) to develop personalized evidenced-based treatment interventions and ultimately deliver superior therapeutic outcomes for patients.

Increasing Outsourcing Demand from Hospitals

In China, people tend to directly visit and consult specialists in the hospitals due to the lack of a general practitioner referral system, which leads to severe hospitals overcrowding. Hospitals have been increasingly outsourcing clinical testing to private sectors to reduce the burden of overcrowded public facilities. With increased cost control pressures resulting from healthcare reforms, hospitals have been further incentivized to outsource their clinical testing to independent laboratories. In addition, National Healthcare Security Administration has implemented many regulation to control healthcare costs from hospitals, such as Technical Specifications on National Healthcare Security DRGs Grouping and Payment (《國家醫療保障DRG分組與付費技術規範》). Under this specification, reimbursement is calculated based on the care given to a "typical" patient within the group to treat a specific disease, instead of being reimbursed for every treatment item a patient receives. In order to maintain a profit level, hospitals are more incentivized to reduce the expenditure of their overall treatment costs and clinical testing costs. The implement of DRG system standardizes testing prices in hospitals and encourages cost containment initiatives. Cost control pressure in both public and private hospitals will drive the collaboration with ICLs who are able to provide comprehensive and high-quality testing services at lower costs.

On September 5, 2018, China National Health Development Research Center issued a project report on effect evaluation and experience summary of independent clinical Laboratory ("第三方醫學實驗室效果評估及經驗總結項目報告") in Guangzhou and pointed out that ICLs can save approximately 1% of China's total medical insurance expenditures, thereby saving nearly RMB22.1 billion of medical insurance funds in 2019. Due to ICLs' outstanding cost-saving capabilities, Chinese government was devoted to continuously expanding medical insurance coverage for tests outsourced to ICLs, which is expected to further encourage testing outsource to ICLs from hospitals to ICLs. China National Health Development Research Center estimated that the testing costs saved by ICLs from 2016 to 2020 amounted to RMB10.4 billion, RMB13.7 billion, RMB17.6 billion, RMB22.1 billion and RMB27.4 billion, respectively. Owing to ICLs' cost-saving capabilities, the government intended to increase its recognition of ICLs by connecting them to the medical insurance system.

Furthermore, due to hierarchical medical system implemented recently, medical institutions at all levels have a strong motivation to outsource testing items to ICLs. For primary medical institutions that lack testing equipment and professionals, and normally offer less than 400 testing items, it is difficult for them to accommodate the rapid increase in patient flow. Thus, it has seen an increasing demand for test outsourcing. For tertiary hospitals with better testing capacity offering more than 800 testing items, decreasing amount of tests performed resulting from patient diversion makes outsourcing clinical testing to ICLs an economic choice. In particular, when it comes to esoteric testing items with the characteristics of low volume, high cost, and high technical requirements, tertiary hospitals prefer outsourcing esoteric tests to ICLs for cost efficiency and better quality.

Unique Advantages of ICLs over Hospital-based Laboratories

Compared to hospital-based laboratories, ICL chain operators have a broad laboratory network coverage, which enables them to more easily connect to and cater to hospitals in different classes across regions. Moreover, once ICLs have expanded to a certain scale, they are capable of performing a large volume of tests with lower costs, benefited from centralized management, procurement and optimized utilization of equipment, human resources, reagents and facilities. In addition, ICLs generally are capable of performing a broad range of tests. Furthermore, with more capital resources and capital investment, ICLs are more advanced in introducing and applying new technologies and equipment, and are more proactive in achieving clinical laboratory accreditation and hire experienced and quality personnel to enhance their competitiveness, which enable them to deliver higher quality testing services.

Series of Healthcare Reforms Benefiting the ICL Market

Chinese government had carried out a series of healthcare reforms and introduced favorable policies aiming to reshape the clinical laboratory industry and to further support the growth and investment in the private sector. For example, in 2013, the NHFPC issued The Catalogue of Clinical Testing Items, which standardized the development of routine and esoteric testing. Furthermore, the stricter restriction on insurance pricing and healthcare services pricing reform will further lower the testing and examination costs at public hospitals. It is expected that such reform will turn hospitals' testing centers from revenue-oriented to cost-oriented, encouraging them to outsource more tests to ICLs that have more scale and cost advantages. In 2015, Guiding Opinions on Boosting the Construction of a Tiered Diagnosis and Treatment System explored the establishment of independent regional medical testing institutions, pathological diagnosis institutions, medical imaging inspection institutions, disinfection supply institutions, and blood purification institutions to control cost through regional resource sharing. In December 2016, Plan for Deepening Reform of the Medical and Healthcare System during the 13th Five-Year Plan Period (《"十三五"深化醫藥衛生體制改革規劃》) issued by NDRC specifically requires hospitals decrease repeat testing, lower test prices, and reduce the growth of healthcare expenditure in public hospitals to 10% by the end of 2017. In May 2022, NDRC released the 14th Five-Year Plan which unveiled a new road map to spur China's bioeconomy, in a bid to promote high-quality development of the sector. The new plan pledged to promote the integration and innovation of biotechnology and information technology, as well as accelerate the development of biomedicine, biological breeding, biomaterials, bioenergy and other industries to enhance bioeconomy in scope and strength.

In March 2021, the State Council issued Regulations for the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》), which provides that for in-vitro diagnostic reagents that do not have the same product on the market in China, qualified medical institutions can develop them on their own according to the clinical needs of their own units, and use them in their own units under the guidance of medical practitioners. This can be seen as a favorable policy for laboratory developed tests, or LDT.

Increasing Demand of Drug Innovation from CROs and Pharmaceutical Companies

In an effort to promote pharmaceutical innovation and drive the sustainable development of the healthcare market, the Chinese government has issued a series of favorable policies to encourage R&D activities. Driven by such favorable policies, pharmaceutical companies have continued to increase their R&D expenditures on drug innovation. In recent years, the R&D process has become more complex due to a number of factors, including (i) increasing number of large-scale multi-regional clinical trials, (ii) more stringent regulations on R&D activities, (iii) more innovative and complicated scientific methods used to address unmet medical needs, and (iv) the adoption of advanced technologies in the R&D processes. This has driven more pharmaceutical companies to outsource a broader range of R&D activities to reliable CROs with advanced technology and experienced technicians. With increasing number of clinical trials conducted in CROs, CROs have been increasingly willing to collaborate with eligible ICLs to which they can outsource tests, to enhance clinical trial efficiency and save costs. In particular, although the types of clinical testing services demanded by CROs and pharmaceutical companies vary from case to case based on their specific needs, they all require having samples processed using the same analytical methodology to avoid unintentional differences in laboratory results and reference ranges. Furthermore, these clients require more detailed tracking and analysis to comply with the stringent requirements for research and clinical trials. These clients can also require various types of protocol-specific tests for use in research or clinical trials, such as pharmacokinetic parameters, metabolite concentration, genetic mutation and biomarker tests that may be proprietary and/or for research use only.

Emerging Technologies Benefitting the Growth of the ICL Market

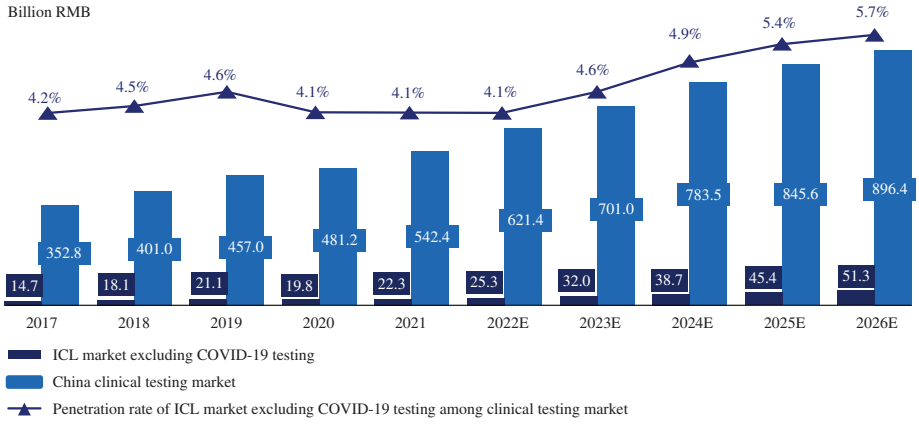
New technology such as novel gene sequencing platform, automation lab system, 5G network and advanced logistics system will have wider application, which will reshape and boost the ICL industry. For example, the advanced gene sequencing technique, or the next generation sequencing is more and more widely used in cancer research due to its advantages over traditional genomic analysis methods in terms of high accuracy, speed, and precision, low sample requirements. In addition, 5G network is critical to logistics system, improving its working efficiency, goods positioning and tracking efficiency. The emergence of 5G network is validated by numerous intelligent projects, for instance, autonomous vehicle and delivery, intelligent logistics warehouse and tracking. 5G network has the characteristics of high-speed data transmission, wide geographical coverage, low power dissipation, low transmission delay. The advancement of the logistics system with 5G network also provides efficient operation for ICLs, which is considered to have precise tracking, good surveillance on quality of specimen and high efficiency of data transmission. More importantly, the quality of the logistics system will also directly affect the test results of the laboratory, since specimen may be damaged or inactivated during transportation and consequently cause any inaccuracy of the test results.

Market Size and Growth of the ICL Market in China

The market size of China's clinical testing industry grew at a CAGR of 11.4% from RMB352.8 billion in 2017 to RMB542.4 billion in 2021, and is expected to reach RMB896.4 billion by 2026, representing a CAGR of 10.6%.

Breakdown of China Clinical Testing Market, 2017-2026E

CAGR	China Clinical Testing Market	ICL Market excluding COVID-19 testing
2017-2021	11.4%	10.9%
2021-2026E	10.6%	18.2%

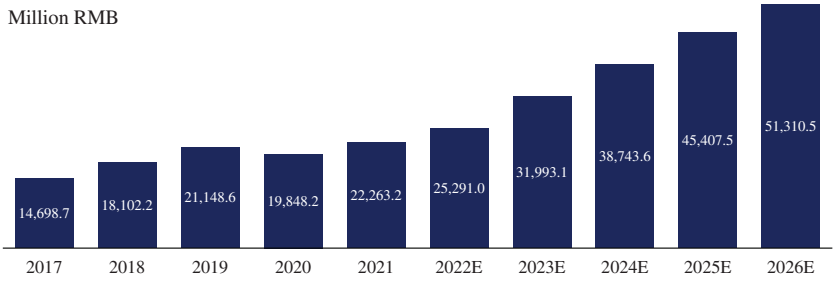


Source: Frost & Sullivan analysis

Meanwhile, China's ICL market without COVID-19 testing grew by a 10.9% CAGR from RMB14.7 billion in 2017 to RMB22.3 billion in 2021, and is expected to grow up to RMB51.3 billion by 2026 at a CAGR of 18.2% from 2021 to 2026.

China ICL Market Size and Forecast without COVID-19 Testing, 2017-2026E

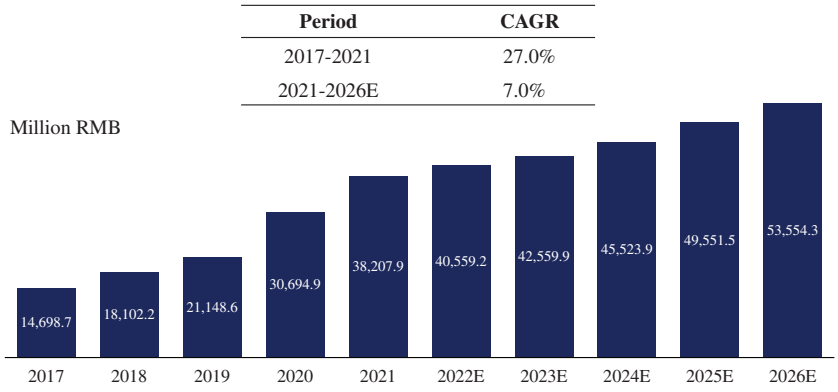
Period	CAGR
2017-2021	10.9%
2021-2026E	18.2%



Source: Frost & Sullivan analysis

China's ICL market with COVID-19 testing grew significantly by a 27.0% CAGR from RMB14.7 billion in 2017 to RMB38.2 billion in 2021, and is expected to grow up to RMB53.6 billion by 2026 at a CAGR of 7.0% from 2021 to 2026.

China ICL Market Size and Forecast with COVID-19 Testing, 2017-2026E

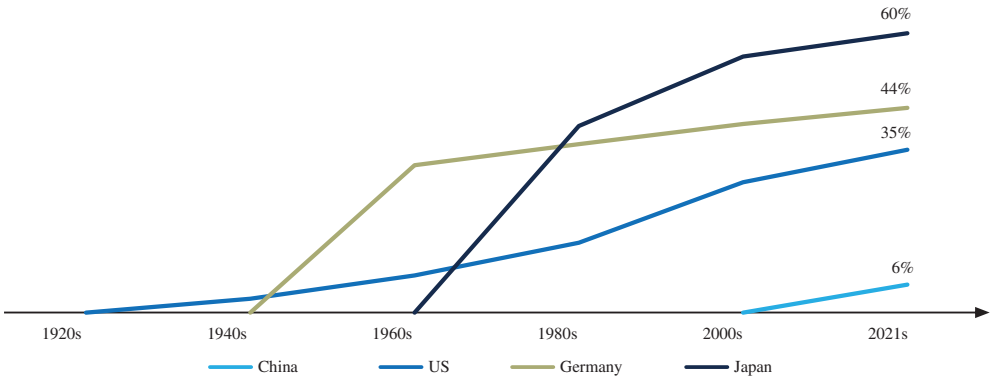


Source: Frost & Sullivan analysis

Comparison between China's and Global ICL Markets

Despite the rapid growth, China's ICL market is still in its infancy compared to other developed countries. ICLs originated from the United States in the 1920s. After nearly a century of development, it has evolved into an independently operated medical laboratory platform and has now become an indispensable part of the medical service system. However, China's first ICL was established in 1994 and the ICL industry has only developed relatively recently. In 2021, China only saw ICL penetration rate, measured by the ICL testing market size as a percentage of the total clinical testing market size, of approximately 6%, significantly less than 60% for Japan, 44% for Germany and 35% for the United States.

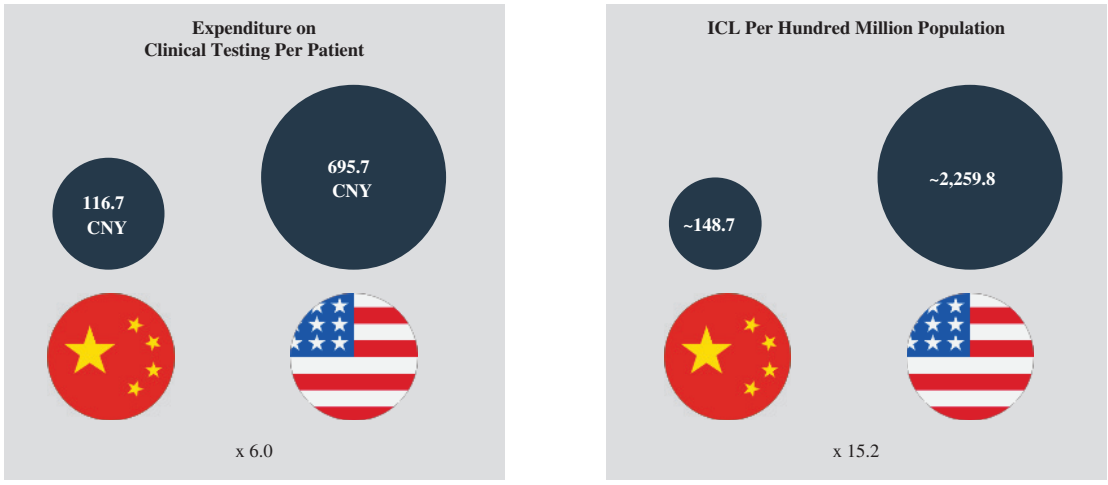
Development of ICL Penetration Rate in Different Countries



Source: Frost & Sullivan analysis

By the end of 2021, there were over 2,100 ICLs in China, whereas there were over 7,500 ICLs in the United States. China also lags behind in terms of expenditures on clinical testing per patient, with this figure one-sixth the size of that of the United States in 2021. There is still an ample room of further development of China's ICL market.

Comparison between China and U.S. by Expenditure on Clinical Testing and Number of ICLs Per Hundred Million Population, 2021



Source: National Health Commission, Frost & Sullivan analysis

The ICL Routine and Esoteric Testing Markets in China

Routine testing consists of commonly tested items for the purpose of providing information for the diagnosis, prevention, or treatment of a disease available in most clinical labs. Esoteric testing refer to tests that are less common and typically require specialized technologies or equipment to perform.

The following table sets forth a comparison between routine testing and esoteric testing:

Clinical Diagnostic Testing by Service Types

	Routine testing	Esoteric testing
Testing Items	Blood chemistry, bodily fluid biochemistry, blood type check, immunoglobulin examination, thyroid-related hormone and antibody testing, etc. Clinical Immunology, Microbiologic culture and organism identification, blood cultures, antimicrobial sensitivity tests; Urinalysis, and Enzyme-linked immunosorbent assay (ELISA)	Molecular testing for infectious disease such as Mycobacterium tuberculosis, hepatitis virus, influenza, HPV, HBV, Molecular testing for genetic functions and variations or tumor genetics such as BRCA1/2, prostate cancer biomarkers detection, cardiovascular disease risk prediction series; Pharmacogenomics testing such as CYP2C19; Cytogenetic testing including Fluorescence In Situ Hybridization (FISH); Liquid chromatography/mass spectrometry (LC-MS) in newborn screening, therapeutic drug monitoring (TDM)
Technology Platforms	Routine clinical chemistry, routine hematology, routine microbiology, routine immunology, etc.	Molecular diagnostics, protein chemistry, cellular immunology, advanced microbiology, etc.
Requirements for Personnel	Cost effective and highly efficient labor force	Higher educational and technical requirements
Features	• Homogeneous and standardize • Importance to achieve operating scale benefits • Broad market demand	• Higher R&D investment • Smaller volumes and more narrow customer demand • Requires higher sales and marketing spend
Major Service Provider	Hospitals, ICLs, Co-constructed clinical laboratories	ICLs

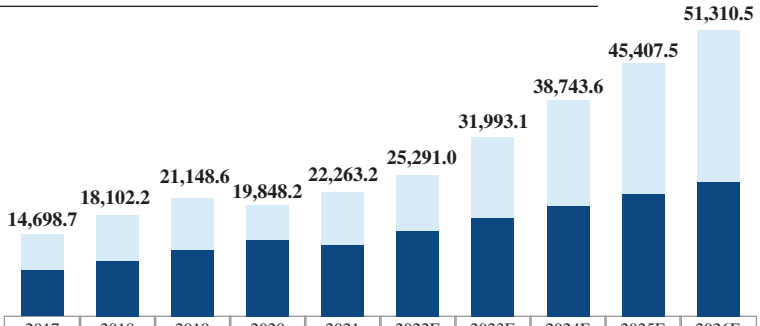
Source: Frost & Sullivan analysis

China's ICL market can be broken down by routine testing and esoteric testing. China ICL routine testing market has grown at a CAGR of 9.8% from RMB8.3 billion 2017 to RMB12.0 billion in 2021, and is expected to reach RMB22.4 billion in 2026, representing a CAGR of 13.3% from 2021 to 2026. Compared to ICL routine testing, esoteric testing grew at a faster rate, with a CAGR of 12.3% from RMB6.4 billion in 2017 to RMB10.3 billion in 2021, and is expected to grow at a CAGR of 23.0% to reach RMB28.9 billion by 2026.

Breakdown of China ICL Market by Routine Testing and Esoteric Testing without COVID-19 Testing, 2017-2026E

Period, CAGR	ICL Esoteric Testing	ICL Routine Testing	Total
2017-2021	12.3%	9.8%	10.9%
2021-2026E	23.0%	13.3%	18.2%

Million RMB



	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E	2026E
Total ICL	14,698.7	18,102.2	21,148.6	19,848.2	22,263.2	25,291.0	31,993.1	38,743.6	45,407.5	51,310.5
ICL Esoteric Testing	6,438.5	8,199.5	9,765.5	9,210.8	10,252.5	11,138.6	16,526.6	21,321.0	25,053.2	28,880.4
ICL Esoteric Testing proportion (%)	43.8	45.3	46.2	46.4	46.1	44.0	51.7	55.0	55.2	56.3
ICL Routine Testing	8,260.2	9,902.7	11,383.1	10,637	12,010	14,152.4	15,466.5	17,422.6	20,354.3	22,430.1
ICL Routine Testing proportion (%)	56.2	54.7	53.8	53.6	53.9	56.0	48.3	45.0	44.8	43.7

Source: Frost & Sullivan analysis

Demand for Clinical Laboratory Services from Research Institutions

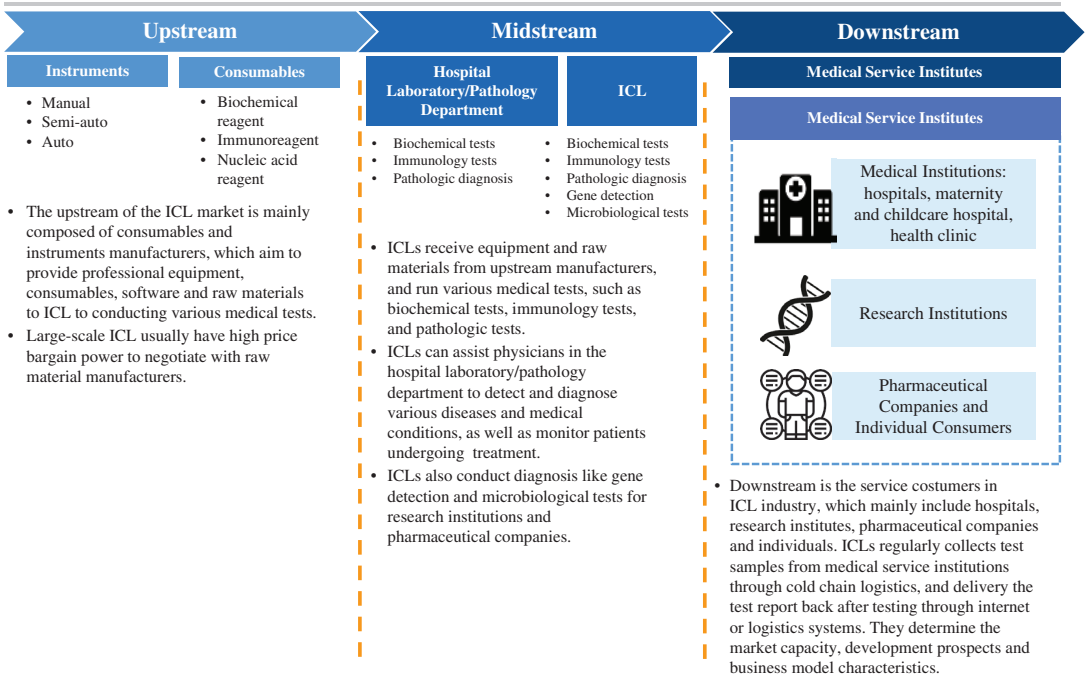
CRO central laboratory (central laboratory for clinical trials) is an independent medical laboratory providing in vitro diagnostic services for phase I-IV clinical trials. It is committed to providing scientific, compliance and one-stop comprehensive solutions for clinical trials of Chinese and foreign pharmaceutical companies, biotechnology companies, CRO companies, medical device companies and medical institutions. CRO central laboratories create a seamless service chain that covers research scheme design, diagnostic and testing services, laboratory materials supports, laboratory projects management, sample cold chain transportation, biological sample management, data management and statistical analysis and other services. Resulting from the increased R&D needs in Chinese pharmaceutical market and, benefiting from the favorable government policies, demand for clinical trial testing has increased, which further drives the development of ICL central laboratory services.

The CRO market in China has experienced a growth from RMB29.0 billion in 2017 to RMB64.0 billion in 2021 with a CAGR of 21.9%. The market is anticipated to maintain the rapid growth and further reach RMB155.8 billion in 2025, representing a CAGR of 25.0% from 2021 to 2025. The CRO market for clinical stage grew from RMB15.7 billion in 2017 to RMB32.7 billion in 2021, representing a CAGR of 20.1%. The CRO market for clinical stage is expected to grow from RMB32.7 billion in 2021 to RMB85.0 billion in 2025, representing a CAGR of 27.0%.

Value Chain of China's ICL Market

The following diagram illustrates the upstream and downstream sectors of China's ICL market:

China Industry Value Chain of Independent Clinical Laboratory



Source: Frost & Sullivan analysis

Entry Barriers of China's ICL Market

Despite the drivers discussed above, there remains significant entry barriers and challenges to the new entrants in China's ICL market:

Complex Regulatory Framework. The ICL market in China is heavily regulated. It is difficult and time-consuming for ICL players to apply for licenses and certificates to open laboratories and obtain approvals for testing techniques. Opening an ICL requires a Medical Institution Practicing License issued by the provincial and municipal health departments. As ICLs provide 80% of the clinical decision-making information, the regulatory authorities typically consciously limit the number of ICLs in a certain area.

High Technological Requirements. The development of ICLs require a lot of research investment and operation experiences. New technologies, including novel gene sequencing platform, automation lab system, 5G internet and better logistics system will enjoy wider application in the ICL industry. New ICLs may encounter difficulties with respect to diagnostics technology, cold-chain logistics, operation system build-up and other advanced technologies.

High Stickiness between ICLs and Hospitals. Maintaining a sustainable relationship with hospitals is of vital importance to the success of ICL players. Before a hospital intakes an ICL, it is time consuming to screen and assess an ICL's qualifications, and it takes enormous amount of time and efforts to build customized testing services with ICLs. As such, hospitals often prefer established ICLs that they are familiar with, and new entrants are often faced with unfavorable terms from hospitals, or if they are able to get business from such hospitals at all.

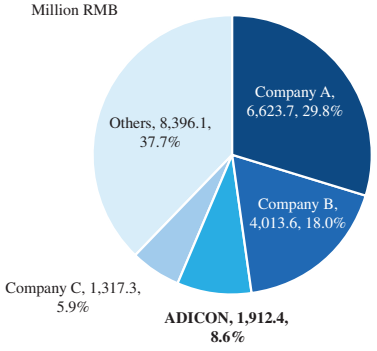
Economies of Scale. Existing and successful ICLs generally have a large network of laboratories and are able to drive down their costs and enjoy higher cost efficiency in procuring logistics services, establishing distribution network and lowering average fixed cost through centralized management. Because of the large quantity of consumables purchased by ICLs, the centralized purchase of diagnostic instruments and reagents can effectively reduce their purchase cost. The large-scale inspection of samples can reduce the fixed cost per inspection, and the test price is usually 70% to 80% of the standard tests. Large-scale companies may have higher cost efficiency of cost management of R&D, personnel training, storage and transportation.

Professional Team. Large scale ICLs require diagnostic technicians, advanced equipment and laboratory technology platform to ensure the accuracy of diagnostic results. It is difficult for a start-up company to have the same financial resources to equip with advanced equipment and experimental technology platform, and carry out professional training for diagnostic technicians.

Competitive Landscape

In 2021, top four major ICLs accounted for 62.3% of the total ICL market share in China. In the future, leading ICLs will continue to accelerate the chain-based expansion of laboratory network nationwide to further enhance their competitiveness. The rest of the market is relatively fragmented with a number of regional market players.

Breakdown of China ICL Market by Companies without COVID-19 Testing, 2021



Source: Frost & Sullivan analysis
Note: The market share is calculated based on the China ICL market size without COVID-19 testing.

The following table shows basic information of top four ICLs in China in terms of market share by the end of 2021.

Rank	Name	Market Share	Listing Venue	Year of Establishment	Geographic Coverage	Business Model
1.	Company A	29.8%	Shanghai Stock Exchange	1994	Mainland China and Hong Kong	An independent third-party medical diagnostic service organization with diagnostic service outsourcing as its core business.
2.	Company B	18.0%	Shenzhen Stock Exchange	2001	Mainland China	An independent third-party medical diagnostic service organization, medical diagnostic distributor and medical diagnostic equipment manufacturer.
3.	Our Company	8.6%	/	2004	Mainland China	An independent third-party medical diagnostic service organization with diagnostic service outsourcing as its core business.
4.	Company C	5.9%	Shenzhen Stock Exchange	1999	Asia, US, and EU	A genomic focused equipment and diagnostic service organization.

The following table sets forth the key operating metrics of top four ICLs in China in terms of market share by the end of 2021.

Rank	Name	Number of Laboratories	Testing Item	Number of Cooperated Medical Institutions	Number of Employees	ICL Business Revenue (FY2021)[2]
1.	Company A	39	3,000	~23,000	12,371	6,623.7
2.	Company B	38	2,800	~20,000	11,123	4,013.6
3.	Our Company	26	3,100	~16,000	5,285	1,912.4
4.	Company C	17	N/A[1]	~4,000	4,333	1,317.3

Notes:

(1) The number of testing items of Company C is not publicly available.

(2) In RMB millions.

Future Trends of China's ICL Market

Frost & Sullivan forecasts the future trends of ICL market in China will primarily focus on the following:

Technology Advancement. Advancement in technology has been impacting healthcare practices. For example, next generation DNA sequencing is more widely used in cancer research due to its advantages over traditional genomic analytic methods in terms of higher accuracy, speed and precision as well as lower sample requirements. Moreover, emerging new mobile technologies, information technologies, automated laboratory systems, and ever advancing logistics capabilities have been changing the way that medical institutions deliver the healthcare services, and further boosting the growth of the ICL market.

Increasing Consolidation. Large ICLs have a competitive advantage due to their large networks, extensive test offerings, and lower cost structures resulting from their scale effects. These advantages enable them to serve customers more effectively. In the future, small ICL companies without competitive advantages are likely to be phased out and the industry will become more concentrated.

Growing Market for Esoteric Tests. Compared to routine tests, esoteric tests are more difficult to be operated in hospital-based laboratories due to the higher costs and lower single hospital demand. This, however, presents great opportunities for ICLs which enjoy cost-effective advantages over hospital-based laboratories, resulting from their scale effect. It is expected that esoteric tests will comprise a larger proportion of the overall clinical laboratory market in the future.

Increasing number of ICL players. The advancement of new technologies and influx of capital investment has stimulated the emergence of new entrants in the ICL market in China. The total number of ICLs have increased from less than 70 in 2009 to more than 2,100 in 2021. Players with strong technology and access to capital become future leaders in the market.

Growing Esoteric Test Menu. There is a huge gap between China's esoteric testing items, roughly 3,000, to that of the leading European Union and the United States providers with roughly 5,000, respectively. As the esoteric testing market gets more mature, the range of the testing items will expand accordingly in terms of the number of testing items and therapeutic areas covered, gradually catching up to the developed countries.

IMPACT OF COVID-19 ON CHINA'S ICL MARKET

After the outbreak of COVID-19 in late 2019, the demand for COVID-19 related tests in China had soared starting from the first quarter of 2020. COVID-19 related tests primarily include nucleic acid tests using PCR technology and immuno-based detection tests, both of which are categorized as esoteric tests. The market size of ICL COVID-19 testing services reached RMB15.9 billion in 2021 and is expected to reach RMB15.3 billion in 2022. Driven by the dramatic increase of COVID-19 tests, the market size of esoteric testing service has shown a strong growth potential during the pandemic. However, as government has lifted the COVID-19 restrictions and mass testings requirements in December 2022, the COVID-19 testing market size is expected to gradually decrease in the next few years and reach RMB4.1 billion in 2025, though it is not expected to diminish completely, accordingly to Frost & Sullivan. However, the future demand for COVID-19 tests is subject to a number of uncertainties, including future development of the disease and treatment, and it is difficult to predict.

SOURCE OF INFORMATION

In connection with the [**REDACTED**], we have engaged Frost & Sullivan to conduct a detailed analysis and prepare an industry report on China's ICL industry. Frost & Sullivan is an independent global market research and consulting company which was founded in 1961 and is based in the United States. Services provided by Frost & Sullivan include market assessments, competitive benchmarking, and strategic and market planning for a variety of industries. We incurred a total of RMB680,000 in fees and expenses for the preparation of the Frost & Sullivan Report. The payment of such amount was not contingent upon our successful [**REDACTED**] or on the results of the Frost & Sullivan Report. Except for the Frost & Sullivan Report, we did not commission any other industry report in connection with the [**REDACTED**].

We have included certain information from the Frost & Sullivan Report in this document because we believe such information facilitates an understanding of China's ICL industry for potential investors. Frost & Sullivan prepared its report based on its in-house database, independent third party reports and publicly available data from reputable industry organizations. Where necessary, Frost & Sullivan contacts companies operating in the industry to gather and synthesize information in relation to the market, prices and other relevant information. Frost & Sullivan believes that the basic assumptions used in preparing the Frost & Sullivan Report, including those used to make future projections, are factual, correct and not misleading. Frost & Sullivan has independently analyzed the information, but the accuracy of the conclusions of its review largely relies on the accuracy of the information collected. Frost & Sullivan research may be affected by the accuracy of these assumptions and the choice of these primary and secondary sources.

Our businesses and operations in China are supervised and governed by Chinese regulatory authorities. This section primarily sets forth a summary of the principal PRC laws, rules and regulations relevant to our businesses and operations in China.

REGULATIONS RELATING TO REFORM AND CATEGORIES OF MEDICAL INSTITUTIONS

Pursuant to the Law of the People's Republic of China on the Promotion of Basic Medical Care, Hygiene and Health (《中華人民共和國基本醫療衛生與健康促進法》) which was promulgated by the Standing Committee of the National People's Congress, or SCNPC, and became effective on June 1, 2020, the PRC government encourages and guides social forces to legally establish and operate medical and health institutions to provide basic medical services.

The Guiding Opinions of the General Office of the State Council on Boosting the Construction of a Tiered Diagnosis and Treatment System (《國務院辦公廳關於推進分級診療制度建設的指導意見》), promulgated by General Office of the State Council and effective from September 8, 2015, signify the establishment of a tiered diagnosis and treatment system, as an important measure for rationally allocating medical resources and promoting equal access to basic medical and health services. The State Council requires the local governments to facilitate the establishment of independent regional medical testing institutions.

The Circular on Further Reforming and Perfecting the Examination and Approval of Medical Institutions and Doctors (《關於進一步改革完善醫療機構、醫師審批工作的通知》), which was jointly promulgated by the National Health Commission, or NHC, and the State Administration of Traditional Chinese Medicine and became effective on June 15, 2018, stipulates that medical institutions may, on the premise of ensuring medical quality and safety, entrust independent medical test laboratories to provide medical testing services.

REGULATIONS RELATING TO LABORATORIES

Medical Test Laboratories

Pursuant to the Administrative Regulations on Medical Institutions (《醫療機構管理條例》), promulgated by the State Council, effective on September 1, 1994, and latest amended on March 29, 2022, and the Implementation Measures of the Administrative Regulations on Medical Institutions (《醫療機構管理條例實施細則》), effective on September 1, 1994, latest amended by National Health and Family Planning Commission, or NHFPC, the former of NHC, and effective from April 1, 2017, the establishment of a medical institution, including but not limited to medical test laboratory, shall comply with the setting up plan and basic standards for medical institutions, and shall apply for an approval from NHC or its local counterparts to obtain a medical institution practicing license. The Administrative Measures for the Examination of Medical Institutions (for Trial Implementation) (《醫療機構校驗管理辦法(試行)》), which were promulgated by the Ministry of Health, or MOH, the former of NHFPC, and became effective on June 15, 2009, stipulate that a medical institution's practicing license is subject to periodic examinations and verifications by the registration authorities, and will be canceled if such medical institution fails to pass the examination.

Pursuant to the Basic Standards and Practice of Medical Test Laboratories (for Trial Implementation) (《醫學檢驗實驗室基本標準和管理規範(試行)》), promulgated by NHFPC and effective from July 20, 2016, a medical test laboratory, which conducts clinical tests, including clinical hematology tests and body fluid tests, clinical chemistry tests, clinical immunology tests, clinical microbiology tests, clinical molecular cytogenetic tests and clinical pathology tests, for the purpose of diagnosis, management, prevention or treatment of diseases and health assessment, shall be regulated as a medical institution and obtain a medical institution practicing license.

According to the Measures for the Administration of Clinical Laboratories of Medical Institutions (《醫療機構臨床實驗室管理辦法》) released by MOH, effective from June 1, 2006 and amended on July 10, 2020, a medical institution shall set up its clinical testing items according to its approved and registered professional diagnosis and treatment subjects under the health administrative department, and shall not carry out clinical testing items beyond the registered professional scope. Medical institutions shall in principle comply with the Catalogue of Clinical Testing Items for Medical Institutions (2013) (《醫療機構臨床檢驗項目目錄(2013年版)》), or the Testing Items Catalogue, promulgated by NHFPC on August 5, 2013. In addition, pursuant to the Notice on Issues Related to the Management of Clinical Laboratory Items (《關於臨床檢驗項目管理有關問題的通知》), promulgated by NHFPC on February 25, 2016, the clinical testing items which are not included in the Testing Items Catalogue, but with clear clinical significance, relatively high specificity and sensitivity, and reasonable price, shall be validated in time to meet clinical needs.

During the COVID-19 epidemic prevention and control period, independent medical test laboratories have been playing an active role in nucleic acid detection. Pursuant to the Notice of the General Office of the National Health Commission on Requirements for Medical Institutions to Carry out COVID-19 related Testing (《國家衛生健康委辦公廳關於醫療機構開展新型冠狀病毒核酸檢測有關要求的通知》), or the COVID-19 Notice, issued by the General Office of the NHC on January 22, 2020, each province can procure COVID-19 related testing services and cooperate with qualified third-party testing institutions to carry out testing. The COVID-19 Notice further provided various testing requirements on COVID-19 related testing to regulate testing procedure, including sample collection, sample storage and transportation, quality control, etc. To further strengthen the management on independent medical test laboratories and ensure medical quality and safety, the medical treatment team under the Joint Prevention and Control Mechanism of the State Council has formulated and issued the Interim Administrative Measures for Medical Test Laboratories (《醫學檢驗實驗室管理暫行辦法》), which became effective from August 1, 2020, on the basis of the Practice of Medical Test Laboratories (for Trial Implementation) (《醫學檢驗實驗室管理規範(試行)》). Meanwhile, the laboratories shall strictly comply with the Measures for the Administration of Clinical Laboratories of Medical Institutions (《醫療機構臨床實驗室管理辦法》), and shall participate in the medical test external quality assessment activities at or above the provincial level, so as to ensure the impartiality and accuracy of testing results.

Clinical Gene Amplification Test Laboratories

Pursuant to the Administrative Measures for Clinical Gene Amplification Test Laboratories of Medical Institutions (《醫療機構臨床基因擴增檢驗實驗室管理辦法》), promulgated by MOH and effective from December 6, 2010, a medical institution that intends to establish a clinical gene amplification laboratory shall file an application with the NHC at the provincial level, and register its clinical testing items with the competent NHC after technical verification passed by the clinical testing center at the provincial level or institution designated by the NHC at the provincial level.

Pathogenic Microorganism Laboratories

Pursuant to the Regulations on Administration of Bio-safety in Pathogenic Microorganism Laboratories (《病原微生物實驗室生物安全管理條例》), promulgated by the State Council, effective on November 12, 2004, and latest amended on March 19, 2018, pathogenic microorganism laboratories are classified into four levels, namely bio-safety levels 1, 2, 3 and 4 in terms of bio-safety protection levels in accordance with national standards on biosafety of laboratories. Laboratories at bio-safety levels 1 and 2 shall not engage in laboratory activities related to highly pathogenic microorganisms. The construction, alteration or expansion of a laboratory at bio-safety level 1 or 2 shall be filed for record with the local counterparts of NHC. The entity launched a pathogenic microorganism laboratory shall develop a scientific and strict management system, regularly inspect the implementation of the regulations on bio-safety, and regularly inspect, maintain and update the facilities, equipment and materials in the laboratory, to ensure its compliance with the national standards.

REGULATIONS RELATING TO MEDICAL TECHNOLOGIES

Pursuant to the Administration Measures for the Clinical Application of Medical Technologies (《醫療技術臨床應用管理辦法》) promulgated by NHC on August 13, 2018 and effective from November 1, 2018, a negative list will be set up regarding the clinical application of medical technologies, which are classified into two categories: "restricted" and "prohibited". Any medical institution shall refrain from conducting any clinical application of medical technologies that fall within the "prohibited" category, while a medical institution which engages in clinical application of medical technologies falling within the "restricted" category shall file with MOH or its local counterpart within fifteen working days after the first clinical application of such technologies. In addition, pursuant to the Notice of Strengthening the Administration of Products and Technologies Relating to Clinical Gene Sequencing (《關於加強臨床使用基因測序相關產品和技術管理的通知》), jointly promulgated by General Office of NHFPC and China Food and Drug Administration, or CFDA, the former of the National Medical Products Administration, or NMPA, on February 9, 2014, no medical institutions may apply gene sequencing technologies or products for clinical use before the issuance of relevant access standards and management regulations.

REGULATIONS RELATING TO MEDICAL DEVICES

The using and operation of medical devices in China are subject to extensive regulations.

Pursuant to the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》), or the Medical Devices Regulation, promulgated by the State Council and effective from April 1, 2000, latest amended on February 9, 2021 and came into effect on June 1, 2021, and the Administrative Measures of Registration and Filing of In-vitro Diagnostic Reagents (《體外診斷試劑注冊與備案管理辦法》), promulgated by SAMR and effective from October 1, 2021, medical devices, including in-vitro diagnostic reagents, are classified into three different categories, Class I, II and III on the basis of their respective degrees of risk. Medical devices of Class I refer to such devices with low level of risk, the safety and effectiveness of which can be ensured through routine administration. Medical devices of Class II refer to such devices with medium level of risk, the safety and effectiveness of which shall be strictly controlled. Medical devices of Class III refer to such devices with high level of risk, the safety and effectiveness of which shall be guaranteed and be subject to strict control through special administrative measures. The Notice of Strengthening the Administration of Products and Technologies Relating to Clinical Gene Sequencing (《關於加強臨床使用基因測序相關產品和技術管理的通知》), jointly promulgated by CFDA and NHFPC, and effective from February 9, 2014, further provides that gene sequencing diagnostic products, including gene sequencers and relevant diagnostic reagents and software, shall be regulated as medical devices.

Registration and Filing of Medical Devices

Pursuant to the Medical Devices Regulation, and the Administrative Measures for the Registration and Filing of Medical Devices (《醫療器械註冊與備案管理辦法》) promulgated by the SAMR and took effect on October 1, 2021, medical devices of Class I are subject to record-filing, while medical devices of Class II and Class III are subject to registration. The Medical Devices Regulation also stipulates that qualified medical institutions may, under the circumstances that there have been no in-vitro diagnostic reagents of the same type marketed in the PRC, research and develop such products on their own initiatives according to their clinical needs, and use them within the institutions under the guidance of practicing physicians.

According to the Medical Devices Regulation, when the operating enterprises of medical devices or users purchase medical devices, they shall check the qualification of suppliers and the eligible supporting materials of medical devices, and establish relevant entry inspection record system. The operating enterprises engaging in wholesale business of Class II and Class III medical devices and retail business of Class III medical devices shall establish a sales record system.

Operation Permit and GSP for Medical Devices

Pursuant to the Medical Devices Regulation and the Administrative Measures for Operation of Medical Devices (《醫療器械經營監督管理辦法》), or the Medical Devices Operation Measures, promulgated by CFDA, and latest amended on March 10, 2022 and effective from May 1, 2022, an entity engaging in the operation of medical devices of Class I is not required to obtain approval or filing for record with NMPA, or its local counterparts; an entity engaging in the operation of medical devices of Class II shall file for record with NMPA at city level where such entity is located; an entity engaging in the operation of medical devices of Class III shall apply for an operation permit from NMPA at city level. The operation permit of medical devices is valid for five years and the holder of such permit shall apply for extension within 30 to 90 working days prior to its expiration. According to the Medical Devices Regulation, any entity shall not sell or use medical devices which are not properly registered or filed with NMPA or its local counterparts. In addition, according to the Medical Devices Operation Measures, no additional operation permit or filing is required for any registered holder or record holder of medical devices or manufacturer of medical devices if it sells the medical devices at the place where it is domiciled or where the medical devices are manufactured.

Pursuant to the Good Sales Practice of Medical Devices (《醫療器械經營質量管理規範》) promulgated by CFDA and effective from December 12, 2014, an entity engaging in the procurement, acceptance, preservation, sales, transportation and after-sales of medical devices shall take effective quality control measures so as to ensure the quality and safety of products in the process of business operations.

Importation of Medical Devices

According to the Medical Devices Regulation, imported medical devices shall be registered or filed with NMPA or its local counterparts in accordance with the provisions of the Medical Devices Regulation. Imported medical devices shall have instructions and labels in Chinese.

REGULATIONS RELATING TO IMPORTED AND EXPORTED GOODS

Pursuant to the Administrative Provisions of the Customs of the People's Republic of China on the Filing of Customs Declaration Entities (《中華人民共和國海關報關單位備案管理規定》) promulgated by the General Administration of Customs of China, or GACC, on November 19, 2021 and took effect on January 1, 2022 and the Administrative Provisions of the Customs of the People's Republic of China on the Declaration of Imported and Exported Goods (《中華人民共和國海關進出口貨物申報管理規定》) promulgated by GACC on September 18, 2003 and newly revised on November 23, 2018, consignors and consignees of exported and imported goods shall declare to the customs by themselves or appoint a customs declaration enterprise to declare to the customs on their behalf, and shall go through customs declaration entity filing formalities with their local customs in accordance with the applicable provisions. Consignors and consignees of exported and imported goods may handle their own customs declarations within the customs territory of the PRC.

REGULATIONS RELATING TO PRODUCT QUALITY

The Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》), as amended and effective as of December 29, 2018, applies to production and sale activities in the PRC. Pursuant to the Product Quality Law of the People's Republic of China, products offered for sale must satisfy relevant quality and safety standards. Violations of state or industrial standards for health and safety and any other related violations may result in civil liabilities and administrative penalties, such as compensation for damages, fines, suspension or shutdown of business, as well as confiscation of products illegally produced and sold and the proceeds from such sales. Severe violations may subject the responsible individual or enterprise to criminal liabilities. Where a defective product causes physical injury to a person or damage to another person's property, the victim may claim compensation from the manufacturer or from the seller of the product. Where the responsibility for product defects lies with the manufacturer, the seller shall, after settling compensation, have the right to recover such compensation from the manufacturer, and vice versa.

Pursuant to the Civil Code of the People's Republic of China (《中華人民共和國民法典》) which was promulgated on May 5, 2020 and effective from January 1, 2021, manufacturers shall assume tort liability where the defects in relevant products cause damage to others. Sellers shall assume tort liability where the defects in relevant products causing damage to others are attributable to the sellers. The aggrieved party may claim for compensation from the manufacturer or the seller of the relevant product in which the defects have caused damage.

REGULATIONS RELATING TO HUMAN GENETIC RESOURCES

The Regulation for the Administration of Human Genetic Resources of the People's Republic of China (《中華人民共和國人類遺傳資源管理條例》), or the HGR Regulation, promulgated by the State Council on May 28, 2019, and effective from July 1, 2019, regulates entities engaging in collection, preservation, utilization and outbound provision of human genetic resources. Human genetic resources include (i) human genetic resources materials, such as organs, tissues and cells that contain hereditary substances such as human genomes genes, and (ii) human genetic resources information, such as data generated from human genetic resources.

Pursuant to the HGR Regulation, collection and preservation of human substances such as organs, tissues and cells and carrying out related activities for the purposes of clinical diagnosis and treatment, blood collection and supply services, crime investigation, doping detection and funeral and interment shall be subject to other applicable laws and administrative regulations.

Pursuant to the HGR Regulation, foreign entities, individuals and such entities established or actually controlled thereby shall not, within the territory of China, collect or preserve human genetic resources of China, nor provide human genetic resources of China outward across the border; while a foreign entity is allowed to conduct scientific research activities by utilizing human genetic resources of China through cooperation with scientific research institutions, higher education institutions, medical institutions or enterprises of China. The utilization of human genetic resources of China in any international cooperative scientific research is subject to approval by the Ministry of Science and Technology, or MOST. However, the aforesaid approval is not required, but instead a filing for record with MOST is required, if human genetic resources of China are utilized for international cooperative clinical trials without any outbound provision of human genetic resources, for the purpose of obtaining product registration of relevant medicine and medical device in China.

REGULATIONS RELATING TO PRICE OF HEALTHCARE SERVICES

According to the Notice of Issues Related to the Implementation of Market Price Adjustment by Non-Public Medical Institutions (《關於非公立醫療機構醫療服務實行市場調節價有關問題的通知》) promulgated and implemented on March 25, 2014 by the National Development and Reform Commission of the PRC, or NDRC, the NHFPC and the Ministry of Human Resources and Social Security, or MOHRSS, prices on healthcare services provided by non-public medical institutions shall be set with reference to the market level.

In addition, the Circular on the Issuance of the Reform of the Pharmaceutical and Healthcare Services Price Formulation Mechanism (《關於印發改革藥品和醫療服務價格形成機制的意見的通知》) was jointly promulgated by NDRC, NHFPC and MOHRSS, and came into effect on 9 November 2009. It provides that both the government-directed price and market-based price shall apply to the provision of healthcare services: price for basic healthcare services provided by non-profit medical institutions shall be directed by government-directed pricing guidelines, while price for healthcare services provided by profitable medical institutions and certain special categories of healthcare services provided by non-profit medical institutions can be determined by the market.

REGULATIONS RELATING TO ENVIRONMENTAL PROTECTION

Pursuant to the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) which was promulgated by SCNPC on December 26, 1989, and amended on April 24, 2014 and came into force on January 1, 2015, all enterprises and institutions which discharge pollutants shall adopt measures to prevent and control pollution and damage to the environment from waste gas, waste water, waste residues, medical waste, dust, malodorous gases, radioactive substances, noise, vibration, ray radiation and electromagnetic radiation generated in the course of production, construction or other activities. Pollution prevention and control facilities of a construction project shall be simultaneously designed, constructed and put into operation with the principal part of the construction project. Enterprises that manufacture, store, transport, sell, use or dispose of chemicals and materials containing radioactive substances shall comply with the relevant State regulations to prevent environmental pollution. The relevant authorities are authorized to impose various types of penalties on the persons or entities in violation of the environmental regulations, including fines, restriction or suspension of operation, shut-down, detention of office-in-charge, etc.

Pursuant to the Environmental Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》) promulgated by SCNPC on October 28, 2002, effective on September 1, 2003 and latest amended on December 29, 2018, the PRC government implements administration by classification on the environmental impact of construction projects according to the level of impact on the environment. The construction unit shall prepare an environmental impact report or an environmental impact form or complete an environmental impact registration form (the "Environmental Impact Assessment Documents") for reporting and filing purposes. If the Environmental Impact Assessment Documents of a construction project have not been reviewed by the approving authority in accordance with the law or have not been granted approval after the review, the construction unit is prohibited from commencing construction works.

Pursuant to the Administrative Regulations on Environmental Protection in Construction Projects (《建設項目環境保護管理條例》) promulgated by the State Council on November 29, 1998, amended and effective on October 1, 2017 and the Interim Measures on Administration of Environmental Protection for Acceptance Examination Upon Completed Construction Projects (《建設項目竣工環境保護驗收暫行辦法》) promulgated by the former Ministry of Environmental Protection on 20 November 2017, where a construction project needs complementary environmental protection facilities, those facilities must be designed, constructed and become operational at the same time as the main parts of the project. The project owner shall, after the completion of the construction project for which the environmental impact report or the environmental impact statement is prepared, according to standards and procedures prescribed by the environmental protection administrative department of the State Council, conduct acceptance check of the constructed complementary environmental protection facilities. The construction project may not be put into production or use until the constructed supporting environmental protection facilities have passed the acceptance check. The facilities that have not undergone or fail to pass the acceptance check shall not be put into production or use.

According to the Regulations on the Management of Medical Waste (《醫療廢物管理條例》), which were promulgated by the State Council on June 16, 2003 and amended on January 8, 2011, and the Implementation Measures of the Management of Medical Waste (《醫療衛生機構醫療廢物管理辦法》), which were promulgated by MOH on October 15, 2003 and came into effect on the same day, medical institution shall timely deliver medical wastes to an entity for centralized disposal of medical wastes and licensed by a relevant environment protection administrative department for dispose. Sewage generated by any medical institution and excretion of its patients or suspected patients of infectious diseases shall be sterilized in strict accordance with the relevant provisions, and shall not be discharged into sewage disposal systems until the relevant standards are met.

REGULATIONS RELATING TO LABOR PROTECTION

Labor Protection

Pursuant to the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), promulgated by SCNPC on July 5, 1994 and amended and effective on December 29, 2018 and the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) amended by SCNPC and effective on July 1, 2013 and the Implementation Rules of the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法實施條例》) promulgated by the State Council and effective on September 18, 2008, employers shall establish and improve labor rules and regulations according to the laws and regulations and shall strictly comply with the national standards, provide trainings to their employees, protect their labor rights and perform its labor obligations. Employers shall execute written labor contracts with full-time employees. Labor contracts shall be categorized into labor contracts with fixed term, labor contracts without fixed term and labor contracts to be expired upon completion of certain tasks. All employers must comply with local minimum wage standards.

Social Insurance and Housing Provident Fund

In addition, according to the Social Insurance Law of the People's Republic of China (《中華人民共和國社會保險法》) promulgated by SCNPC on October 28, 2010, amended and came into effect on December 29, 2018 and the Regulations on the Administration of Housing Provident Funds (《住房公積金管理條例》) amended by the State Council and came into effect on March 24, 2019 and the Provisional Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) amended by the State Council and came into effect on March 24, 2019, employers in the PRC shall pay premium for basic pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, basic medical insurance and housing provident funds for its employees at the applicable rates based on the amounts stipulated by the laws.

REGULATIONS RELATING TO FOREIGN INVESTMENT

On March 15, 2019, the National People's Congress promulgated the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》), or the 2019 Foreign Investment Law, which became effective on January 1, 2020 and replaced the major former laws and regulations governing foreign investment in the PRC. Pursuant to the 2019 Foreign Investment Law, "foreign investments" refer to investment activities conducted by foreign investors directly or indirectly in the PRC, which include any of the following circumstances: (i) foreign investors setting up foreign-invested enterprises in the PRC solely or jointly with other investors, (ii) foreign investors obtaining shares, equity interests, property portions or other similar rights and interests of enterprises within the PRC, (iii) foreign investors investing in new projects in the PRC solely or jointly with other investors, and (iv) investment of other methods as specified in laws, administrative regulations, or as stipulated by the PRC State Council. The 2019 Foreign Investment Law does not comment on the concept of "de facto control" or contractual arrangements with consolidated affiliated entities, however, it has a catch-all provision under definition of "foreign investment" to include investments made by foreign investors in China through means stipulated by laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions to provide for contractual arrangements as a form of foreign investment.

According to the 2019 Foreign Investment Law and its implementing rules, China adopts a system of pre-entry national treatment plus negative list with respect to foreign investment administration. The negative list will be proposed by the competent investment department of the State Council in conjunction with the competent commerce department of the State Council and other relevant departments, and be reported to the State Council for promulgation, or be promulgated by the competent investment department or competent commerce department of the State Council after being reported to the State Council for approval.

On December 30, 2019, MOFCOM and the State Administration for Market Regulation jointly promulgated the Measures for Information Reporting on Foreign Investment (《外商投資信息報告辦法》), or the Information Reporting Measures, which became effective on January 1, 2020. Pursuant to the Information Reporting Measures, where a foreign investor directly or indirectly carries out investment activities in China, the foreign investor or the foreign-invested enterprise shall submit the investment related information to the competent commerce authority through the enterprise registration system and the national enterprise credit information publicity system for further handling.

Foreign investment beyond the negative list will be granted national treatment. Foreign investors shall not invest in the prohibited industries as specified in the negative list, while foreign investment must satisfy certain conditions stipulated in the negative list for investment in the restricted industries. The current industry entry clearance requirements governing investment activities in the PRC by foreign investors are set out in two categories, namely the Special Administrative Measures on Access of Foreign Investment (Negative List) (《外商投資准入特別管理措施(負面清單)》), the latest amended version of which was jointly promulgated by the Ministry of Commerce, or MOFCOM, and NDRC on December 27, 2021 and took effect as of January 1, 2022, or the 2021 Negative List, and the Encouraged Industry Catalogue for Foreign Investment (2022 version) (《鼓勵外商投資產業目錄(2022年版)》). Industries not listed in these two categories are generally deemed "permitted" for foreign investment unless otherwise restricted by other PRC laws. Development and application of gene diagnosis and treatment technology is prohibited to foreign investment pursuant to the 2021 Negative List. We conduct the business operations of clinical genetic testing service involving development and application of genetic diagnosis and treatment technologies that are prohibited to foreign investment, through Hangzhou Adicon and its subsidiaries under the Contractual Arrangements.

According to Article 6 of the 2021 Negative List, if a domestic company engaging in business prohibited in the Negative List seeks to offer shares and list securities in an overseas market, such offering and listing shall be approved by relevant competent PRC authorities. Foreign investors must not participate in the operation and management of the company, and their shareholding percentage shall be subject to relevant provisions on the administration of domestic securities investment by foreign investors. On January 18, 2022, the NDRC held a press conference to further clarify the 2021 Negative List, during which the spokesmen make it clear that Article 6 of the 2021 Negative List shall only be applicable where a domestic company is seeking a direct overseas issuance and listing. With reference to the definition under the Overseas Listing Trial Measures, a direct overseas issuance and listing of a domestic company refers to a PRC-incorporated joint stock company issues shares or seeks to be listed overseas, where the listed company is the domestic company itself, such as H shares listing (the "Direct Overseas Listing"). Our PRC Legal Advisor is of the view that based on the clarification made by the NDRC, our proposed [**REDACTED**] does not constitute a Direct Overseas Listing, which is a case applicable under the Article 6 of the 2021 Negative List.

On February 17, 2023, the CSRC released the Trial Administrative Measures of Overseas Securities Offering and Listing by Domestic Companies (境內企業境外發行證券和上市管理試行辦法) (the "**Overseas Listing Trial Measures**") and five supporting guidelines, which will come into effect on March 31, 2023. The Overseas Listing Trial Measures will regulate both direct and indirect overseas offering and listing of PRC domestic companies' securities by adopting a filing-based regulatory regime.

Pursuant to the Overseas Listing Trial Measures, if the issuer both meets the following criteria, the overseas securities offering and listing conducted by such issuer will be deemed as indirect overseas offering by PRC domestic companies: (i) 50% or more of any of the issuer's operating revenue, total profit, total assets or net assets as documented in its audited consolidated financial statements for the most recent fiscal year is accounted for by domestic companies; and (ii) the main parts of the issuer's business activities are conducted in the PRC, or its main place(s) of business are located in the PRC, or the majority of senior management staff in charge of its business operations and management are PRC citizens or have their usual place(s) of residence located in the PRC. Where an issuer submits an application for initial public offering to competent overseas regulators, such issuer must file with the CSRC within three business days after such application is submitted. The Overseas Listing Trial Measures also requires subsequent reports to be filed with the CSRC on material events, such as change of control or voluntary or forced delisting of the issuer(s) who have completed overseas offerings and listings.

On the same day, the CSRC also held a press conference for the release of the Overseas Listing Trial Measures and issued the Notice on Administration for the Filing of Overseas Offering and Listing by Domestic Companies (關於境內企業境外發行上市備案管理安排的通知), which, among others, clarifies that (1) the domestic companies that have already been listed overseas on or before the effective date of the Overseas Listing Trial Measures (i.e. March 31, 2023) shall be deemed as existing applicants (存量企業), or the Existing Applicants. Existing Applicants are not required to complete the filling procedures immediately, and they shall be required to file with the CSRC when subsequent matters such as refinancing are involved; (2) on or prior to the effective date of the Overseas Listing Trial Measures, domestic companies that have already submitted valid applications for overseas offering and listing but fail to obtain an approval from overseas regulatory authorities or stock exchanges may reasonably arrange the timing for submitting their filing applications with the CSRC, and must complete the filing before the completion of their overseas offering and listing; (3) a six-month transition period will be granted to domestic companies which, prior to the effective date of the Overseas Listing Trial Measures, have already obtained the approval from overseas regulatory authorities or stock exchanges (such as pass of hearing for listing in Hong Kong or the effectiveness of registration statement for listing in the U.S.), but have not completed the indirect overseas listing; if such domestic companies complete their overseas offering and listing within such six-month period (i.e., on or prior to September 30, 2023), they will be deemed as Existing Applicants. Within such six-month transition period, however, if such domestic companies need to reapply for offering and listing procedures to the overseas regulatory authority or securities exchanges (such as being required to go through a new hearing procedure with the Stock Exchange), or if they fail to complete their indirect overseas issuance and listing, such domestic companies shall complete the filling procedures with the CSRC before completion of the overseas offering and listing; and (4) the CSRC will solicit opinions from relevant regulatory authorities and complete the filing of the overseas listing of companies with contractual arrangements which duly meet the compliance requirements, and support the development and growth of these companies by enabling them to utilize two markets and two kinds of resources.

The Overseas Listing Trial Measures provide that, an overseas offering and listing is prohibited under any of the following circumstances: if (i) such securities offering and listing is explicitly prohibited by provisions in laws, administrative regulations and relevant state rules; (ii) the intended securities offering and listing may endanger national security as reviewed and determined by competent authorities under the State Council in accordance with law; (iii) the domestic company intending to make the securities offering and listing, or its controlling shareholder(s) and the actual controller, have committed relevant crimes such as corruption, bribery, embezzlement, misappropriation of property or undermining the order of the socialist market economy during the latest three years; (iv) the domestic company intending to make the securities offering and listing is currently under investigations for suspicion of criminal offenses or major violations of laws and regulations, and no conclusion has yet been made thereof; or (v) there are material ownership disputes over equity held by the domestic company's controlling shareholder(s) or by other shareholder(s) that are controlled by the controlling shareholder(s) and/or actual controller.

REGULATIONS RELATING TO INTELLECTUAL PROPERTY RIGHTS

Patent

Patents in the PRC are principally protected under the Patent Law of the People's Republic of China (《中華人民共和國專利法》), or the Patent Law, promulgated by SCNPC, latest amended on October 17, 2020 and took effect on June 1, 2021 and the Implementing Rules of the Patent Law of the People's Republic of China (《中華人民共和國專利法實施細則》), promulgated by the State Council and last amended on January 9, 2010 and effective from February 1, 2010. The Patent Law and its implementation rules provide for three types of patent: "invention", "utility model" and "design". The protection period is 20 years for invention patents, 10 years for utility model patents and 15 years for design patents, commencing from their respective application dates. The Chinese patent system adopts a "first come, first file" principle, which means that where more than one person files a patent application for the same invention, a patent will be granted to the person who files the application first. To be patentable, invention or utility models must meet three criteria: novelty, inventiveness and practicability. Except under certain specific circumstances provided by law, any third-party user must obtain consent or a proper license from the patent owner to use the patent. Otherwise, the use of said patent constitutes an infringement of the patent rights, and shall pay compensation to the patentee and is subject to order to cease infringement. In addition, under the HGR Regulation, patents derived from the cross-border cooperation using PRC genetic resources shall be jointly applied and owned by the cooperating PRC and foreign parties.

Copyright

Copyright in the PRC, including copyrighted software, is principally protected under the Copyright Law of the People's Republic of China (《中華人民共和國著作權法》) which became effective in 1991 and was most recently amended on November 11, 2020 and took effect on June 1, 2021, and related rules and regulations. Under the Copyright Law of the People's Republic of China, the term of protection for copyrighted software is 50 years. The Regulation on the Protection of the Right to Communicate Works to the Public over Information Networks (《信息網絡傳播權保護條例》), which was most recently amended on January 30, 2013, and provides specific rules on fair use, statutory license, and a safe harbor for use of copyrights and copyright management technology and specifies the liabilities of various entities for violations, including copyright holders, libraries and Internet service providers. In order to further implement the Regulations for the Protection of Computer Software (《計算機軟件保護條例》) promulgated by the State Council on December 20, 2001 and last amended on January 30, 2013, the National Copyright Administration issued the Registration of Computer Software Copyright Procedures (《計算機軟件著作權登記辦法》) on February 20, 2002, which applies to software copyright registration, license contract registration and transfer contract registration with respect to software copyright.

Trademark

Registered trademarks are protected under the Trademark Law of the People's Republic of China (《中華人民共和國商標法》) which became effective in 1983 and was most recently amended on November 1, 2019 and related rules and regulations. Trademarks are registered with the Trademark Office of China National Intellectual Property Administration. Where registration is sought for a trademark that is identical or similar to another trademark which has already been registered or given preliminary examination in the same or similar category of commodities or services, the application for registration of this trademark may be rejected. Trademark registrations are effective for a renewable ten-year period, unless otherwise revoked.

Domain Name

Domain names are protected under the Administrative Measures on Internet Domain Names (《互聯網域名管理辦法》) promulgated by the Ministry of Industry and Information Technology, or MIIT, on August 24, 2017 and effective as of November 1, 2017. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and applicants become domain name holders upon successful registration.

REGULATIONS RELATING TO INFORMATION SECURITY AND PRIVACY PROTECTION

Pursuant to the Civil Code of the People's Republic of China, the personal information of an individual shall be protected. Any organization or individual shall legally obtain the personal information of any person when necessary and ensure the safety of such personal information, and shall not illegally collect, use, process or transmit such personal information, or illegally buy or sell, provide or make public such personal information. A natural person has the privacy right, and provisions on the privacy right shall apply to the private information included in personal information. The Basic Standards for Medical Test Laboratories (for Trial Implementation) (《醫學檢驗實驗室基本標準(試行)》), as promulgated by NHFPC in 2016, provides that medical laboratories must establish information management and patient privacy protection policies. The Measures for the Administration of General Population Health Information (for Trial Implementation) (《人口健康信息管理辦法(試行)》), or the Population Health Information Measures, as promulgated by NHFPC on May 5, 2014, set forth the operational measures for patient privacy protection in medical institutions. The Population Health Information Measures regulate the collection, use, management, safety and privacy protection of general population health information by medical institutions. Medical institutions must establish information management departments responsible for general population health information and establish quality control procedures and relevant information systems to manage this information. Medical institutions must adopt stringent procedures to verify the general population health data collected, timely update and maintain the data, establish policies on the authorized use of this information, and establish safety protection systems, policies, practice and technical guidance to avoid divulging confidential or private information.

The Cybersecurity Law of the People's Republic of China (《中華人民共和國網絡安全法》), promulgated by the SCNPC on November 7, 2016 and effective on June 1, 2017, requires network operators to adopt technical and other necessary measures to ensure security of personal data and safeguard against information leakage, damage or loss. On June 10, 2021, the SCNPC promulgated the Data Security Law of the People's Republic of China (《中華人民共和國數據安全法》), or the Data Security Law, which became effective on September 1, 2021. The Data Security Law provides that "data" refers to any recording of information by electronic or other means and "data processing" includes the collection, storage, use, processing, transmission, availability and disclosure of data, etc. Data processors shall establish and improve the whole-process data security management rules, organize and implement data security training as well as take appropriate technical measures and other necessary measures to protect data security.

To support the implementation of the Data Security Law, on December 28, 2021, the Cyberspace Administration of China, or CAC, jointly with other 12 governmental authorities, issued the revised Measures for Cybersecurity Review (《網絡安全審查辦法》), or the Revised CAC Measures, which became effective on February 15, 2022. Pursuant to the Revised CAC Measures, a cybersecurity review is required when national security has been or may be affected where a critical information infrastructure operator (the "**CIIO**") (關鍵信息基礎設施運營者) purchases network products and services, and an online platform operator carries out data processing activities. Moreover, the Revised CAC Measures also provide that an online platform operator (網絡平台運營者) possessing personal information of more than one million users that applies for listing abroad, shall make declaration for cybersecurity review with the Office of Cybersecurity Review. On July 30, 2021, the State Council promulgated the Regulations for Safe

Protection of Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》) (the "CII Regulation") which came into effect on September 1, 2021. Pursuant to the CII Regulation, critical information infrastructure refers to important network infrastructure and information system in public telecommunications, information services, energy sources, transportation and other critical industries and domains, in which any destruction or data leakage will have severe impact on national security, the nation's welfare, the people's living and public interests. The CII Regulation also stipulates the procedures for determining critical information infrastructure. It provides that competent authorities shall promulgate detailed rules in designating critical information infrastructure, identify critical information infrastructure in the relevant industries, and notify operators of such critical information infrastructure in a timely manner. As of the Latest Practicable Date, the responsible authorities had not promulgated any implementation provisions or identification rules which include ICL industry in the relevant scope of "critical information infrastructure". In addition, as of the Latest Practicable Date, we had not been notified by any authorities of being classified as a CIIO, involved in any cybersecurity review or received any investigation, inquiry, notice, warning or sanctions by any governmental authorities on such basis. Based on the foregoing, our Directors believe that we should not be classified as a CIIO. In addition, on March 14, 2022, our PRC Legal Advisor and the PRC legal advisor to the Joint Sponsors conducted a telephone consultation with the China Cybersecurity Review Technology and Certification Center (中國網絡安全審查技術與認證中心) (the "**Center**"), the department responsible for accepting cybersecurity review applications under the guidance of the Cybersecurity Review Office. During the consultation, our PRC Legal Advisor and the PRC legal advisor to the Joint Sponsors have informed the Center our proposed [**REDACTED**] plan, and the Center confirmed that [**REDACTED**] does not fall within the scope of "listing abroad" under the Revised CAC Measures, and therefore we are not required to proactively apply for cybersecurity review with respect to our proposed [**REDACTED**]. Our PRC Legal Advisor is of the view that the Center is the competent authority for the Consultation, and the staff who responded our inquires during the Consultation is the duly designated person in the Center to handle public inquiries. As such, our PRC Legal Advisor is of the view that [**REDACTED**] does not fall within the scope of "listing abroad" under the Revised CAC Measures and thereby we are not required to proactively apply for cybersecurity review with respect to the proposed [**REDACTED**].

On November 14, 2021, the CAC issued the Regulations on the Administration of Cyber Data Security (Consultation Draft) (《網絡數據安全管理條例(徵求意見稿)》) (the "**Draft Data Security Regulations**") for public comments. The Draft Data Security Regulations have set out requirements on matters such as the protection of personal information, security of important data, security management of cross-border data transfer, application for cybersecurity review and obligations of internet platform operators. According to the Draft Data Security Regulations, a data processor shall apply for a cybersecurity review if it involves the following activities: (i) the merger, reorganization or separation of internet platform operators that possess a large number of data resources related to national security, economic development or public interests, that influence or may influence national security; (ii) seeking listing abroad that process personal information of more than one million users; (iii) seeking listing in Hong Kong, which will influence or may influence the national security; (iv) other data processing activities that will influence or may influence national security. However, the Draft Data Security Regulations provides no further explanation or interpretation for "influence or may influence national security". Given that as of the Latest Practicable Date, the Draft Data Security Regulations were released for public comments only and has not come into effect and we are still in the process of evaluating the applicability of the various requirements under the Draft Data Security Regulations to our business, it is impractical for us to predict the impact of the Draft Data Security Regulations at the current stage. We will closely monitor the rule-making process and will assess and determine whether we are required to apply for the cybersecurity review once the Draft Data Security Regulations is formally promulgated.

REGULATIONS RELATING TO ADVERTISEMENTS

Pursuant to the Advertisement Law of the People's Republic of China (《中華人民共和國廣告法》), which was promulgated by SCNPC on October 27, 1994 and effective from February 1, 1995 and latest amended on April 29, 2021, advertisements shall not contain false statements or be deceitful or misleading to consumers. Advertisements on medical devices shall be reviewed by relevant authorities in accordance with applicable rules before being published.

REGULATIONS RELATING TO ANTI-BRIBERY

Since early 1990s, the legislative authorities at different levels in China have promulgated certain laws and regulations in respect of commercial bribery. According to the Anti-Unfair Competition Law of the PRC (《中華人民共和國反不正當競爭法》) (the "**Anti-Unfair Competition Law**") promulgated by SCNPC, as amended and effective as of April 23, 2019, unfair competition is defined as an act in which an operator violates the provisions of the Anti-Unfair Competition Law in its production and operation activities, disturbs the market competition order and damages the legitimate rights and interests of other operators or consumers. According to the Anti-Unfair Competition Law, business operators shall abide by the principles of voluntariness, equality, fairness and integrity and abide by laws and business ethics in their market transactions. Operators who violate the provisions of the Anti-Unfair Competition Law shall be subject to corresponding civil, administrative or criminal liabilities according to the specific circumstances.

Pursuant to the Interim Provisions on the Prohibition of Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》) (the "**Prohibition Commercial Bribery Provisions**") promulgated by the former State Administration of Industry and Commerce on November 15, 1996, commercial bribery refers to an act of offering money or property or using other means by an operator to the other entity or individual for the purposes of selling or buying goods, among which "other means" refer to the means used to provide any types of benefits other than money or property, such as offering overseas or domestic travel. Any business operator shall not provide or promise to provide economic benefits (including cash, other property or by other means) to a counter-party in a transaction or a third party that may be able to influence the transaction, in order to entice such party to secure a transactional opportunity or a competitive advantages for the business operator.

Any business operator breaching the relevant anti-bribery rules above-mentioned may be subject to administrative punishment or criminal liability depending on the seriousness of the cases. According to the Anti-Unfair Competition Law, if business operator commits bribery, regulatory authorities may impose fines of more than RMB100,000 and less than RMB3,000,000 depending on the seriousness of the cases and if there is any illegal income, such income shall be confiscated. According to the Prohibition Commercial Bribery Provisions, regulatory authorities may impose fines depending on the seriousness of the cases and if there is any illegal income, such income shall be confiscated. According to the PRC Criminal Law (《中華人民共和國刑法》), which was latest amended by the SCNPC on December 26, 2020 and came into effect on March 1, 2021, anyone who offers money or property to national servants for the purposes of seeking illegitimate benefits may commit a criminal offence and may be imposed on criminal penalty.

REGULATIONS RELATING TO TAX

PRC Enterprise Income Tax

The PRC enterprise income tax, or EIT, is calculated based on the taxable income determined under the applicable EIT Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and its implementation rules, both of which became effective on January 1, 2008 and were most recently amended on December 29, 2018 and April 23, 2019, respectively. Taxpayers consist of resident enterprises and non-resident enterprises. Under the EIT Law and relevant implementing regulations, a uniform corporate income tax rate of 25% is applicable. However, if non-resident

enterprises have not formed permanent establishments or premises in mainland China, or if they have formed permanent establishment institutions or premises in mainland China but there is no actual relationship between the relevant income derived in mainland China and the established institutions or premises set up by them, the enterprise income tax is, in that case, set at the rate of 10% for their income sourced from inside mainland China. The EIT Law and its implementation rules permit certain High and New Technologies Enterprises, or HNTEs, to enjoy a reduced 15% enterprise income tax rate if they meet certain criteria and are officially acknowledged.

PRC Value Added Tax

Pursuant to the Provisional Regulations on Value-Added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例》), which were promulgated by the State Council on December 13, 1993 and latest amended on November 19, 2017, and the Implementation Rules for the Provisional Regulations on Value-Added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例實施細則》), which were promulgated by the Ministry of Finance, or MOF, on December 25, 1993 and latest amended on October 28, 2011 and became effective on November 1, 2011, entities and individuals engaging in sale of goods, provision of processing services, repairs and replacement services, sales of services, intangible assets or real property, or importation of goods within the territory of the PRC shall pay value-added tax, or the VAT.

On March 23, 2016, MOF and the State Taxation Administration of the PRC, or STA, jointly issued the Circular on the Pilot Program for Overall Implementation of the Collection of Value Added Tax Instead of Business Tax (《關於全面推開營業稅改徵增值稅試點的通知》), or the Circular 36, which took effect on May 1, 2016. Pursuant to the Circular 36, all of the companies operating in construction, real estate, finance, modern service or other sectors which were required to pay business tax are required to pay VAT, in lieu of business tax. A VAT rate of 6% applies to revenue derived from the provision of certain services. Unlike business tax, a taxpayer is allowed to offset the qualified input VAT paid on taxable purchases against the output VAT chargeable on the revenue from services provided.

On March 20, 2019, MOF, STA and GACC issued the Announcement on Policies for Deepening the VAT Reform (《關於深化增值稅改革有關政策的公告》), or the Announcement 39, which came into effect on April 1, 2019, to further slash VAT rates. According to the Announcement 39, (i) the 16% or 10% VAT previously imposed on sales and imports by general VAT taxpayers is reduced to 13% or 9% respectively; (ii) the 10% purchase VAT credit rate allowed for the procured agricultural products is reduced to 9%; (iii) the 13% purchase VAT credit rate allowed for the agricultural products procured for production or commissioned processing is reduced to 10%; and (iv) the 16% or 10% export VAT refund rate previously granted to the exportation of goods or labor services is reduced to 13% or 9%, respectively.

REGULATIONS RELATING TO FOREIGN EXCHANGE AND DIVIDEND DISTRIBUTION

Foreign Exchange Regulation

The principal regulations governing foreign currency exchange in China are the Regulations on Foreign Exchange Administration of the People's Republic of China (《中華人民共和國外匯管理條例》), promulgated on January 29, 1996, last revised and effective on August 5, 2008. Under the PRC foreign exchange regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions, may be made in foreign currencies without prior approval from the State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. By contrast, approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of foreign currency denominated loans or foreign currency is to be remitted into China under the capital account, such as a capital increase or foreign currency loans to our PRC subsidiaries.

In November 2012, SAFE promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Direct Investment (《關於進一步改進和調整直接投資外匯管理政策的通知》), as latest amended in December 2019, which substantially amends and simplifies the foreign exchange procedure. Pursuant to this circular, the opening of various special purpose foreign exchange accounts, such as pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts, the reinvestment of Renminbi proceeds by foreign investors in the PRC, and remittance of foreign exchange profits and dividends by a foreign-invested enterprise to its foreign shareholders no longer require the approval or verification of SAFE, and multiple capital accounts for the same entity may be opened in different provinces, which was not possible previously. In addition, SAFE promulgated the Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents (《關於印發<外國投資者境內直接投資外匯管理規定>及配套文件的通知》) in May 2013, as latest amended in December 2019, which specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC shall be conducted by way of registration and banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches. In February 2015, SAFE promulgated the Circular of Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》), or the Circular 13, which became effective on June 1, 2015. Under the Circular 13, the foreign exchange procedures are further simplified, and foreign exchange registrations of direct investment will be handled by the banks designated by the foreign exchange authority instead of SAFE and its branches. However, the foreign invested enterprises were still prohibited by the Circular 13 to use the Renminbi converted from foreign currency-registered capital to extend entrustment loans, repay bank loans or inter-company loans.

On June 9, 2016, SAFE issued the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《關於改革和規範資本項目結匯管理政策的通知》), or the Circular 16, which took effect on the same day. The Circular 16 provides that discretionary foreign exchange settlement applies to foreign exchange capital, foreign debt offering proceeds and remitted foreign listing proceeds, and the corresponding Renminbi obtained from foreign exchange settlement are not restricted from extending loans to related parties or repaying the inter-company loans (including advances by third parties).

On January 26, 2017, SAFE promulgated the Circular on Further Improving Reform of Foreign Exchange Administration and Optimizing Genuineness and Compliance Verification (《關於進一步推進外匯管理改革完善真實合規性審核的通知》), or the Circular 3, which took effect on the same day. The Circular 3 sets out various measures, including the following: (i) relaxing the policy restriction on foreign exchange inflow to further enhance trade and investment facilitation, including (a) expanding the scope of foreign exchange settlement for domestic foreign exchange loans, (b) allowing the capital repatriation for offshore financing against domestic guarantee, (c) facilitating the centralized management of foreign exchange funds of multinational companies, and (d) allowing offshore institutions within pilot free trade zones to settle foreign exchange in domestic foreign exchange accounts; and (ii) tightening genuineness and compliance verification of cross-border transactions and cross-border capital flow, including (a) improving the statistics of current account foreign currency earnings deposited offshore, (b) requiring banks to verify board resolutions, tax filing form, and audited financial statements before wiring foreign invested enterprises' foreign exchange distribution above US$50,000, (c) strengthening genuineness and compliance verification of foreign direct investments, and (d) implementing full scale management of offshore loans in Renminbi and foreign currencies by requiring the total amount of offshore loans be no higher than 30% of the onshore owner's equity shown on its audited financial statements of the last year.

On October 23, 2019, SAFE issued the Circular on Further Facilitating Cross-border Trade and Investment (《關於進一步促進跨境貿易投資便利化的通知》), or the Circular 28, which took effect on the same day. The Circular 28 allows non-investment foreign-invested enterprises to use their capital funds to make equity investments in China, provided that such investments do not violate the negative list and the target investment projects are genuine and in compliance with laws. Since the Circular 28 was issued only recently, its interpretation and implementation in practice are still subject to substantial uncertainties.

To use our offshore foreign currency to fund our PRC operations, we will apply to obtain the relevant approvals of SAFE and other PRC government authorities as necessary. Our PRC subsidiary's distributions to their offshore parents and our cross-border foreign exchange activities are required to comply with the various requirements under the relevant foreign exchange rules.

SAFE Circular 37

SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or the SAFE Circular 37, on July 4, 2014, which replaced the former circular commonly known as the "SAFE Circular 75" (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) promulgated by SAFE on October 21, 2005. The SAFE Circular 37 requires PRC residents to register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with their legally owned assets or interests in domestic enterprises or offshore assets or interests, referred to in the SAFE Circular 37 as a "special purpose vehicle". The SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiary of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Furthermore, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls. On February 13, 2015, SAFE released the Circular 13, under which local banks will examine and handle foreign exchange registration for overseas direct investment, including the initial foreign exchange registration and amendment registration, from June 1, 2015. There exist substantial uncertainties with respect to its interpretation and implementation by governmental authorities and banks.

Regulation of dividend distribution

Under our current corporate structure, our Cayman Islands holding company may rely on dividend payments from our PRC subsidiary, which is a wholly foreign-owned enterprise incorporated in the PRC, to fund any cash and financing requirements we may have. The principal laws, rules and regulations governing dividend distribution by wholly foreign-owned enterprise in the PRC are the Company Law of the People's Republic of China (《中華人民共和國公司法》), as latest amended on October 26, 2018, the 2019 Foreign Investment Law and its implementing rules. Under these laws, rules and regulations, wholly foreign-owned enterprises may pay dividends only out of their accumulated profit, if any, as determined in accordance with PRC accounting standards and regulations. A wholly foreign-owned enterprise is required to set aside as general reserves at least 10% of their after-tax profit, until the cumulative amount of their reserves reaches 50% of their registered capital. A PRC company is not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

REGULATIONS RELATING TO LAND USE RIGHTS OF REAL ESTATE PROPERTY

The Civil Code of the People's Republic of China (《中華人民共和國民法典》), the Land Administration Law of the People's Republic of China (《中華人民共和國土地管理法》) enacted by SCNPC on June 25, 1986 with its latest amendment effective on January 1, 2020, the Regulations on the Implementation of the Land Administration Law of the People's Republic of China (《中華人民共和國土地管理法實施條例》) promulgated by the State Council on December 27, 1998 with its latest amendment on July 2, 2021, and the Law on the Administration of Urban Real Estate of the PRC (《中華人民共和國城市房地產管理法》) passed by the SCNPC on July 5, 1994 with its latest amendment effective on January 1, 2020, mainly govern the use rights of the state-owned land in the PRC.

Pursuant to the Civil Code of the People's Republic of China (《中華人民共和國民法典》), in order to establish construction land use rights, registration shall be completed with the registrar. A holder of construction land use rights shall reasonably use the land and may not alter the purpose of land use. Approval of the relevant administrative department shall be obtained if altering the purpose of land use.

Pursuant to the Land Administration Law of the People's Republic of China (《中華人民共和國土地管理法》) and the Regulations on the Implementation of the Land Administration Law of the People's Republic of China (《中華人民共和國土地管理法實施條例》), the state implements a land use control system and shall formulate an overall land utilization plan to specify land use. Any entity or individual must use land in strict accordance with the purposes of land use as specified in the overall land utilization plan. Construction entities shall use state-owned land according to the stipulations of the land use right assignment contract or according to the provisions of the approval documents relevant to the allocation of land use rights. The conversion of the construction purposes of the land shall receive the consent of the competent land administrative authority and be submitted to the people's governments that originally granted land use approval. When changing the purpose of land within urban planning areas, consent shall be obtained from the relevant urban planning administration department before submission; without such approvals, the use of land specified in the relevant overall land utilization plan shall not be changed. Under these regulations, failure to comply with the approved usage may subject to fines or other penalties, including potentially being required by the relevant land administrative authority to return the land.

OVERVIEW

Our history can be traced back to January 2004 when our co-founders, Mr. LIN Jixun and Mr. LIN Feng, launched our first ICL in Hangzhou in 2004 using their personal funding and contributions. In October 2018, Pearl Group Limited, a company owned by funds which are (by and through their controlled affiliates and their respective general partners) ultimately controlled by Carlyle, invested in our Company and became our Controlling Shareholder. Our two co-founders did not assume any management or executive roles in our Group after the investments of Pearl Group Limited in October 2018.

The additional resources, expertise and professional management from Pearl Group Limited and other investors enhanced our corporate compliance and reset our growth path, and led us in our rapid growth and robust track record results with adjusted EBITDA (non-IFRS measure) grew at a CAGR of 32.6% from RMB567.6 million in 2020 to RMB998.7 million in 2022. See "Financial Information – Non-IFRS Measures". We also expanded our ICL network after October 2018 through the establishment of new ICLs in Guizhou, Heilongjiang, Qingdao, Quzhou, Xiamen, Shenzhen, Suzhou, Wenzhou and Xinyang, and the acquisition of ICLs in Shangrao and Henan. As of the Latest Practicable Date, we offered comprehensive and best-in-class testing services primarily to hospitals and health check centers through an integrated network of 32 self-operated laboratories across China.

KEY MILESTONES

Set out below are the key milestones in our history:

2004	We launched our first ICL in Hangzhou.
2006 to 2011	We launched our ICLs in Beijing, Changsha, Chengdu, Fuzhou, Hefei, Jilin, Jinan, Nanchang, Nanjing, Shanghai, Shenyang and Wuhan. Shanghai Adicon was awarded College of American Pathologists (CAP) accreditation in 2008, and became the first ICL in China to obtain such accreditation. Hangzhou Adicon obtained ISO 15189 qualification in 2010, and became the first ICL in the PRC to obtain such accreditation.
2011	We diversified our business and started engaging in the sales of medical products.
2013 to 2017	We launched our ICLs in Chongqing, Guangzhou, Kunming, Nanning, Sanming, Tianjin, Xi'an and Zhengzhou. We started cooperating with CROs across the PRC through our central ICL in Shanghai and Hangzhou.
2019	We expanded into health check customer segment and started providing testing services to health check centers across the PRC. We launched our ICLs in Qingdao and Shenzhen.

2020	We started offering COVID-19 tests in February 2020. We were the first batch of ICLs recognized as a core participant of the national screening for COVID-19.
	We launched a dedicated sales force for the sales and marketing of our esoteric testing services across the PRC.
	We launched our ICLs in Quzhou.
2021	We acquired an ICL in Shangrao and launched an ICL in Xiamen.
	We completed our Preferred Shares [**REDACTED**] investment and received an aggregate amount of US$88.0 million.
2022	We acquired an ICL in Henan and launched ICLs in Heilongjiang, Guizhou, Suzhou, Wenzhou and Xinyang.

OUR MAJOR SUBSIDIARIES AND OPERATING ENTITIES

Our major subsidiaries that made a material contribution to our results of operations during the Track Record Period are set forth below:

Company	Place of establishment	Principal business activities	Date of establishment and commencement of business
Hangzhou Adicon	PRC	ICL Business	January 16, 2004
Beijing Adicon	PRC	ICL Business	December 7, 2007
Hefei Adicon	PRC	ICL Business	June 5, 2006
Jinan Adicon	PRC	ICL Business	October 19, 2006
Fuzhou Adicon	PRC	ICL Business	February 6, 2009
Wuhan Adicon	PRC	ICL Business	November 24, 2009
Nanjing Adicon	PRC	ICL Business	December 4, 2009
Tianjin Adicon	PRC	ICL Business	June 3, 2014
Hangzhou Huitu	PRC	Sales of medical products	December 2, 2010

The particulars of our subsidiaries are set out in Note 1 to the Accountants' Report in Appendix I to this Document. Please also refer to the paragraph headed "Corporate Structure" in this section for our corporate structure.

MAJOR CORPORATE DEVELOPMENT AND SHAREHOLDING CHANGES

Development of our Business

We launched our first ICL in Hangzhou through Hangzhou Adicon in January 2004, and rapidly expanded across the PRC. As of the Latest Practicable Date, we operated 32 ICLs across the PRC though Hangzhou Adicon and its subsidiaries, which are controlled by us through the Contractual Arrangements. For details of the Contractual Arrangements, please refer to the section headed "Contractual Arrangements" in this Document.

We diversified our business and started engaging in the sales of medical products in 2011. We do not operate this business through the Contractual Arrangements as such business is neither foreign investment restricted nor prohibited. For details, please refer to the section headed "Business – Sales of medical products" in this Document.

Our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on March 20, 2008 with an initial authorized share capital of US$50,000 divided into 500,000,000 ordinary shares of US$0.0001 each.

At the time of incorporation, our Company issued 10,000 Shares with a par value of US$0.0001 each to an independent company secretary for US$1.00. On September 30, 2008, Corelink (a BVI company controlled by Mr. LIN Jixun) acquired the 10,000 Shares from the independent company secretary, and subscribed for 47,490,000 new Shares at a total consideration of US$4,750. On the same date, Mega Stream (a BVI holding company controlled by Mr. LIN Feng) subscribed for 47,500,000 new Shares at a total consideration of US$4,750. From then and up to October 2018, our Company was ultimately controlled as to 50.0% by Mr. LIN Jixun and 50.0% by Mr. LIN Feng.

On December 24, 2018, we subdivided our share capital from US$50,000 divided into 500,000,000 ordinary shares of US$0.0001 each to US$50,000 divided into 500,000,000,000 Shares of US$0.0000001 each.

On June 3, 2021, we approved the consolidation of our share capital from US$50,000 divided into 500,000,000,000 Shares of US$0.0000001 each to US$50,000 divided into 2,500,000,000 Shares of US$0.00002 each.

Our Major Subsidiaries

(i) Hangzhou Adicon

Hangzhou Adicon, a PRC Operating Entity, was established on January 16, 2004 by our Founders with an initial registered capital of RMB5 million, which was subsequently increased to RMB45 million after several rounds of capital injections from our Founders. After several shareholding restructures between October 2010 and October 2018, the equity interest of Hangzhou Adicon was ultimately held as to 50.0% by Mr. LIN Jixun and 50.0% by Mr. LIN Feng through their respective holding vehicles in the PRC. Hangzhou Adicon is the holding company of our ICL business in the PRC.

In October 2018, Mr. LIN Jixun directed his PRC holding vehicle to transfer his 50.0% equity interests in Hangzhou Adicon to Ms. LAN Jia for a consideration of RMB260 million, and Mr. LIN Feng directed his PRC holding vehicle to transfer his 50.0% equity interests in Hangzhou Adicon to Ms. LIAN Hailun for a consideration of RMB260 million. These considerations were arrived at after arm's length negotiations between the parties with reference to the net asset value of Hangzhou Adicon, and had already been fully settled by cash indirectly from Aidiken WFOE by way of a loan to Ms. LAN Jia and Ms. LIAN Hailun. For details, please refer to the section headed "Contractual Arrangement – Summary of the Contractual Arrangements – Loan agreements" of this Document. Since October 2018, Mr. LIN Jixun and Mr. LIN Feng have ceased to hold any equity interests in Hangzhou Adicon.

On October 14, 2020, Hangzhou Kangming, on behalf of certain PRC senior management of our Company, subscribed for 0.36% equity interest in Hangzhou Adicon.

As of the Latest Practicable Date, Hangzhou Adicon was owned as to 49.82%, 49.82% and 0.36% by Ms. LAN Jia, Ms. LIAN Hailun and Hangzhou Kangming, respectively. Our Company, through the Contractual Arrangements, controls and holds 100% of the economic benefits of Hangzhou Adicon, which, together with its subsidiaries, operate our ICL business in the PRC.

(ii) Beijing Adicon

Beijing Adicon, a PRC Operating Entity, was established on December 7, 2007 by Hangzhou Adicon with an initial registered capital of RMB5 million, which was subsequently increased to RMB20 million after several rounds of capital injections from Hangzhou Adicon. Beijing Adicon operates our ICL in Beijing.

(iii) Hefei Adicon

Hefei Adicon, a PRC Operating Entity, was established on June 5, 2006 by Hangzhou Adicon with an initial registered capital of RMB3 million, which was subsequently increased to RMB20 million after several rounds of capital injections from Hangzhou Adicon. Hefei Adicon operates our ICL in Hefei.

(iv) Jinan Adicon

Jinan Adicon, a PRC Operating Entity, was established on October 19, 2006 by Hangzhou Adicon with an initial registered capital of RMB3 million, which was subsequently increased to RMB20 million after several rounds of capital injections from Hangzhou Adicon. Jinan Adicon operates our ICL in Jinan.

(v) Fuzhou Adicon

Fuzhou Adicon, a PRC Operating Entity, was established on February 6, 2009 by Hangzhou Adicon with an initial registered capital of RMB10 million, which was subsequently increased to RMB20 million after a capital injection from Hangzhou Adicon in December 2013. Fuzhou Adicon operates our ICL in Fuzhou.

(vi) Wuhan Adicon

Wuhan Adicon, a PRC Operating Entity, was established on November 24, 2009 by Hangzhou Adicon with a registered capital of RMB20 million. Wuhan Adicon operates our ICL in Wuhan.

(vii) Nanjing Adicon

Nanjing Adicon, a PRC Operating Entity, was established on December 4, 2009 by Hangzhou Adicon with an initial registered capital of RMB10 million, which was subsequently increased to RMB20 million after a capital injection from Hangzhou Adicon in October 2010. Nanjing Adicon operates our ICL in Nanjing.

(viii) Tianjin Adicon

Tianjin Adicon, a PRC Operating Entity, was established on June 3, 2014 by Hangzhou Adicon and its wholly-owned subsidiary, Guangzhou Adicon, with an initial registered capital of RMB25 million, which was subsequently increased to RMB30 million after a capital injection from Hangzhou Adicon and Guangzhou Adicon in August 2021. Tianjin Adicon operates our ICL in Tianjin.

(ix) Hangzhou Huitu

Hangzhou Huitu, one of our subsidiaries, was established on December 2, 2010 by an independent third party with a registered capital of RMB7.5 million. In January 2011, Hangzhou Adicon acquired 60.0% equity interests in Hangzhou Huitu from such independent third party for a consideration of RMB5 million, which was arrived at after arm's length negotiations between the parties with reference to the registered capital of Hangzhou Huitu, and had already been fully settled by cash. We started engaging in the sales of medical products after acquiring Hangzhou Huitu in January 2011.

We acquired the remaining 40.0% equity interests in Hangzhou Huitu in June 2020. For details, please refer to the paragraph headed "– Reorganization – Acquiring the remaining interests of Hangzhou Huitu and Manson Grand" in this section.

REORGANIZATION

We underwent the following reorganization steps in preparation for the [**REDACTED**].

Acquiring the remaining interests of Hangzhou Huitu and Manson Grand

Hangzhou Huitu and Manson Grand are engaged in the sales of medical products in the PRC. Prior to the acquisitions, (i) Hangzhou Huitu was owned as to 60.0%, 26.0% and 14.0% by Hangzhou Adicon, Mr. XU Chenhuai and Mr. CHEN Shanwen, respectively; and (ii) Manson Grand was owned as to 60.0%, 26.0% and 14.0% by our Company, Mr. XU Chenhuai and Mr. CHEN Shanwen, respectively. To the best knowledge of our Directors, Mr. XU Chenhuai and Mr. CHEN Shanwen are independent third parties of our Company.

After the following steps, Manson Grand and Hangzhou Huitu became wholly-owned subsidiaries of our Company and Aidiken WFOE, respectively:

(i) on May 25, 2020, our Company acquired 26.0% and 14.0% issued shares of Manson Grand from Mr. XU Chenhuai and Mr. CHEN Shanwen at a consideration of US$1.51 million and US$0.81 million, respectively. On June 16, 2020, Aidiken WFOE acquired 26.0% and 14.0% equity interests of Hangzhou Huitu from Mr. XU Chenhuai and Mr. CHEN Shanwen at a consideration of RMB1.85 million and RMB1.00 million, respectively. These considerations were arrived at after arm's length negotiations between the parties with reference to the financial performance of Hangzhou Huitu and Manson Grand for the year ended 31 December 2019. To settle these considerations, on June 18, 2020, our Company issued 873,354,175 Shares and 473,066,845 Shares to Alltrees Holding Ltd (the BVI holding vehicle of Mr. XU Chenhuai) and Boke Holding Ltd (the BVI holding vehicle of Mr. CHEN Shanwen), respectively, at approximately US$0.0017 each, and Aidiken WFOE paid RMB1.85 million and RMB1.00 million to Mr. XU Chenhuai and Mr. CHEN Shanwen in cash, respectively; and

(ii) on June 16, 2020, as part of an intra-group reorganization, Aidiken WFOE acquired 60.0% equity interests in Hangzhou Huitu from Hangzhou Adicon at a consideration of RMB15.0 million, which was determined with reference to the net asset value of Hangzhou Huitu. The consideration was fully settled as of the Latest Practicable Date.

Restructuring of Shanghai Adicon

Shanghai Adicon operates our ICL in Shanghai. Prior to the restructuring, Shanghai Adicon was 86.875% owned by Hangzhou Adicon and 13.125% owned by Shanghai Liye Corporate Management Limited Partners ("**Shanghai Liye**"), a PRC limited liability partnership controlled by Ms. YAN Ying (嚴瑩), an independent third party.

To streamline our corporate structure, based on arm's length negotiations, (i) on January 6, 2021, Shanghai Liye transferred all its 13.125% interests in Shanghai Adicon to Hangzhou Adicon for a consideration of RMB10,000, and (ii) on February 9, 2021, our Company issued 295,705,697 Shares at approximately US$0.0077 per Share to Liye Asset Management Co., Limited, a limited company in Hong Kong owned by an affiliate of Ms. YAN Ying, for a total consideration of US$2.29 million. Upon completion of the above, Shanghai Adicon became a wholly-owned subsidiary of Hangzhou Adicon.

Acquisition of Shangrao Adicon and Jiangxi Jince

To expand our business into Shangrao, we acquired in February 2021 (i) the ICL business of Shangrao Meikang Shengde Clinical Laboratories Co., Ltd. (上饒美康盛德醫學檢驗所有限公司) ("**Shangrao Meikang**"); and (ii) the business of sales of medical products of Jiangxi Meikang Medical Equipment Co., Ltd. (江西省美康醫療器械有限公司) ("**Jiangxi Meikang**") and Jiangxi Yingquansheng Technology Co., Ltd. (江西英泉盛科技有限公司) ("**Jiangxi Yingquansheng**"). Shangrao Meikang, Jiangxi Meikang and Jiangxi Yingquansheng were owned by Mr. ZHENG Shaojun and Ms. HU Ronghua, both of whom are our independent third parties. Prior to the acquisitions, Jiangxi Meikang, Shangrao Meikang and Jiangxi Yingquansheng underwent a restructuring to inject the ICL business of Shangrao Meikang into Shangrao Adicon Clinical Laboratories Co., Ltd. (上饒艾迪康醫學檢驗實驗室有限公司) ("**Shangrao Adicon**"), and inject the business of the sales of medical products of Jiangxi Meikang and Jiangxi Yingquansheng into Jiangxi Jince BioTech Co., Ltd. (江西錦測生物科技有限公司) ("**Jiangxi Jince**"). Shangrao Adicon and Jiangxi Jince were owned as to 79% by Mr. ZHENG Shaojun and 21% by Ms. HU Ronghua.

In February 2021, we designated (i) Hangzhou Adicon to acquire 51% of Shangrao Adicon, and (ii) Aidiken WFOE to acquire 51% of Jiangxi Jince, as to 34% from Mr. ZHENG Shaojun and 17% from Ms. HU Ronghua at a total consideration of RMB20.71 million and RMB16.94 million, respectively, which were arrived at after arm's length negotiations between the parties with reference to net profit generated from the assets and business of Shangrao Meikang, Jiangxi Meikang and Jiangxi Yingquansheng in 2019. On the same consideration basis, Ms. HU Ronghua sold 4% of Shangrao Adicon and 4% of Jiangxi Jince to Mr. SHEN Zhuhao, the manager of Guizhou Adicon, at a total consideration of RMB2.95 million. The considerations payable by Hangzhou Adicon and Aidiken WFOE had been fully settled by cash as of the Latest Practicable Date. Upon completion of the acquisitions, Shangrao Adicon and Jiangxi Jince became our subsidiaries. Pursuant to an agreement entered into between Hangzhou Adicon and Mr. SHEN Zhuhao in early 2021, Hangzhou Adicon has the option to acquire Mr. SHEN Zhuhao's 4% equity interest in each of Shangrao Adicon and Jiangxi Jince.

Due to reasons unrelated to our Group, Shangrao Adicon and Jiangxi Jince, subsequent to our acquisition of 51% equity interests in Shangrao Adicon and Jiangxi Jince in February 2021, the remaining 45% equity interests held by Mr. ZHENG Shaojun in these two companies were frozen by a PRC court in June 2021, and was subsequently released in July 2021. Ms. HU Ronghua did not hold any interest in Shangrao Adicon and Jiangxi Jince as of the Latest Practicable Date. Subject to the satisfaction of the relevant condition precedents set forth in the relevant agreements, including (i) obtaining all applicable approvals and completing all relevant filing procedures; and (ii) no breach of representations and warranties customary for similar type of transactions, Hangzhou Adicon and Aidiken WFOE are obliged to purchase the remaining 45% interests in Shangrao Adicon and Jiangxi Jince from Mr. ZHENG Shaojun through the following steps:

(i) 10% out of the 45% equity interests in Shangrao Adicon and Jiangxi Jince have been transferred to Hangzhou Adicon and Aidiken WFOE, respectively, in September 2021. The aggregated consideration of these transfers was RMB8.1 million, which was determined with reference to the net profit of Shangrao Adicon and Jiangxi Jince for the year ended December 31, 2020. The considerations payable by Hangzhou Adicon and Aidiken WFOE have been settled;

(ii) 15% out of the 45% interests in Shangrao Adicon and Jiangxi Jince, respectively, will be settled by cash at a consideration to be determined based on the net profit of Shangrao Adicon and Jiangxi Jince for the year ended December 31, 2021; and

(iii) 20% out of the 45% interests in Shangrao Adicon and Jiangxi Jince, respectively, will be settled, as determined at the absolute discretion of our Company and to the extent permit by applicable laws, either by cash or by issuing new Shares by our Company, at a consideration to be determined based on the net profit of Shangrao Adicon and Jiangxi Jince for the year ended December 31, 2021.

The scale of the business operated by Shangrao Meikang, Jiangxi Meikang and Jiangxi Yingquansheng as compared to that of our Group is not material. All the applicable size test percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the acquisitions of Shangrao Adicon and Jiangxi Jince on an aggregated basis were below 5% as compared to our Group for the year ended December 31, 2022. Accordingly, (i) the acquisitions are immaterial when compared to the scale of our operations as a whole; (ii) the acquisitions have not resulted in any significant change to the financial position of our Group since December 31, 2022; and (iii) all information that is reasonably necessary for potential investors to make an informed assessment of the activities or financial position of our Group has been included in this Document.

Acquisition of Henan Adicon

On May 12, 2022, Hangzhou Adicon entered into an equity purchase agreement pursuant to which Hangzhou Adicon has agreed to acquire 70% equity interests in Henan Adicon, an ICL in Henan, in two stages (the "**Henan Acquisition**"). In the first stage, Hangzhou Adicon acquired 51% of Henan Adicon in June 2022 at a consideration of RMB88.9 million, which was determined with reference to the adjusted net profit of Henan Adicon for the year ended December 31, 2021. For the second stage, Hangzhou Adicon has agreed to acquire a further 19% of Henan Adicon at a consideration to be determined with reference to the audited net profits of Henan Adicon for the year ending December 31, 2023. Subject to completion of the 2023 financial audit of Henan Adicon, we expect to make an aggregate investment of approximately RMB100 million to RMB140 million for the Henan Acquisition. In June 2021, Hangzhou Adicon made a RMB30 million advance payment to the seller, which will be used to offset part of the investment amount made by Hangzhou Adicon. In June 2022, the consideration payable by Hangzhou Adicon for the first stage of acquisition was fully settled. We estimate that the consideration payable by Hangzhou Adicon for the second stage of the Henan Acquisition will be closed after completion of the 2023 financial audits of Henan Adicon tentatively in June 2024.

To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, the beneficial owners of the counterparties to the equity purchase agreement are independent third parties of our Company and our connected persons. Henan Adicon is engaged in the ICL business in Henan, operating in the same business and industry sector as our Group. We proposed to make the acquisition with a view to achieving synergies between Henan Adicon and our existing business, grow our customer base and secure strong local partners to expand our footprint in the PRC. Taking into account the above, our Directors believe that the acquisition of Henan Adicon is fair and reasonable and in the interests of the Shareholders as a whole.

The scale of the business operated by Henan Adicon as compared to that of the Group is not material. All of the applicable size test percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the acquisition of Henan Adicon were below 5% as compared to our Group for the year ended December 31, 2022. Accordingly, (i) the acquisition was immaterial when compared to the scale of our operations as a whole; (ii) the acquisition has not resulted in any significant change to the financial position of the Group since December 31, 2022; and (iii) all information that is reasonably necessary for potential investors to make an informed assessment of the activities or financial position of our Group has been included in this Document.

[REDACTED] INVESTMENTS

Principal terms of the [REDACTED] Investments

The below table summarizes the principal terms of the [**REDACTED**] Investments:

Round	Round A	Round B
Date of relevant agreement with the [**REDACTED**] Investors	Between September 2018 and July 2019	Between December 2020 and January 2021[5]
Total amount of [**REDACTED**] Investments	US$302.48 million	US$88.00 million
Total number of Shares under the [**REDACTED**] Investments	398,755,009 Shares[1]	52,761,653 Preferred Shares[2]
Original issue price per Share	[**REDACTED**]	[**REDACTED**]
Implied post money valuation of our Group at the time of the [**REDACTED**] Investments[3]	[**REDACTED**]	[**REDACTED**]
[**REDACTED**] to the [**REDACTED**][4]	[**REDACTED**]%	[**REDACTED**]%
Basis of considerations	The considerations were determined after arms' length negotiations between the parties with reference to the timing of the investments and the status of our business and operating entities.	
Settlement date of considerations	The considerations were settled more than 28 clear days before the date of our first submission of the [**REDACTED**] to the [**REDACTED**] Department of the Stock Exchange in relation to the [**REDACTED**].	
[**REDACTED**] from the [**REDACTED**] Investments	We utilized the [**REDACTED**] for the development and operation of our business. As of the Latest Practicable Date, the [**REDACTED**] received by us from the [**REDACTED**] Investments had been fully utilized.	
Lock-up	Each of our [**REDACTED**] Investors has agreed to be subject to lock-up arrangements for a period of six (6) months after the [**REDACTED**].	
Special rights	The [**REDACTED**] Investors were entitled to certain special rights, including information rights, director nomination rights and veto rights. No special rights granted to our [**REDACTED**] Investors will survive after the [**REDACTED**].	
Strategic benefits of the [**REDACTED**] Investors	At the time of the [**REDACTED**] Investments, our Directors were of the view that we could benefit from the additional capital that would be provided by the [**REDACTED**] Investors' investments and the [**REDACTED**] Investors' knowledge and experience.	

Notes:

1. The figures have been adjusted after the share subdivision in December 2018 and the share consolidation in June 2021. Please refer to the paragraph headed "– Major Corporate Development and Shareholding Changes – Our Company" in this section for details.
2. The figures have been adjusted after the share consolidation in June 2021. Please refer to the paragraph headed "– Major Corporate Development and Shareholding Changes – Our Company" in this section for details. Each Preferred Share will be automatically converted into one Ordinary Share immediately prior to the [**REDACTED**] under the relevant [**REDACTED**] investment agreement.
3. The corresponding valuation is calculated based on the proposed post-money capitalization of our Company at the time of investment (on an as-converted and non-diluted basis), which excludes Shares then expected to be issued pursuant to the Employee Incentive Plans.
4. Assuming the [**REDACTED**] is fixed at HK$[**REDACTED**], being the mid-point of the indicative [**REDACTED**] range.
5. We entered into a share subscription agreement with the Round B [**REDACTED**] Investors on May 28, 2021, which amended and restated the original share subscription agreement in December 2020 and certain deeds of adherence in December 2020 and January 2021.

The increase in our implied post money valuation from US$436 million at Round A [**REDACTED**] Investments to US$1,058 million at Round B [**REDACTED**] Investment was due to the significant improvement in our business operations, financial performance and prospects after the Round A [**REDACTED**] Investments, in particular, the additional resources, expertise and professional management from Pearl Group Limited enhanced our corporate compliance and reset our growth path, and led us in our rapid growth and robust track record results, with adjusted EBITDA (non-IFRS measure) growing at a CAGR of 32.6% from RMB567.6 million in 2020 to RMB998.7 million in 2022.

Round A [REDACTED] Investments

On September 27, 2018, Pearl Group Limited and other investors, namely Huge King, Princess Capital Limited, Kofu International Limited, Eagle View Global Limited and Solarion Partners Limited, entered into a share purchase and subscription agreement with Corelink, Mega Stream and our Company, for acquiring an aggregate of 70,098,164,000[(1)] Shares in our Company with a total consideration of approximately US$265.86 million. The table below sets forth the shareholding of our Company upon completion of the relevant purchases and subscriptions on October 12, 2018:

Name of Investor[(1)]	Number of Shares acquired[(2)]	Consideration
		(US$ million)
Pearl Group Limited	56,308,361,000	213.56
Huge King	5,745,751,000	21.79
Princess Capital Limited	3,907,111,000	14.82
Kofu International Limited	2,643,046,000	10.02
Eagle View Global Limited	1,149,150,000	4.36
Solarion Partners Limited	344,745,000	1.31
Total	**70,098,164,000**	**265.86**

On December 14, 2018, Beijing Freesia Management Consulting Corporation entered into a share purchase agreement with Corelink and Mega Stream pursuant to which it acquired 2,872,875,500[(1)] Shares from Corelink and 2,872,875,500[(1)] Shares from Mega Stream for a consideration of US$10.90 million and US$10.90 million, respectively.

Notes:

(1) Shanghai Mei Ai, one of the investors in the Round A [**REDACTED**] Investments, subsequently divested its investment on December 24, 2019. Please refer to the paragraph headed "– [**REDACTED**] Investments – Divestment of Shanghai Mei Ai" in this section for details.

(2) The relevant figures have been adjusted after the share subdivision in December 2018. Please refer to the paragraph headed "– Major Corporate Development and Shareholding Changes – Our Company" in this section for details.

On July 26, 2019, J.P. Morgan Trust Company of Delaware, InvestWise Holdings Limited and Solarion Partners Limited entered into a share purchase agreement with Corelink and Mega Stream, for acquiring a total of 3,907,110,782 new Ordinary Shares from Corelink and Mega Stream for a total consideration of US$14.82 million, details of which are as follows:

Name of Investor	Number of Ordinary Shares acquired	Consideration
		(US$ million)
J.P. Morgan Trust Company of Delaware	2,068,470,414	7.85
InvestWise Holdings Limited	1,378,980,276	5.23
Solarion Partners Limited	459,660,092	1.74
Total	**3,907,110,782**	**14.82**

Round B [REDACTED] Investments

In December 2020 and January 2021, Pantai Juara Investments Limited, BlackRock Health Sciences Trust II, BlackRock Health Sciences Master Unit Trust, Reach Sight Limited, LBC Sunshine Healthcare Fund II L.P., OrbiMed Genesis Master Fund, L.P., OrbiMed New Horizons Master Fund, L.P. and Mirae Asset Securities (HK) Limited invested in our Company as [**REDACTED**] Investors to subscribe for a total of 10,552,330,565 new Preferred Shares for a total consideration of US$88 million, details of which are as follows:

Name of Investor	Number of Preferred Shares acquired	Consideration
		(US$ million)
Pantai Juara Investments Limited	5,396,078,131	45.00
BlackRock Health Sciences Trust II	2,139,245,197	17.84
BlackRock Health Sciences Master Unit Trust	19,186,055	0.16
Reach Sight Limited	1,199,128,473	10.00
LBC Sunshine Healthcare Fund II L.P.	839,389,931	7.00
OrbiMed Genesis Master Fund, L.P.	299,782,118	2.50
OrbiMed New Horizons Master Fund, L.P.	299,782,118	2.50
Mirae Asset Securities (HK) Limited	359,738,542	3.00
Total	**10,552,330,565**	**88.00**

Each Preferred Share will be automatically converted into one Ordinary Share immediately prior to the [**REDACTED**] under the relevant [**REDACTED**] investment agreement.

Information on our [REDACTED] Investors

Pearl Group Limited

Pearl Group Limited is 94.57% owned by Carlyle Asia Partners V, L.P. and 5.43% owned by CAP V Co-Investment, L.P.. The general partner of Carlyle Asia Partners V, L.P. and CAP V Co-Investment, L.P. is CAP V General Partner, L.P.. The general partner of CAP V General Partner, L.P. is CAP V, L.L.C., a subsidiary of Carlyle. Carlyle is one of the world's largest and most diversified global investment firms, with approximately US$373 billion in assets under management as of December 31, 2022 across three business segments: Global Private Equity, Global Credit and Investment Solutions. Carlyle's purpose is to invest wisely and create value on behalf of their investors, portfolio companies and the communities in which they live and invest.

Huge King Limited

Huge King Limited is a limited company incorporated in Hong Kong, which is owned as to 68.5% by Vaplus Group Corporation (a BVI company wholly-owned by Mr. DU Chao), 24.0% by SinoCAMC Investment Funds SPC (a Cayman Islands company managed by SinoCAMC Fund Management Limited, which in turn is ultimately controlled by Mr. LIU Teng), and 7.5% by Mr. LAU Hau Ming. Mr. DU Chao, Mr. LIU Teng and Mr. LAU Hau Ming are our independent third parties.

Princess Capital Limited

Princess Capital Limited is a Bermuda company managed by Misland Capital Limited, an investment firm incorporated in England and Wales. Princess Capital Limited is part of a group of companies owned by a single family office, for which Misland Capital Limited manages a portfolio of investments, across several sectors, for the Green Family of Bermuda. Princess Capital Limited's ultimate beneficiary is the Green Family of Bermuda, an independent third party of our Company.

Kofu International Limited

Kofu International Limited is a company incorporated in the BVI with limited liabilities which is indirectly wholly owned by Mr. YIN Chung Yao, an independent third party of our Company.

Eagle View Global Limited

Eagle View Global Limited is a company incorporated in the BVI with limited liabilities which is owned as to 50% SHEN Wei and 50% by GAN Ching, both independent third parties of our Company.

Family Members of Mr. SHI Mingheng

Solarion Partners Limited is a company incorporated in the BVI with limited liabilities which is wholly owned by Mr. SHI Mingheng, an independent third party of our Company. On November 7, 2022, for estate planning purposes, Mr. SHI Mingheng gifted the shares held by Solarion Partners Limited to the respective holding companies of his family members.

Beijing Freesia Management Consulting Corporation

Beijing Freesia Management Consulting Corporation is established in the PRC and is a wholly owned subsidiary of China Investment Corporation ("**CIC**"), a state-owned sovereign wealth fund headquartered in Beijing. CIC operates on an international, market-driven, and professional basis. CIC is an independent third party of our Company.

J.P. Morgan Trust Company of Delaware

J.P. Morgan Trust Company of Delaware holds shares in our Company solely in trust as Trustee of the NGM Family 2006 Irrevocable Trust, a trust created by Dr. ZHAO Ning in 2006. Dr. ZHAO Ning is an executive director and a senior vice president of WuXi AppTec Co., Ltd., and is an independent third party of our Company.

InvestWise Holdings Limited

InvestWise Holdings Limited is a company incorporated in the BVI with limited liabilities which is 100% owned by WONG Yuen Ling, an independent third party of our Company.

Pantai Juara Investments Limited

Pantai Juara Investments Limited is a wholly-owned subsidiary of Khazanah Nasional Berhad ("**Khazanah**"). Khazanah is the sovereign wealth fund of Malaysia tasked with growing the long-term wealth of the nation. Khazanah invests in companies and assets across multiple sectors and geographies. Khazanah was incorporated under the Companies Act 1965 on September 3, 1993 as a public limited company. Except for one share owned by the Federal Lands Commissioner of Malaysia, all the share capital of Khazanah is owned by the Minister of Finance Incorporated, a body established under the Ministry of Finance (Incorporation) Act 1957 of Malaysia. Pantai Juara Investments Limited is an independent third party of our Company.

LBC Sunshine Healthcare Fund II L.P.

LBC Sunshine Healthcare Fund II L.P. ("**LBC Sunshine II**") is managed by Lake Bleu Capital (Hong Kong) Limited. LBC Sunshine II, an exempted limited partnership registered in the Cayman Islands, is a sophisticated investor specializing in investing in late-stage healthcare companies in Asia and the Greater China. The investment scope of LBC Sunshine II includes pharmaceuticals, biotech, medical devices, and healthcare services. LBC GP II Limited, an exempted company incorporated in the Cayman Islands, acts as the general partner of LBC Sunshine II. LBC Sunshine II is an independent third party of our Company.

BlackRock Health Sciences Master Unit Trust and BlackRock Health Sciences Trust II

BlackRock Health Sciences Master Unit Trust and BlackRock Health Sciences Trust II ("**BlackRock Funds**") are managed by investment subsidiaries of BlackRock, Inc. ("**BlackRock**"), and have discretionary investment management power over the BlackRock Funds. BlackRock is listed on the New York Stock Exchange (NYSE: BLK). As of December 31, 2022, the firm managed approximately US$8.6 trillion in assets on behalf of investors worldwide. BlackRock Funds are independent third parties of our Company.

Mirae Asset Securities (HK) Limited

Mirae Asset Securities (HK) Ltd. ("**Mirae Asset Securities**"), investing through Mirae Asset New Economy Investments, is a wholly-owned subsidiary of Mirae Asset Daewoo Co., Ltd (KRX:006800). Mirae Asset Securities was established in Hong Kong in July 2005 with the vision of becoming the leading Asia Pacific financial services company. Mirae Asset Securities' professional and experienced Hong Kong-based analysts, traders, and financial advisors cover the Asia market. Its customer-focused approach translates into a broad range of investment services and activities including securities trading, futures and option trading, principal investments, investment management, private equity and credit, banking and wealth management. As of September 30, 2022, Mirae Asset Securities manages approximately KRW360 trillion in client assets. Mirae Asset Securities is an independent third party of our Company.

OrbiMed Genesis Master Fund, L.P. and OrbiMed New Horizons Master Fund, L.P.

OrbiMed Genesis Master Fund, L.P. and OrbiMed New Horizons Master Fund, L.P. (collectively, the "**OrbiMed Funds**") are each exempted limited partnerships incorporated under the laws of the Cayman Islands with OrbiMed Advisors LLC acting as the investment manager. OrbiMed Advisors LLC exercises voting and investment power through a management committee consisting of Carl L. Gordon, Sven H. Borho, and W. Carter Neild. OrbiMed Funds are independent third parties of our Company.

Reach Sight Limited

Reach Sight Limited, an investment holding company incorporated in BVI, is wholly-owned by Cenova China Healthcare Fund IV, L.P., which is an exempted limited partnership registered in the Cayman Islands. Cenova China Healthcare GP IV Limited, a Cayman Islands exempted company, is the general partner of Cenova China Healthcare Fund IV, L.P.. Cenova China Healthcare GP IV Limited is 65% owned by Mr. WU Jun, an independent third party of our Company.

Public float

Pearl Group Limited, as our Controlling Shareholder, Mr. GAO Song, as our executive Director and chief executive officer, and Mr. LIN Jixun, as our non-executive Director, are the core connected persons of our Company. The Shares held by Pearl Group Limited, [**REDACTED**] (a company wholly-owned by [**REDACTED**]) and Corelink (a company wholly-owned by Mr. LIN Jixun), representing approximately [**REDACTED**]% of our issued Shares upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), will not be counted towards our public float upon the [**REDACTED**].

Except as stated above, the [**REDACTED**] Investors are not our core connected persons (as defined in the Listing Rules) and are not accustomed to taking instructions from our core connected persons in relation to the acquisition, disposal, voting or other disposition of our Shares held or to be allotted to them. Therefore, the Shares held by the [**REDACTED**] Investors (except Pearl Group Limited) will count towards our public float upon [**REDACTED**].

Divestment of Shanghai Mei Ai

On September 26, 2018, Shanghai Mei Ai, a wholly-owned subsidiary of Meinian Onehealth Healthcare Holdings Co., Ltd. (美年大健康產業控股股份有限公司) (SZSE: 002044), entered into a share purchase agreement with Corelink and Mega Stream for acquiring 2,872,875,500 Shares from each of Corelink and Mega Stream, respectively, for US$10.90 million, respectively. Shanghai Mei Ai agreed to obtain approvals for its outbound direct investment within 12 months of its investment on October 12, 2018. As Shanghai Mei Ai did not obtain approval for its outbound direct investment, on December 24, 2019, Shanghai Mei Ai divested its investment by transferring 2,872,875,500 Shares back to each of Corelink and Mega Stream for US$10.90 million, respectively.

Compliance with Stock Exchange guidance

On the basis that (i) the consideration for the [**REDACTED**] Investments was settled more than 28 clear days before the date of our first submission of the [**REDACTED**] form to the [**REDACTED**] Department of the Stock Exchange in relation to the [**REDACTED**] and (ii) all special rights granted to the [**REDACTED**] Investors will not survive [**REDACTED**], the Joint Sponsors have confirmed that the [**REDACTED**] Investments are in compliance with the Guidance Letter HKEX-GL29-12 issued by the Stock Exchange in January 2012 and as updated in March 2017, the Guidance Letter HKEX-GL43-12 issued by the Stock Exchange in October 2012 and as updated in July 2013 and March 2017 and the Guidance Letter HKEX-GL44-12 issued by the Stock Exchange in October 2012 and as updated in March 2017.

CAPITALIZATION

The table below is a summary of the capitalization of our Company as of the date of this Document, unless otherwise indicated:

	Number of Shares Subscribed in				Number of Shares after the Share Consolidation and as of the date of this Document[3]	Ownership percentage as of the date of this Document[4]	Ownership percentage immediately after completion of the [REDACTED][5]
	Round A [REDACTED] Investment	Hangzhou Huitu and Manson Grand restructuring[1]	Round B [REDACTED] Investment	Shanghai Adicon restructuring[2]			
Controlling Shareholder							
Pearl Group Limited[6]	56,308,361,000	56,308,361,000	56,308,361,000	56,308,361,000	281,541,805	39.87%	[REDACTED]
Founders							
Corelink	17,581,998,609	17,581,998,609	17,581,998,609	17,581,998,609	87,909,994	12.45%	[REDACTED]
Mega Stream	17,581,998,609	17,581,998,609	17,581,998,609	17,581,998,609	87,909,994	12.45%	[REDACTED]
[REDACTED] Investors							
Huge King	5,745,751,000	5,745,751,000	5,745,751,000	5,745,751,000	28,728,755	4.07%	[REDACTED]
Princess Capital Limited	3,907,111,000	3,907,111,000	3,907,111,000	3,907,111,000	19,535,555	2.77%	[REDACTED]
Kofu International Limited	2,643,046,000	2,643,046,000	2,643,046,000	2,643,046,000	13,215,230	1.87%	[REDACTED]
Eagle View Global Limited	1,149,150,000	1,149,150,000	1,149,150,000	1,149,150,000	5,745,750	0.81%	[REDACTED]
Family members of Mr. SHI Minheng[7]	804,405,092	804,405,092	804,405,092	804,405,092	4,022,026	0.57%	[REDACTED]
Beijing Freesia Management Consulting Corporation	5,745,751,000	5,745,751,000	5,745,751,000	5,745,751,000	28,728,755	4.07%	[REDACTED]
J.P. Morgan Trust Company of Delaware	2,068,470,414	2,068,470,414	2,068,470,414	2,068,470,414	10,342,353	1.47%	[REDACTED]
InvestWise Holdings Limited	1,378,980,276	1,378,980,276	1,378,980,276	1,378,980,276	6,894,902	0.98%	[REDACTED]
Pantai Juara Investments Limited	–	–	5,396,078,131	5,396,078,131	26,980,391	3.82%	[REDACTED]
BlackRock Health Sciences Trust II	–	–	2,139,245,197	2,139,245,197	10,696,226	1.51%	[REDACTED]
BlackRock Health Sciences Master Unit Trust	–	–	19,186,055	19,186,055	95,931	0.01%	[REDACTED]
Reach Sight Limited	–	–	1,199,128,473	1,199,128,473	5,995,643	0.85%	[REDACTED]
LBC Sunshine Healthcare Fund II L.P.	–	–	839,389,931	839,389,931	4,196,950	0.59%	[REDACTED]
OrbiMed Genesis Master Fund, L.P.	–	–	299,782,118	299,782,118	1,498,911	0.21%	[REDACTED]
OrbiMed New Horizons Master Fund, L.P.	–	–	299,782,118	299,782,118	1,498,911	0.21%	[REDACTED]
Mirae Asset Securities (HK) Limited	–	–	359,738,542	359,738,542	1,798,693	0.25%	[REDACTED]
Employee Incentive Plan Platforms							
Ingenuity Capital Holdings Limited[8]	–	–	–	–	52,743,281	7.47%	[REDACTED]
Proteus Capital Holdings Limited[8]	–	–	–	–	13,462,235	1.91%	[REDACTED]
[REDACTED]							
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total issued Shares	**114,915,023,000**	**116,261,444,020**	**126,813,774,585**	**127,109,480,282**	**706,163,791**	**100.00%**	**100.00%**

Notes:

(1) For details, please refer to the paragraph headed "– Reorganization – Acquiring the remaining interests of Hangzhou Huitu and Manson Grand" in this section.

(2) For details, please refer to the paragraph headed "– Reorganization – Restructuring of Shanghai Adicon" in this section.

(3) On June 3, 2021, our Board approved the consolidation of our share capital from US$50,000 divided into 500,000,000,000 shares of US$0.0000001 each to US$50,000 divided into 2,500,000,000 shares of US$0.00002 each.

(4) Assuming the Preferred Shares issued under the Round B [**REDACTED**] Investment are converted into Shares immediately before the [**REDACTED**].

(5) Assuming all Preferred Shares issued under the Round B [**REDACTED**] Investment are converted into Shares immediately before the [**REDACTED**] and the [**REDACTED**] is not exercised.

(6) Pearl Group Limited is 94.57% owned by Carlyle Asia Partners V, L.P. and 5.43% owned by CAP V Co-Investment, L.P. The general partner of Carlyle Asia Partners V, L.P. and CAP V Co-Investment, L.P. is CAP V General Partner, L.P.. The general partner of CAP V General Partner, L.P. is CAP V, L.L.C., a subsidiary of Carlyle.

(7) Mr. SHI Minheng first invested in the Company through his wholly-owned investment vehicle, Solarion Partners Limited, during the Round A [**REDACTED**] Investments. On November 7, 2022, for estate planning purposes, Mr. SHI Minheng gifted the shares held by Solarion Partners Limited to the respective holding companies of his family members.

(8) For the purpose of the Employee Incentive Plans, our Company allowed and issued (i) 10,548,656,083 Shares (later consolidated into 52,743,281 Shares after the share consolidation on June 3, 2021) to Ingenuity Capital Holdings Limited on April 26, 2021; and (ii) 2,692,446,947 Shares (later consolidated into 13,462,235 Shares after the share consolidation on June 3, 2021) to Proteus Capital Holdings Limited on May 7, 2021. Ingenuity Capital Holdings Limited and Proteus Capital Holdings Limited are the special purpose vehicles wholly owned by the Perseverance Capital Trust and the Callisto Capital Trust, respectively, both managed by Trident Trust Company (HK) Limited for the purpose of holdings Shares under the Employee Incentive Plans. For details, please refer to the section headed "Statutory and General Information – D. Employee Incentive Plans" in Appendix IV to this Document.

(9) Upon the exercise of options granted under the Employee Incentive Plans, our Company allotted and issued in March 2021, April 2021 and June 2021 a total of [**REDACTED**] new Shares (as adjusted after the share consolidation on June 3, 2021) to the investment holding companies of certain existing and previous senior employees of our Group.

(10) Upon the exercise of options granted under the Employee Incentive Plans, our Company allotted and issued in March 2021 a total of [**REDACTED**] (later consolidated into [**REDACTED**] Shares after the share consolidation on June 3, 2021) new Shares to [**REDACTED**], a company wholly-owned by [**REDACTED**].

SAFE REGISTRATION AND PRC LEGAL COMPLIANCE

Pursuant to the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知, "**Circular 37**"), promulgated by SAFE and which became effective on July 4, 2014, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests to an overseas special purpose vehicle (the "**Overseas SPV**") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division.

Pursuant to Circular 37, failure to comply with these registration procedures may result in penalties. Pursuant to the Circular of Further Simplifying and Improving the Policies of Foreign Exchange Administration Applicable to Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知, "**Circular 13**"), promulgated by SAFE and which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE branches to local banks where the domestic entity is registered.

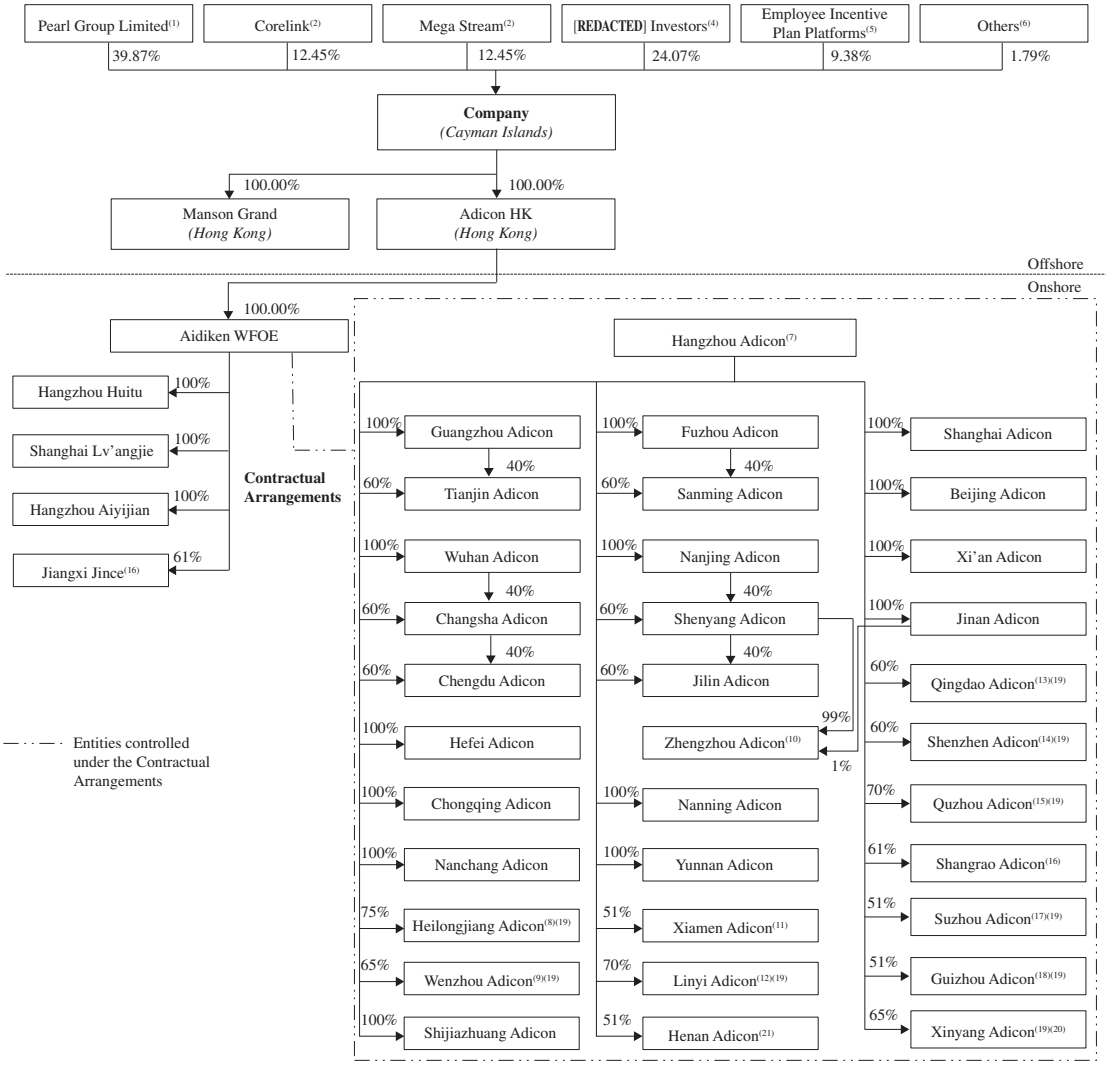
As advised by our PRC Legal Advisor, each of our senior management who indirectly hold shares in our Company, being PRC residents and subject to the SAFE regulations (namely Mr. GAO Song, Mr. PAN Chao and Mr. WANG Chengdong) have completed the initial registrations with the local SAFE branch or qualified banks as required by Circular 37 by April 2021.

Our PRC Legal Advisor has confirmed that our PRC subsidiaries in our Group have obtained requisite government approvals which they shall obtain in all material aspects in respect of the equity transfers of our PRC subsidiaries as described in this section. Except as otherwise disclosed, the transfers of equity interests of our PRC subsidiaries described in this section have been properly and legally completed.

CORPORATE STRUCTURE

Corporate structure before the [REDACTED]

The following diagram illustrates the operation and shareholding structure of our Group after reorganization and immediately prior to completion of the [**REDACTED**]:

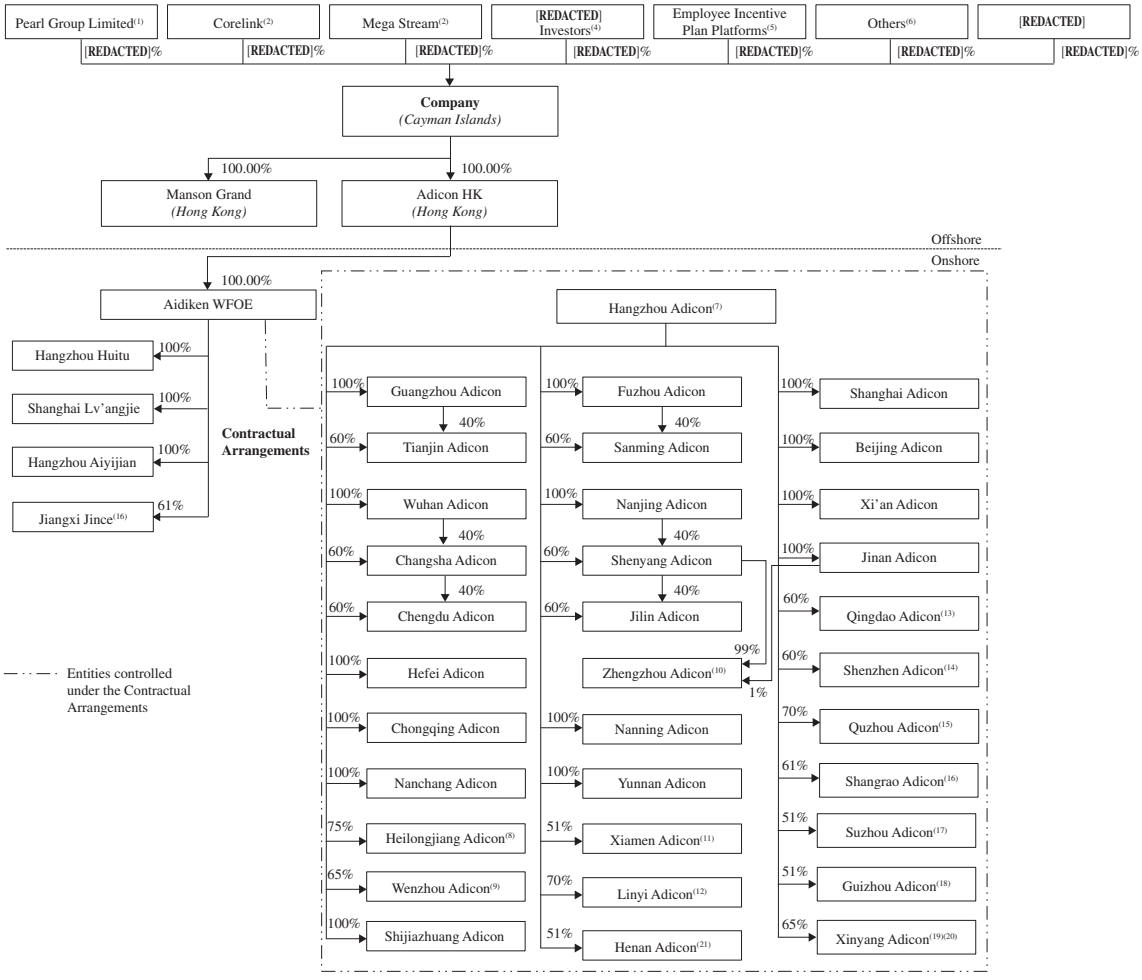


Notes:

1. Pearl Group Limited is 94.57% owned by Carlyle Asia Partners V, L.P. and 5.43% owned by CAP V Co-Investment, L.P.. The general partner of Carlyle Asia Partners V, L.P. and CAP V Co-Investment, L.P. is CAP V General Partner, L.P.. The general partner of CAP V General Partner, L.P. is CAP V, L.L.C., a subsidiary of Carlyle.
2. Corelink is wholly-owned by Mr. LIN Jixun, one of our Founders and a non-executive Director. Mr. LIN Jixun is the brother of Mr. LIN Feng.
3. Mega Stream is wholly-owned by Mr. LIN Feng, one of our Founders. Mr. LIN Feng is the brother of Mr. LIN Jixun.
4. This refers to the [**REDACTED**] Investors, except Pearl Group Limited, to our [**REDACTED**] Investments. For the individual shareholdings of our [**REDACTED**] Investors, see the paragraph headed "Capitalization" in this section.
5. Employee Incentive Plan Platforms refer to Ingenuity Capital Holdings Limited and Proteus Capital Holdings Limited, the special purpose vehicles wholly owned by the Perseverance Capital Trust and the Callisto Capital Trust, respectively, both managed by Trident Trust Company (HK) Limited for the purpose of holding Shares under the Employee Incentive Plans. The Shares held by Ingenuity Capital Holdings Limited and Proteus Capital Holdings Limited are counted toward the public float, as the relevant voting rights are not controlled by any of the core connected persons of the Company, and are exercised by a plan administrator or his/her representative in accordance with the majority votes of the Shareholders in general meetings. For example, if a majority of the shareholders in a general meeting votes against a resolution, the plan administrator or his/her representative shall vote against such resolution, and vice versa.
6. "Others" refers to (i) Alltrees Holding Ltd. (the BVI holding vehicle of Mr. XU Chenhuai, an independent third party) and Boke Holding Ltd. (the BVI holding vehicle of Mr. CHEN Shanwen, an independent third party), see the paragraph headed "Reorganisation – Acquiring the remaining interests of Hangzhou Huitu and Manson Grand" in this section for details; (ii) Liye HK; (iii) certain existing and previous senior employees who are not the core connected person of the Company; and (iv) [**REDACTED**] (the BVI holding vehicle of [**REDACTED**]). For their individual shareholdings, see the paragraph headed "Capitalization" in this section.
7. The registered shareholders of Hangzhou Adicon are Ms. LAN Jia, Ms. LIAN Hailun and Hangzhou Kangming, owned as to 49.82%, 49.82% and 0.36%, respectively.
8. Heilongjiang Adicon is owned as to 75% by Hangzhou Adicon and 25% by independent third parties.
9. Wenzhou Adicon is owned as to 65% by Hangzhou Adicon and 35% by an independent third party.
10. Zhengzhou Adicon is a partnership owned as to 1% by Jinan Adicon and 99% by Shenyang Adicon. In June 2020, Jinan Adicon and Shenyang Adicon established a limited liability company in Zhengzhou ("**Zhengzhou Company**"), which is owned as to 1% by Jinan Adicon and 99% by Shenyang Adicon. Zhengzhou Adicon plans to undertake a restructuring by transferring all of its business from Zhengzhou Adicon to Zhengzhou Company and dissolving Zhengzhou Adicon after the [**REDACTED**].
11. Xiamen Adicon is owned as to 51% by Hangzhou Adicon and 49% by an independent third party.
12. Linyi Adicon is owned as to 70% by Hangzhou Adicon and 30% by an independent third party.
13. Qingdao Adicon is owned as to 60% by Hangzhou Adicon and 40% by independent third parties.
14. Shenzhen Adicon is owned as to 60% by Hangzhou Adicon and 40% by independent third parties.
15. Quzhou Adicon is owned as to 70% by Hangzhou Adicon and 30% by an independent third party.
16. Shangrao Adicon is owned as to 61% by our Group, 35% by Mr. ZHENG Shaojun, an independent third party, and 4% by Mr. SHEN Zhuhao, the manager of Guizhou Adicon. Jiangxi Jince is owned as to 61% by our Group, 35% by Mr. ZHENG Shaojun, an independent third party, and 4% by Mr. SHEN Zhuhao, the manager of Guizhou Adicon. Please refer to the paragraph headed "– Reorganization – Shangrao Adicon and Jiangxi Jince" in this section for details.
17. Suzhou Adicon is owned as to 51% by Hangzhou Adicon and 49% by an independent third party.
18. Guizhou Adicon is owned as to 51% by Hangzhou Adicon, 44% by an independent third party, and 5% by Mr. SHEN Zhuhao, the manager of Guizhou Adicon.
19. Pursuant to agreements entered into between Hangzhou Adicon and the minority shareholders of these entities, Hangzhou Adicon has the option to acquire all or part of the remaining equity interests of such entities.
20. Xinyang Adicon is owned as to 65% by Hangzhou Adicon and 35% by an independent third party.
21. Henan Adicon is owned as to 51% by Hangzhou Adicon and 49% by an independent third party. Please refer to the paragraph headed "Post-Track Record Period Acquisition – Acquisition of Henan Adicon" in this section for details.

Corporate structure immediately after the [REDACTED]

The following diagram illustrates the operation and shareholding structure of our Group immediately after the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised):



Note: Please refer to the notes to "– Corporate Structure – Corporate Structure before the [**REDACTED**]" above.

OVERVIEW

We are one of the top three independent clinical laboratory, or ICL, service providers in China in terms of total revenues during the Track Record Period, according to Frost & Sullivan. Our business has demonstrated strong growth during the Track Record Period, with our total revenues increasing at a CAGR of 33.1% from RMB2,741.7 million in 2020 to RMB4,860.6 million in 2022. We offer comprehensive and best-in-class testing services primarily to hospitals and health check centers through an integrated network of 32 self-operated laboratories across China. The high quality of our services is backed by our strong performance in terms of international accreditation and comprehensive testing menu. As of December 31, 2022, 18 of our laboratories were accredited by ISO15189, which enabled us to provide customers with the quality assurance that comes with this rigorous international standard. Our testing portfolio consists of over 4,000 medical diagnostic tests, including over 1,700 routine tests and over 2,300 esoteric tests, as of December 31, 2022. During the Track Record Period, our testing volume increased by 33.9% from 60.1 million in 2020 to 80.5 million in 2021, and further increased by 104.8% to 164.9 million in 2022. We are committed to continuously serving patients and the general public with our high-quality testing services as a leading ICL service provider in China, and becoming a trusted and reliable partner for medical professionals and the general public.

We believe that we are well-positioned to benefit from the growing demand for testing services in China. Driven by a series of favorable government policies and industry tailwinds, the ICL market size in China grew rapidly at a CAGR of 10.9% from RMB14.7 billion in 2017 to RMB22.3 billion in 2021, and is expected to further grow at a CAGR of 18.2% to RMB51.3 billion in 2026, according to Frost & Sullivan. In addition, China's ICL market is still at a nascent stage compared to that of other developed countries. For example, China's ICL penetration rate, measured by the ICL testing market size as a percentage of the total clinical testing market size, in 2021 was approximately 6%, significantly less than 60% for Japan, 44% for Germany and 35% for the United States. China also lags behind in terms of expenditures on clinical testing per patient, with this figure one-sixth the size of that of the United States in 2021. As a result, there remains significant room for China's ICL market to further develop and continue to grow.

In response to the continuing growth of healthcare expenditures, healthcare reforms in China have emphasized the implementation of cost-control measures, where ICLs have played an increasingly important role. As budgetary pressure intensifies, hospitals are increasingly incentivized to outsource clinical tests to qualified ICL service providers like us to reduce costs. In addition, as part of overall healthcare reforms, implementation of hierarchical diagnosis and treatment systems have propelled patient flow shifting from Class III hospitals in major cities towards Class II and Class I hospitals and community health centers in lower tiered cities. With increased testing volume and limited testing capability, these hospitals are more inclined to use ICLs for assured quality, comprehensive test menus, competitive pricing, and timely reporting, while improving their own ability to diagnose accurately. The Chinese government has vigorously encouraged collaboration between hospitals and ICLs and streamlined the approval process for chain ICLs, which has and will continue to accelerate the growth of the ICL market. Furthermore, increasing awareness for preventive treatment and emergence of new therapies in recent years have spurred the demand for specialized testing. It is costly for hospital-based laboratories to introduce such new tests, as they often lack sufficient patient volume and advanced testing technologies. As a result, demand for cost-competitive and high-value testing services, which ICLs are capable of providing has been growing.

At the same time, the ICL industry in China is characterized by its significant entry barriers. The complex regulatory framework, high standards for advanced testing technologies and logistics capabilities, as well as the demand for experienced professionals, largely limit the growth of new entrants. In particular, the ICL market in China is heavily regulated and it is difficult and time-consuming for new market players to obtain approval for licenses and certificates to open laboratories. As such, hospitals often prefer incumbent and established ICLs that they are familiar with, and new entrants are often faced with unfavorable terms from hospitals, or if they are able to get business from such hospitals at all. In addition, successful ICLs generally have a large network of laboratories, which require large amounts of capital investment and take years to decades to establish. Therefore, large-scale chain ICLs with comprehensive test offerings and stronger technical capabilities usually enjoy economies of scale and higher cost efficiency, and are better positioned to further increase their market shares.

As a market leader in providing ICL services in China, we believe that we are well-positioned to benefit from the aforementioned barriers to entry and capture a greater share of the fast-growing market. The success of our operations is underpinned by our industry-leading laboratories, robust logistics capabilities, dedicated sales force, advanced IT infrastructure and strong R&D capabilities, which we believe constitute a combined set of formidable entry barriers over other market participants.

- *Industry-leading laboratories*. Our comprehensive test offerings are supported by state-of-the-art laboratories equipped with advanced testing technologies, ranging from chemical analyzers, hematology analyzers, histopathology, flow cytometry, molecular pathology, mass spectrometry, next-generation sequencing (NGS), and digital polymerase chain reaction (dPCR). Our advanced testing technologies also allow us to efficiently expand into various specialty areas and rapidly develop innovative testing offerings to cater the evolving clinical needs.
- *Robust logistics capabilities.* We operate a dedicated cold-chain logistics network covering more than 19,000 customers across 30 provinces and municipalities and over 1,600 cities and counties in China by the end of 2022. We deployed a total of more than 750 vehicles and over 1,300 personnel providing sample logistics services, as of the same date. Our logistics capabilities ensure speedy transportation of our samples and timely reporting of testing results. During the Track Record Period and up to the Latest Practicable Date, we were able to achieve daily same-day delivery of up to 540,000 samples.
- *Dedicated sales force*. Our sales and marketing activities further fuel our business growth. As of December 31, 2022, we had a highly trained and educated sales and marketing team of over 1,500 personnel nationwide, over 200 of whom specializes in promoting esoteric testing services. Our sales and marketing team regularly interacts with medical institutions, physicians and key opinion leaders to promote our services, which enables us to align our R&D and marketing priorities with market demand.
- *Advanced IT infrastructure.* Our IT infrastructure is crucial to ensure swift processing and secured storage of data, as well as effective customer management across our national laboratory network. Our proprietary and industry-leading, Laboratory Information System, or LIS, helps us attain tremendous operational efficiencies and enables us to achieve consistent, structured, and standardized operating results and superior customer service. In addition, we also developed our proprietary logistics IT system, AiLogistics (艾物流), which digitalizes and automates the sample requisition process through mobile digital technologies and AI recognition technologies.

- *Strong R&D capabilities.* We had a dedicated R&D team led by industry veterans who have over 10 years of industry experience and expertise. Our R&D team consists of Ph.D. and master's degree holders specializing in molecular biology, genetics and bio-engineering, toxicology, pathology and other related areas, and are devoted to developing new testing methodologies and improving existing testing processes to enhance cost efficiency. We also proactively collaborate with reputable medical research institutions, universities and hospitals to develop new testing methods and technologies. Our strong R&D capabilities were evidenced by our fast expanding testing menu, which grew from 1,800 test items in 2018 to over 4,000 test items in 2022. In particular, our esoteric test grew from over 650 in 2018 to over 2,300 in 2022.

Aided by the changes implemented by our Controlling Shareholders since 2018, we have experienced rapid growth and strong financial performance during the Track Record Period. Our total revenues grew at a CAGR of 33.1% from RMB2,741.7 million in 2020 to RMB4,860.6 million in 2022. Our net profit increased at a CAGR of 53.8% from RMB289.5 million in 2020 to RMB684.9 million in 2022. Our adjusted EBITDA (non-IFRS measure) grew at a CAGR of 32.6% from RMB567.6 million in 2020 to RMB998.7 million in 2022. Our adjusted EBITDA margin (non-IFRS measure) decreased from 20.7% in 2020 and 2021 to 20.5% in 2022. Our adjusted net profit (non-IFRS measure) grew at a CAGR of 27.8% from RMB367.0 million in 2020 to RMB599.9 million in 2022. Our adjusted net profit margin (non-IFRS measure) decreased from 13.4% in 2020 and 2021 to 12.3% in 2022. See "Financial Information – Non-IFRS Measures".

OUR STRENGTHS

We believe that the following strengths have contributed to our success and differentiated us from our competitors:

A market leader in the rapidly growing ICL industry

We are one of the top three ICL service providers in China in terms of total revenues during the Track Record Period, according to Frost & Sullivan. We offer comprehensive and best-in-class testing services primarily to hospitals and health check centers through an integrated network of self-operated laboratories across China.

Driven by the growth of the outsourcing demand from hospitals under the pressure of cost control, the promotion of hierarchical medical system and other favorable policies, the acceleration of population aging as well as people's ever growing awareness of health, China's ICL market grew at a CAGR of 10.9% from RMB14.7 billion in 2017 to RMB22.3 billion in 2021, and is expected to further grow at a CAGR of 18.2% to RMB51.3 billion by 2026. We believe that we are well-positioned to capture this growth in China. We have built an extensive service network of 32 self-operated laboratories covering over 30 provinces and municipalities across China. As of December 31, 2022, 18 of our laboratories were accredited by ISO15189, which enabled us to provide customers with the quality assurance that comes with this rigorous global standard. We also maintained an industry-leading comprehensive test menu with over 4,000 test items as of December 31, 2022, including over 1,700 routine tests and over 2,300 esoteric tests, allowing us to provide testing services to over 19,000 customers by the end of 2022, ranging from medical institutions, health check centers, to biopharmaceutical companies and CROs.

We pride ourselves in industry-leading operational and R&D capabilities. Leveraging our "headquarter – laboratory" two-tier internal management, economies of scale and effective cost control measures, we are able to provide testing services with competitive pricing, which helps us establish a strong market presence in health check center in China. Moreover, our relentless R&D efforts successfully expanded our test menu, in particular esoteric tests, and quickly made us a top-of-mind choice among world's leading CROs and biopharmaceutical companies for collaboration in China.

Comprehensive, high-quality and advanced test portfolio underpinned by our strong R&D and quality control capabilities

Our testing portfolio is at the core of our services. We offer a competitive and comprehensive catalog of over 4,000 medical diagnostic tests, comprising over 1,700 routine tests and over 2,300 esoteric tests, as of December 31, 2022, spanning a variety of specialty groups, including among others, clinical immunologic testing, clinical chemistry testing, clinical molecular biology testing, and pathology testing. Our testing portfolio allows us to offer a broad spectrum of testing options that facilitate physicians' diagnostic and treatment decisions, and we can customize our test menu to fulfill the specific testing demands from medical institutions, pharmaceutical companies, CROs and other customers.

Our comprehensive testing offerings are supported by state-of-the-art laboratories equipped with advanced testing technologies, ranging from chemical analyzers, hematology analyzers, histopathology, flow cytometry, molecular pathology, mass spectrometry, next-generation sequencing (NGS), and digital polymerase chain reaction (dPCR). Our advanced testing technologies also allow us to efficiently expand into various specialty areas and rapidly develop innovative testing offerings to cater the evolving clinical needs.

Strong R&D capabilities are the backbone of our high-quality test offerings. We had a dedicated R&D team led by industry veterans who have over 10 years of industry experience and expertise. Our R&D team consists of Ph.D. and master's degree holders specializing in molecular biology, genetics and bio-engineering, toxicology, pathology and other related areas, and are devoted to developing new testing methodologies and improving the existing testing processes. Our relentless R&D efforts are further evidenced by our intellectual property assets. As of the Latest Practicable Date, we owned 214 registered patents, covering our major business focuses, namely infectious diseases and blood diseases, as well as fields with large and unaddressed clinical demand such as personalized medication, single-gene genetic diseases and solid tumors. We also proactively collaborate with reputable medical research institutions, universities and hospitals to develop new testing methods and technologies to further strengthen our testing capabilities.

Furthermore, quality control underpins our abilities to constantly offer high-quality testing services to earn trust and loyalty from our customers. As of December 31, 2022, 18 of our laboratories were accredited by ISO15189, which enabled us to provide customers with the assurance that comes with rigorous global standard. We have established a "headquarters – laboratory" two-level quality assurance system, with all facets of our services subject to stringent quality control standards and measures, including laboratory operations, accuracy and reproducibility of tests, as well as customer service and satisfaction. During the Track Record Period, we received over 4,100 external quality assurance, or EQA, certificates and participated in a total number of over 40,000 EQA programs, covering clinical chemistry, immunology, molecular biology, and pathology areas, enjoying a passing rate of 98.5% on average. We believe our quality assurance has positioned us strongly to broaden our customer base and capture an increasing market share.

Industry-leading ICL operational capabilities

As an industry leading ICL service provider with a national footprint, our leadership position is backed by our excellent operational capabilities. To support our extensive service coverage, we maintain a robust and nimble logistics network via ground, rail, and air, covering more than 19,000 customers across 30 provinces and municipalities and over 1,600 cities and counties in China by the end of 2022. We deployed a total of more than 760 vehicles and 1,300 personnel providing sample logistics services, as of December 31, 2022. Our logistics capacities ensure speedy transportation of samples and timely reporting of testing results. During the Track Record Period and up to the Latest Practicable Date, we were able to achieve daily same-day delivery of up to 540,000 samples.

Moreover, each sample in transit is kept in our proprietary incubators equipped with thermal control equipment and GPS tracking devices to preserve sample quality and prevent contamination. Furthermore, we believe our logistics capabilities also enable cross-coverage of our laboratories and rapid expansion of our services to untapped geographic markets.

In addition, our effective sales and marketing activities further fueled our business growth. As of December 31, 2022, we had a highly trained and educated in-house sales and marketing team of over 1,500 personnel nationwide. Our sales and marketing team actively interact with medical institutions, physicians and key opinion leaders on a regular basis to introduce and promote our services. In particular, as we believe the market requires further education on esoteric testing, we assembled a special sales team of over 200 industry veteran who have extensive knowledge in the relevant specialty area to promote our esoteric tests. We provide comprehensive trainings to our sales and marketing team regularly to keep them abreast with the latest industry development and better align our marketing priorities with market demand. Moreover, we place strong emphasis on academic marketing to strengthen our brand awareness among medical professionals. We regularly organize, sponsor and participate in industry-leading academic conferences, seminars, and symposia which include large-scale international and national conferences, as well as smaller events tailored for specific cities and hospital departments. In 2022, we hosted a total of over 110 conferences across the country, successfully enhancing our presence in the market.

Furthermore, our IT infrastructure is crucial to ensure timely preparation and delivery of accurate and informative clinical testing reports to our customers, as well as effective customer management across the national network of our laboratories. Our proprietary and industry-leading Laboratory Information System, or LIS, is responsible for tremendous operational efficiencies, enabling us to achieve consistent, structured, and standardized operating results and superior customer service.

Finally, we have carried out a series of operational initiatives in monitoring and measuring our laboratory productivity, and improve our overall operational efficiencies, which primarily focus on employee, and reagents and consumables efficiency. During the Track Record Period, our employee productivity, measured by testing volume performed per laboratory employee, grew by 12.4% from 2020 to 2021, and further by 53.5% from 2021 to 2022. We have also adopted a lean management scheme to control the usage of reagents and consumables across our laboratories, by closely and precisely monitoring the level of wastage for each reagent for different tests performed.

Strong growth trajectory fueled by expanding service offerings and superior execution evidenced by robust financial performance

We had a strong growth trajectory since 2018 following a series of changes implemented by our Controlling Shareholders.

Network Expansion. The number of our laboratories grew from 19 as of December 31, 2018 to 32 as of December 31, 2022, allowing us to serve from over 11,000 customers in 2018 to over 19,000 customers in 2022, ranging from medical institutions and health check centers to biopharmaceutical companies and CROs across 30 provinces and municipalities. Such impressive expansion record is supported by the replicable "headquarters – laboratory" two-level management scheme developed by us, which covers major aspects of our business operations, including quality assurance, sales and marketing and supply chain management. Under this scheme, we plan strategies and initiatives centrally and monitor qualities of local executions effectively. Our headquarters establishes unified standardized operating procedures and policies which can be carried through and implemented across our laboratories nationwide, which allows us to open new laboratories and integrate acquired ones cost-effectively and efficiently. As a result, we have rapidly expanded our footprint across the country.

Expanding Service Offerings. Our test menu expanded significantly from approximately 1,800 test items in 2018 to over 4,000 test items in 2022. In particular, our esoteric test grew from over 650 in 2018 to over 2,300 in 2022. As an illustration of our continuing quest to expand our service offerings, we entered into partnership agreements with world's leading and internationally acclaimed companies in life science industry. For example, in June 2022, we entered into a strategic partnership agreement with Guardant Health (Nasdaq: GH), a leading precision oncology company, pursuant to which, we are granted the exclusive rights to perform Guardant's industry-leading comprehensive genomic profiling (CGP) tests, including the first blood-only test that detects residual disease and monitors for cancer recurrence, to researchers in China to help them identify patients whose cancer has the right molecular profile for their clinical programs, streamlining patient screening and clinical trial enrollment. Moreover, we are the exclusive licensee to process Guardant's proprietary liquid and tissue biopsy assays in China. In addition, in April 2021, we entered into a master lab agreement with a leading global CRO providing comprehensive, integrated drug development, laboratory and lifecycle management services, to provide testing services for its designated clinical research study or projects. Recognition by world's leading CROs and biopharmaceutical companies reinforces our market leadership, and gives us competitive edge in the industry.

Broader Customer Range. Our comprehensive test menu and strong testing expertise allowed us to deliver value proposition to a broader range of customers. After four years of rapid development, we significantly expanded our services to all types of medical institutions, health check centers, biopharmaceutical companies and CROs. In April 2019, we started collaboration with Meinian, a leading health examination and consulting service provider and provided testing services for its health check centers across the country, and soon established a strong presence in the health check market in China. By the end of 2022, we served a total of over 930 health check centers in China. Moreover, leveraging our strong testing capabilities, we also offered testing services to globally and domestically reputable biopharmaceutical companies and CROs, assisting them in streamlining their drug development process and accelerating clinical trials.

Top-tier and experienced management team solidified by shareholder support

We have assembled a senior management team with in-depth industry insights and extensive experience, which was further bolstered by the addition of Pearl Group Limited as our Controlling Shareholder. Our management team has deep industry experience spanning global and Chinese healthcare companies and a track record of success. In particular, our chairwoman of the Board, Ms. YANG Ling has over 15 years of experience in private equity with a focus on the healthcare industry. Our executive Director and chief executive officer, Mr. GAO Song, has over 10 years of experience in healthcare industry and held various positions at GlaxoSmithKline (China) Investment Co., Ltd. (葛蘭素史克中國投資有限公司) from September 1997 to April 2019, a subsidiary of GlaxoSmithKline PLC (LSE: GSK; NYSE: GSK). Our chief financial officer, Mr. WANG Lawrence Allen, has worked in various capacities in private equity and investment banking, and enjoys an extensive experience in business management and capital markets, while also holding a master degree in business administration and a doctorate degree in medicine. Our head of laboratory, Mr. PAN Chao, has approximately 40 years of experience in medical research and diagnosis, and served as a laboratory director of a Class III hospital prior to joining us. In addition, we also have strong support from our shareholders. Our Controlling Shareholders have provided us with substantial strategic insights and helped us to strengthen management capabilities, operational efficiency, business development capabilities, and corporate governance.

OUR STRATEGIES

To achieve our mission and vision, we will pursue the following strategies:

Further strengthen our testing capabilities and portfolio to drive future growth

We plan to further strengthen our routine testing capabilities through further extending our routine test portfolios and enhancing the cost efficiency through the introduction of new testing technologies.

In addition, we believe that our comprehensive esoteric testing services have been crucial to maintaining our leading position in the ICL market. We plan to further improve our in-house R&D capabilities, prioritizing the development and deployment of cutting-edge esoteric testing technologies with a focus on OB-GYN, infertility, neonatal, hematology, solid tumors, and infectious diseases areas with strong market growth potential and in which we have a competitive advantage. We also intend to continuously explore opportunities in novel types of esoteric tests leveraging our relationships with hospitals in the disciplines set forth above. Our collaboration with hospitals will enable us to validate the effectiveness and utility of new types of esoteric tests in a clinical setting and provide us access to clinically well-characterized and highly annotated data. Furthermore, we plan to further enhance and tailor our esoteric testing module offerings that group related testing items together to make the diagnosis process more convenient and efficient. We also plan to purchase new testing equipment with advanced technologies to enhance our testing capabilities and expand our testing portfolio.

Moreover, we plan to extend and strengthen our dedicated esoteric testing sales force to serve our growing customer base. Additionally, we intend to further solidify and broaden our network of key opinion leaders, physicians, hospitals, medical associations, universities, and research centers in the key regions and target fields by, for example, supporting academic forums and seminars, as well as establishing joint research initiatives.

Enhance the breadth and depth of our ICL network by strategically penetrating untapped markets

We intend to further expand our service coverage by opening new laboratories to serve Class III hospitals facing immense cost-cutting pressures that are willing to outsource clinical testing services. We also intend to build more laboratories to capture the growing demand for quality and price-competitive testing services from Class I and Class II hospitals in lower tier cities and rural areas that have received patient flow from Class III hospitals resulting from implementation of tiered diagnosis and treatment schemes in China.

Continue to develop new testing methods and apply innovative technologies

We intend to enhance our operating efficiency and offer a broader spectrum of testing items through introducing advanced testing technologies and new testing methods. We will continue to capture the latest technological developments in the market and transform pioneering technologies into diagnostic applications. We plan to further invest in the research and development in the areas such as mass spectrometry, metagenomics and technologies for early cancer screening.

In addition, we plan to fully capitalize on our strong R&D capabilities and leverage our industry resources and collaborations with in vitro diagnostic, or IVD, companies on reagents to advance diagnostic equipment and enrich testing modality. We also plan to invest in our proprietary artificial intelligence technology to further enhance our test capabilities, including optimizing the data input process, delivering more precise pathological analysis for more accurate testing results and increasing the capacity and bandwidth of pathology tests.

Further optimize IT infrastructure as well as automate our laboratory processes and logistics

We intend to further optimize and increase the level of automation in our laboratory processes. We will continue to closely monitor the efficiency of our laboratories through various benchmarks and assessments. We will adopt advanced automation systems and implement optimized standards for processes in laboratories to further enhance the cost-efficiency of our operation. We also intend to further strengthen our quality control, optimize the performance and accuracy of our testing services by increasing our investment in automation, robotics, and connected equipment.

To sustain corporate outperformance, we intend to further advance our IT infrastructure by building our cloud-based business information system and our proprietary laboratory internet network for faster and more secured transmission of laboratory data. We also plan to upgrade our information security system to better safeguard the privacy of patient data. Furthermore, we intend to invest in data-mining technologies and data infrastructure to help us discover new information from our existing database of anonymized test results to provide better diagnostic insight to our customers.

We will further expand and upgrade our dedicated logistics network by providing broader coverage in lower tier cities to support opening of new laboratories and building a transportation management system to monitor logistics activities in real time.

Selectively pursue strategic investment and alliances, and other emerging growth opportunities

We intend to expand strategic collaboration and actively seek opportunities for strategic investment and alliances. For example, we intend to explore opportunities to acquire or collaborate with: (i) laboratories with new testing technologies, (ii) regional laboratories with strong performance and market share in their respective markets and specialties, and (iii) international laboratories and companies with new testing technologies seeking to enter the China market. We believe that our track record in implementing new technologies, strong logistics and sales and marketing capabilities and national footprint, will enable us to successfully integrate or collaborate with these companies.

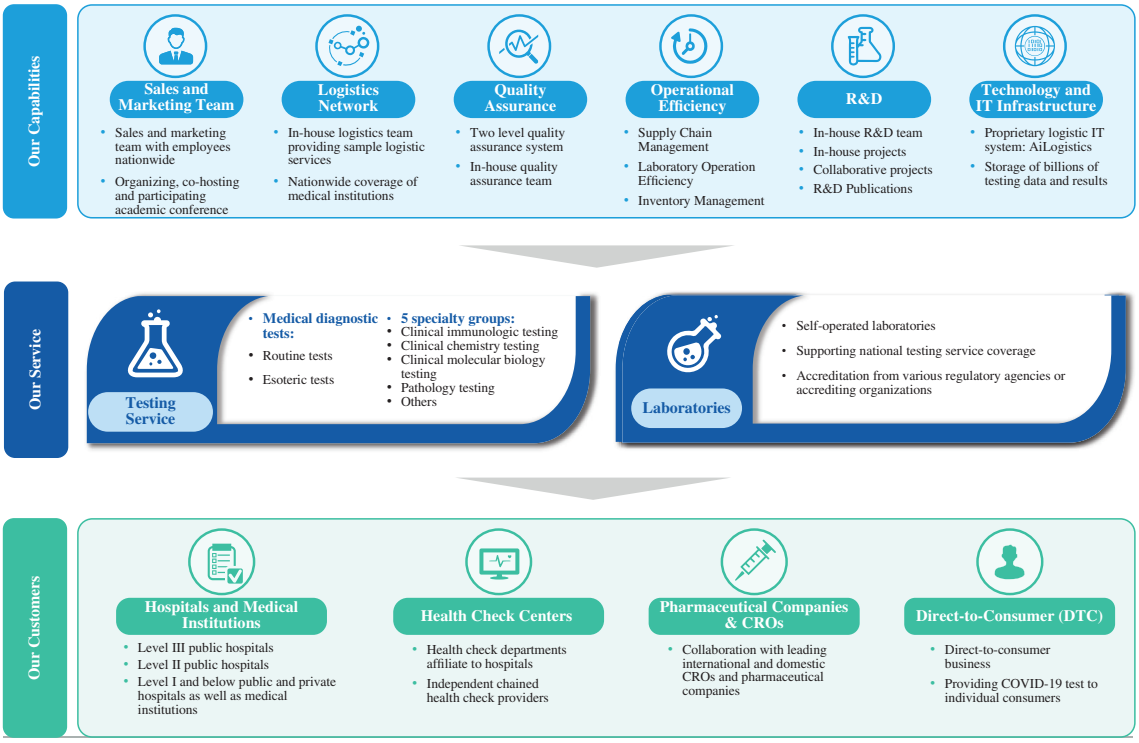
We intend to further explore emerging opportunities in the DTC business. As the COVID-19 pandemic has increased users' awareness and knowledge of medical services, especially clinical testing services, we have launched and intend to continue to develop DTC offerings and reach consumers with testing and other health-related needs through internet-based channels, such as working with e-commerce platforms to provide health check packages.

In addition, we plan to capture the opportunities in clinical studies driven by strong demand from biopharmaceutical companies and CROs in China. We aim to become a central laboratory in China for global clinical trials conducted by international and domestic biopharmaceutical companies and CROs. We currently have a facility in Shanghai accredited by the College of American Pathologists ("CAP") as the primary laboratory servicing our biopharmaceutical and CRO clients. We believe that our current facilities and testing services will be able to cater to the growing testing demand from this sector and will continue to target it for future growth. We believe that active collaboration with our biopharmaceutical and CRO partners will position us to be a leading participant in future early screening, companion diagnostic and disease monitoring diagnostic markets in both a central laboratory capacity and clinical diagnostic capacity. We believe that this approach allows us to rapidly expand our test and service offerings and differentiates us from other ICLs. As of December 31, 2022, we had a total of 81 CROs and biopharmaceutical company customers. Testing revenues from biopharmaceutical companies and CROs were RMB18.6 million, RMB19.5 million and RMB27.5 million in 2020, 2021 and 2022, respectively.

OUR BUSINESS MODEL

We are one of the top three independent clinical laboratory, or ICL, service providers in China in terms of total revenues during the Track Record Period, according to Frost & Sullivan. We offer comprehensive and high-quality testing services primarily to medical institutions through an integrated network of 32 self-operated laboratories across China. As of December 31, 2022, 18 of our laboratories were accredited by ISO15189, which enabled us to provide customers with the assurance that comes with this rigorous global standard. Supported by advanced technical capabilities, nimble and efficient logistics and a sophisticated information technology system, we are able to produce and deliver accurate testing results to aid physicians in diagnosis and individuals in disease prevention.

As an industry leading ICL service provider, we play a crucial role in the healthcare ecosystem, and the following diagram illustrates how we interact with industry participants and bring value to each stakeholder:



OUR ICL BUSINESS

Our primary business is providing ICL services. Revenues generated from our ICL business were RMB2,513.2 million, RMB3,144.8 million and RMB4,400.7 million in 2020, 2021 and 2022 respectively, representing 91.7%, 93.1% and 90.5% of our total revenues in the same years, respectively.

The following describes our typical clinical laboratory process, in case of a medical institution customer:

- We enter into cooperation agreements with medical institutions with each agreement specifies testing items, prices and pricing formulas.
- When a patient visits a physician at the medical institution, the physician may order laboratory tests to inform a diagnosis or monitor treatment. The medical institution will then collect samples such, as blood, urine, stool or tissue biopsies, from the patient, and assign a unique barcode for each sample for easy tracking.

- Once the patient's samples have been collected by the medical institution, our expertly trained sample logistics staff will obtain samples from the medical institution on a daily basis and record the sample information into our information center.
- The samples are then transported to our laboratory through our cold chain logistics.
- When samples arrive at our laboratory, we will check each sample status and its respective patient information to ensure accuracy. All patient information is treated in the strictest confidence.
- Each sample, depending upon the specific test requested by the medical institution, is generally examined by our experienced technicians using sophisticated instruments and advanced technologies. Each collected sample may undergo multiple tests.
- Test results are either automatically aggregated into reports, or interpreted by our specialists who provide diagnostic comments to assist referring physicians.
- Test results are generally delivered within 24 hours electronically to the medical institutions, or are delivered by our logistics personnel.

We have developed a highly scalable business model with excellent quality standards. We operate a network of 32 self-operated laboratories as of December 31, 2022, strategically located across China, providing testing services covering 30 provinces and municipalities. The following map* presents the network of our laboratories:

* This map is for illustration purposes only.

Note: Primary coverage refers to areas where we have our laboratories. Secondary coverage refers to areas where we do not have our laboratories but we can provide testing services through our logistics network.

The following table sets forth details relating to our self-operated laboratories as of December 31, 2022.

No.	Name	Location	Date of Establishment[1]	Area (sqm)	Time of Initial ISO15189 Accreditation	Utilization Rate[3]
1.	Hangzhou Adicon	Zhejiang	January 16, 2004	14,780	May 2010	93.95%
2.	Hefei Adicon	Anhui	June 5, 2006	3,400	January 2011	89.04%
3.	Shanghai Adicon	Shanghai	August 2, 2006	4,850	July 2014	87.53%
4.	Jinan Adicon	Shandong	October 19, 2006	5,285	May 2017	93.78%
5.	Beijing Adicon	Beijing	December 7, 2007	3,497	November 2011	89.84%
6.	Nanchang Adicon	Jiangxi	September 10, 2008	4,265	December 2014	88.43%
7.	Fuzhou Adicon	Fujian	February 6, 2009	4,599	October 2015	91.30%
8.	Jilin Adicon	Jilin	April 23, 2009	4,031	May 2014	90.33%
9.	Wuhan Adicon	Hubei	November 24, 2009	4,972	June 2015	87.39%
10.	Nanjing Adicon	Jiangsu	December 4, 2009	4,986	August 2014	93.45%
11.	Changsha Adicon	Hunan	April 19, 2010	2,738	February 2017	88.36%
12.	Chengdu Adicon	Sichuan	June 11, 2010	2,668	May 2015	87.40%
13.	Shenyang Adicon	Liaoning	March 16, 2011	2,900	March 2015	91.08%
14.	Zhengzhou Adicon	Henan	August 8, 2012	3,649	December 2019	88.38%
15.	Guangzhou Adicon	Guangdong	August 21, 2013	4,000	February 2020	91.56%
16.	Tianjin Adicon	Tianjin	June 3, 2014	5,625	February 2018	91.50%
17.	Yunnan Adicon	Yunnan	February 2, 2015	3,153	December 2019	89.44%
18.	Xi'an Adicon	Shaanxi	May 23, 2016	2,292	August 2022	84.58%
19.	Sanming Adicon	Fujian	May 30, 2016	2,421	–[2]	74.48%
20.	Chongqing Adicon	Chongqing	September 21, 2016	2,621	–[2]	86.78%
21.	Nanning Adicon	Guangxi	November 23, 2017	3,000	–[2]	75.76%
22.	Qingdao Adicon	Shandong	May 13, 2019	1,906	–[2]	89.83%
23.	Shenzhen Adicon	Guangdong	May 13, 2019	2,256	–[2]	94.27%
24.	Quzhou Adicon	Zhejiang	January 6, 2020	1,982	–[2]	87.69%
25.	Shangrao Adicon	Jiangxi	December 7, 2020	2,000	–[2]	73.06%
26.	Xiamen Adicon	Fujian	September 25, 2020	3,178	–[2]	71.60%
27.	Suzhou Adicon	Jiangsu	August 3, 2021	5,298	–[2]	87.33%
28.	Henan Adicon	Henan	October 16, 2019	4,000	–[2]	73.79%
29.	Guizhou Adicon	Guizhou	July 16, 2021	3,421	–[2]	64.13%
30.	Wenzhou Adicon	Zhejiang	November 29, 2021	3,420	–[2]	50.58%
31.	Heilongjiang Adicon	Heilongjiang	January 13, 2020	4,066	–[2]	52.35%
32.	Xinyang Adicon	Henan	May 13, 2022	2,544	–[2]	17.54%

Notes:

(1) Date of establishment refers to the date that such laboratory received its business license.

(2) Laboratories for which we plan to apply for ISO15189 accreditation.

(3) Utilization rate equals actual testing volume ÷ (number of equipment × theoretical testing volume per equipment per hour × actual testing duration per day × days of equipment in operation) in 2022.

OUR LABORATORIES

Self-operated Laboratories

We set up our central laboratories in the capital city or the second largest city of a province to easily collect samples from medical institutions in that province or nearby provinces. We believe that establishing a laboratory involves a massive amount of work and requires a structured approach to ensure its success. We have a dedicated team composed of thoughtfully selected and experienced personnel in laboratory operation and laboratory administration, who conduct thorough research on regulatory requirements related to setting up an independent clinical laboratory in the target city to ensure compliance with local regulations and rules throughout the process.

We also perform comprehensive industry analysis with a focus on demographics, economic status and allocation of medical resources to estimate the testing demand in local market and determine the scope and volume of available testing that can meet such demand. Our industry analysis also includes a detailed evaluation of the competitive landscape, such as an analysis of existing market players, prospective new entrants and the testing penetration rate. In general, our laboratories are between 2,000 to 5,000 square meters in size and strategically located at economic development zones or high-tech industrial zones of a city with well-established transportation infrastructure to support ease of sample collection and delivery.

After taking into account all relevant factors, our network expansion department will formulate a detailed business plan, including among others, a selected location, probable project costs and budget model. Once a proposal is approved, we then proceed with other related preparation work, including entering into lease agreements, applying for a series of required licenses, permits and approvals from applicable regulatory authorities, construction, procuring testing equipment and devices, building information technology infrastructure, recruiting local employees, and among others. This whole process generally takes eight to 12 months.

In addition to central laboratories, we also set up regional laboratories in lower-tiered cities in collaboration with local governments. Local government support allows us to effectively expand our local customer base and secure the regional market. We plan to continue exploring opportunities in setting up such regional laboratories to better penetrate into untapped markets.

Accreditation

The credibility of laboratories is paramount to the health and safety of the patients relying on the testing services provided by laboratories. Our laboratory operations are accredited with various international and domestic regulatory agencies or accrediting organizations.

ISO 15189 Certification. ISO15189 is an international standard that specifies the quality management system requirements particular to medical laboratories. The standard was developed by the International Organization for Standardization's Technical Committee 212 (ISO/TC 212). As of December 31, 2022, 18 of our self-operated laboratories were ISO15189-certified by China National Accreditation Service for Conformity Assessment ("CNAS"), providing customers with the assurance that comes with this rigorous global standard. CNAS is the national accreditation body of China unitarily responsible for the accreditation of certification bodies, laboratories and inspection bodies, which is established under the approval of the Certification and Accreditation Administration ("CNCA") and authorized by CNCA in accordance with the Regulations of the People's Republic of China on Certification and Accreditation.

CAP Certification. We also participate in multiple externally administered quality surveillance programs, including the College of American Pathologists ("CAP") program. CAP is an independent, non-governmental organization of board-certified pathologists approved by The Centers for Medicare and Medicaid Services ("CMS") to inspect laboratories to determine compliance with the standards required by Clinical Laboratory Improvement Amendments of 1988 of United States ("CLIA"). This accreditation is not only recognized by medical community as one of the most stringent international standards of laboratory quality but also sought after by international biopharmaceutical companies. The CAP program involves both on-site inspections of the laboratory and participation in a CAP accepted proficiency testing program for all categories in which the laboratory is accredited. A laboratory's receipt of accreditation by CAP satisfies the CMS requirement for CLIA certification. In March 2008, our Shanghai laboratory was accredited by CAP, being the first ICL to obtain such accreditation in China.

OUR TESTS AND SERVICE OFFERINGS

We offer a competitive and comprehensive catalog of over 4,000 medical diagnostic tests, comprising over 1,700 routine tests and over 2,300 esoteric tests, as of December 31, 2022. In comparison, the size of our testing portfolio of Class III hospital in-house clinical laboratories is typically ranging from 500 to 1,000 in China, according to Frost & Sullivan. Our testing volume increased by 33.9% from 60.1 million in 2020 to 80.5 million in 2021, and further increased by 104.8% to 164.9 million in 2022.

To deliver more attractive value propositions to our customers, we are one of a few ICL service providers in China to generate comprehensive testing reports for our customers. Instead of evaluating medical value of test results on an isolated basis, our laboratory technicians interpret all previous test results of the same patient available in our database based on extensive medical knowledge and clinical correlation, so as to generate a comprehensive report to better assist physicians' diagnosis and treatment. We are currently a market leader in the comprehensive reporting of blood diseases, and we plan to further strengthen our comprehensive reporting capabilities.

We offer two types of tests, routine tests and esoteric tests. Routine tests typically measure various important health parameters, such as the condition and functions of the kidneys, heart, liver, thyroid and other organs. The results of these tests are generally straightforward and many of them require no interpretation by experts. Routine tests follow well-established and uniform protocols with standardized pricing. Commonly ordered routine tests include blood chemistries, urinalysis, allergy tests and complete blood cell counts. According to Frost & Sullivan, we maintained one of the most comprehensive routine test menu among all nationwide ICL players in China, as of the Latest Practicable Date.

The following table sets forth our frequently used routine testing methods during the Track Record Period:

Test Method	Description	Primary Clinical Uses in Diagnostics
Complete Blood Count (CBC)	Is a set of laboratory tests that provides information about the cells in a person's blood. The CBC indicates the counts of white blood cells, red blood cells and platelets, the concentration of hemoglobin, the hematocrit, as well as physical characteristics of certain red blood cell indices and white blood cell profiling.	The CBC test is an essential tool of hematology, used for the prognosis, treatment, and prevention of diseases related to blood, and many related conditions such as anemias, bone marrow disorders, clotting disorders, cancers, allergies, etc., and plays an extremely important role in the diagnosis and treatment of diseases.
Liver Function Test (LFT)	Is a set of biochemical tests to measure indicators related to the metabolic functioning of the liver.	The LFT is used to detect the presence or absence of various types of liver and blood disorders, the degree of liver damage, and to determine the prognosis and identify the cause of certain liver and blood related diseases.

Test Method	Description	Primary Clinical Uses in Diagnostics
Thyroid Function Test	Chemiluminescence detection technology is used to detect thyroid function related indicators to determine the metabolic functioning of the thyroid.	Thyroid function can effectively reveal disorders relating to hypothalamic, pituitary and thyroid dysfunction, thyroid disease, such as hyperthyroidism, hypothyroidism, thyroid cancers and other diseases.
Lipid Profile	Blood lipid examination is mainly a method of quantitative determination of the lipids contained in the blood, including cholesterol and triglycerides.	By checking the blood lipids, you can detect and monitor the progression of lipid related diseases such as arteriosclerosis, hyperlipidemia, coronary heart disease, diabetes, certain genetic diseases, nephrotic syndrome, and other cardiovascular diseases.
Blood Culture	Blood culture is a kind of inoculation of freshly isolated blood samples into blood culture bottles, under certain conditions of temperature and humidity, so that pathologic bacteria and fungi can be grown and identified.	Blood culture is used to detect and monitor blood infections such as bacteremia, sepsis and catheter-related blood stream infection as well as monitor the sensitivity and efficacy of drug therapies used to treat infections.
Liquid-based cytology for cervical cancer screening	The liquid-based thin-layer cell detection system is used to detect cervical cells and perform cytological classification diagnosis.	Liquid based cytology is used in the screening and diagnosis of abnormal cervical cells indicative of cervical cancer.

Esoteric tests are more complex tests that generally require interpretation by experts and/or sophisticated technology. Esoteric tests are typically ordered when a physician requires additional detailed information to complete a diagnosis, establish a prognosis or select a therapeutic/monitoring regimen.

During the Track Record Period, we made significant progress in strengthening our esoteric testing capabilities. Our esoteric test menu grew from over 800 items in 2020 to over 2,300 in 2022. In 2022 alone, we introduced over 850 new esoteric test items, focusing mainly on genetic diseases, solid tumors, and hematological diseases, which significantly strengthened our testing capabilities and extended our abilities to serve customers with demand for more complex and informative test results, such as Class III hospitals and CROs. In addition, through the introduction of pharmacogenetic, drug concentration detection projects and neuroimmune tests, we further diversified our service offerings to meet growing market demand.

As an illustration of our continuing quest to expand our service offerings, we entered into partnership agreements with world's leading and internationally acclaimed companies. For example, in June 2022, we entered into a strategic partnership agreement with Guardant Health (Nasdaq: GH), a leading precision oncology company, pursuant to which, we are granted the exclusive rights to perform Guardant's industry-leading comprehensive genomic profiling (CGP) tests, including the first blood-only test that detects residual disease and monitors for cancer recurrence, to researchers in China to help them identify patients whose cancer has the right molecular profile for their clinical programs, streamlining patient screening and clinical trial enrollment. Moreover, we are the exclusive licensee to process Guardant's proprietary liquid and tissue biopsy assays in China. Guardant RevealTM, the first blood-only test that detects residual disease and monitors for cancer recurrence, will also be offered to biopharmaceutical companies for early-stage cancer research and development. In addition, in April 2021, we entered into a master lab agreement with a leading global CRO providing comprehensive, integrated drug development, laboratory and lifecycle management services, to provide testing services for its designated clinical research study or projects. Recognition by world's leading CROs and biopharmaceutical companies reinforces our market leadership, and gives us competitive edge in the industry.

The following table sets forth our frequently used esoteric testing methods during the Track Record Period:

Test Method	Description	Primary Clinical Uses in Diagnostics
Non-invasive Prenatal Testing (NIPT)	This testing analyzes small fragments of DNA which comes from placenta tissue of a developing fetus and are shed into the mother's bloodstream. These DNA fragments are free-floating and not within cells, and so are called cell-free DNA (cfDNA) and are detected through a maternal blood draw, which is non-invasive to the fetus.	Detects risk factor of chromosomal aneuploidy in the fetus, and determines whether the fetus has Down syndrome (Trisomy 21), Edward's syndrome (Trisomy 18), Patau's syndrome (Trisomy 13), other chromosomal disorders and genetic abnormalities.
Metabolic Profile Screening	It is a qualitative and quantitative analysis instrument for substances by detecting the mass and charge ratio (m/z) of substances. The feature of detecting multiple diseases at the same time through the same specimen greatly improves the efficiency of large-scale screening for multiple newborn diseases.	Metabolic profile screening through liquid-phase tandem mass spectrometry has high sensitivity for diseases that are difficult to detect by commonly used screening methods, and improves the scope and accuracy of screening of newborn diseases, including amino acid metabolism disorders (such as phenylketonuria, maple syrup urine disease, homocystinuria), fatty acid oxidation defects (such as medium-chain acyl-coenzyme A dehydrogenase deficiency, carnitine uptake defect), organic acid metabolic disorders (such as glutaric acidemia, methylmalonic acidemia).

Test Method	Description	Primary Clinical Uses in Diagnostics
Immunophenotyping Analysis	Use fluorescein-labeled monoclonal antibodies to detect the presence of cell membrane and cytoplasmic antigens of leukemia or lymphoma cells from blood, lymph nodes or bone marrow samples, and to characterize and differentiate various types of the leukemia or lymphoma cells. Through flow cytometry, the distribution and quantity of each antibody-labeled cell in the abnormal cell population can also be determined.	It is used to assist the diagnosis and classification of leukemias and lymphomas including acute myeloid leukemia (AML), acute lymphoblastic leukemia (ALL), chronic lymphocytic leukemia (CLL), B-cell and T-cell non-Hodgkin lymphomas, multiple myeloma (MM) and characterizes the presence of certain cell markers such as CD34, CD19, CD20, CD22, CD16, etc. which can determine susceptibility to certain targeted therapies such as Car-T, bispecific T-cell engagers, and monoclonal antibody treatments.
Immunofluorescence tissue assays	The fluorescein linked antibodies are used to react with the antigen in tissue specimens, and viewed under a fluorescent microscope to observe the fluorescence emitted by the antigen-antibody complex, thereby identifying and positioning of the targeted antigen in a specimen.	It is often used for immunopathological examination of renal, vascular, skin and connective tissue biopsies to determine the histopathological diagnosis of various diseases such as renal nephritis, autoimmune diseases, vasculitis, and connective tissue disorders.
Metagenomic NGS...	Metagenomic NGS refers to next generation high-throughput sequencing of all biological genomes in a specimen, including bacteria, fungi, parasites, and viruses. In the field of infectious disease diagnosis, a variety of pathogenic microorganisms can be detected without prior knowledge of a specific pathogen, and it is gradually being applied to clinical infectious disease pathogen detection.	Metagenomic sequencing can be performed on blood, stool, cerebrospinal fluid (CSF), urine, nasopharyngeal swabs, etc., and can be used in a targeted or untargeted approach for the detection of difficult to diagnose infections such as meningitis, encephalitis, detection of novel pathogens or identifying infections in immunocompromised patients.

Test Method	Description	Primary Clinical Uses in Diagnostics
Tumor molecular profiling .	Molecular profiling of cancers is performed through high-throughput sequencing of genes from tumor samples or from circulating tumor DNA, where certain genetic markers are detected to help stratify a tumor's susceptibility to targeted therapies in order to prolong the survival time of patients, improve the quality of life, or bring the cancer to remission.	Molecular profiling enables the identification of susceptible tumor mutations that can be treated with specific targeted therapies or chemotherapy. Such molecular mutations such as HER2, ALK fusions, EGFR, BRCA1/BRCA2, BTK, Bcl-2, etc. are some of the mutations with approved targeted therapies in China.

Our medical diagnostic testing services are divided into five specialty groups: clinical immunologic testing, clinical chemistry testing, clinical molecular biology testing, pathology testing and other comprehensive testing. The following table sets forth details relating to frequently requested tests by specialty group during the Track Record Period.

Specialty Group	Description	Techniques	Test Sub-items	Primary Clinical Uses in Diagnostics
Clinical Immunologic Testing	Clinical immunologic tests employ an antigen to detect presence of antibodies to a pathogen, or an antibody to detect the presence of an antigen	Chemiluminescence technique, immunofluorescence technique, Enzyme-Linked Immunosorbent Assay (ELISA), etc.	Tumor marker tests (alpha-fetoprotein (AFP), for example); Hepatitis B Virus tests (consists of hepatitis B surface antigen (HBsAg) test, anti-HBs test, hepatitis B e antigen (HBeAg) test, anti-HBe test and anti-HBc test); Thyroid function test (testing the level of thyroid-stimulating hormone (TSH), for example); Antinuclear antibody (ANA) test, etc.	Auxiliary diagnosis, differential diagnosis, treatment monitoring, effect evaluation, prognostic judgment and recurrence monitoring of tumors, evaluation of thyroid function, as well as auxiliary diagnosis, disease activity assessment and medication instruction of infectious diseases and autoimmune disorders such as rheumatism and systemic lupus erythematosus (SLE)

Specialty Group	Description	Techniques	Test Sub-items	Primary Clinical Uses in Diagnostics
Clinical Chemistry Testing	Clinical Chemistry tests, by measuring the components of body fluids, mostly on serum or plasma, reveal the changes of diseases and the effects of drug treatments on body's biochemical processes, so as to provide useful information for disease diagnosis, disease monitoring, prognostic judgment and disease prevention	Biochemical technique, immunoturbidimetric technique, high pressure liquid analysis method, etc.	Testing of sugar and its metabolites (such as glucose); protein detection (albumin and total protein, for example); enzyme assay such as Alanine aminotransferase (ALT) for the purpose of discovering hepatobiliary diseases; measuring of urea and creatinine for the purpose of discovering kidney diseases, etc.	Diagnosis and treatment of various diseases including diabetes, hepatobiliary diseases, kidney diseases, cardiovascular diseases, and electrolyte metabolism disorder
Clinical Molecular Biological Testing . .	As a mainstay in the repertoire of infectious disease diagnostics, molecular biological tests primarily relies upon the methods of polymerase chain reaction (PCR) and immunochromatography, with the advantage of simultaneously analyzing resistance determinants and virulence factors	PCR technique, multiplex fluorescence PCR method, constant temperature PCR method, hybridization method, high-throughput sequencing (NGS), etc.	Hepatitis B virus deoxyribonucleic acid, human papillomavirus genotyping, CYP2C19 gene polymorphism detection; tumor free DNA EGFR gene mutation detection; nucleic acid detection of Mycobacterium tuberculosis, nucleic acid detection of Chlamydia trachomatis; thalassemia gene mutation detection; detection of genes related to individualized medication for lung cancer, NIPT, etc.	Detection of infectious diseases related genes (such as hepatitis B virus, hepatitis C virus, human papillomavirus, tuberculosis, venereal disease), blood cell-free DNA tumor-related gene detection, genetic related gene detection, drug metabolism related gene detection, maternal Non-invasive prenatal testing of free fetal DNA in blood
Pathology Testing . .	Pathology tests involve examining and testing body tissues (from biopsies and pap smears, for example) and bodily fluids (from samples including blood and urine) under a microscope to determine whether they are cancerous by identifying structural abnormalities	Histopathological slide preparation, cytopathological slide preparation, immunohistochemistry technique, fluorescence in situ hybridization technique (FISH), etc.	Histopathological diagnosis; ThinPrep Cytologic Test (TCT); Bone marrow biopsy; Immunohistochemical examination, etc.	Diagnosis and differential diagnosis of tumor and non-tumor tissues; molecular diagnosis, individualized treatment and prognostic judgment of hematological tumor

Specialty Group	Description	Techniques	Test Sub-items	Primary Clinical Uses in Diagnostics
Other Comprehensive Inspections.	Other tests that cannot be classified into the above four types of testing, in which the technology applied is relatively extensive	Complete blood count technique, atomic absorption spectrometry (AAS), liquid chromatography-mass spectrometry technique, cell culture technique, flow cytometry, microbial culture, microbial mass spectrometry technology, biochemical identification technique, instrument MIC method, paper diffusion method, etc.	Complete blood count (CBC); urine routine test; Trace element tests; chromosome karyotype analysis; culture and identification of bacteria; culture and identification of fungi; culture and identification of Anaerobic; antibiotic susceptibility analysis, etc.	Diagnosis and treatment basis for body infection, anemia, blood diseases, urinary system diseases, infertility, repeated abortion; monitoring of trace element balance; evaluation of nutritional status; etiological diagnosis of infectious diseases, rational use of antibacterial drugs and epidemiological investigation

The following table sets forth a revenue breakdown of our medical diagnostic testing services by specialty groups for the periods indicated.

	For the Year Ended December 31,					
	2020		2021		2022	
	RMB	%	RMB	%	RMB	%
	(RMB in thousands, except for percentages)					
Specialty Group						
Clinical Immunologic Testing	698,817	27.8	770,724	24.5	808,785	18.4
Clinical Chemistry Testing	160,424	6.4	193,490	6.2	218,499	5.0
Clinical Molecular Biology Testing	1,198,891	47.7	1,629,928	51.8	2,707,682	61.5
Pathology Testing	256,783	10.2	296,910	9.4	305,919	6.9
Other Comprehensive Inspections	198,269	7.9	253,780	8.1	359,863	8.2
Total[(1)]	**2,513,184**	**100.0**	**3,144,832**	**100.0**	**4,400,748**	**100.0**

Note:

(1) COVID-19 testing services contributed RMB924.5 million, RMB1,232.4 million and RMB2,284.6 million of our total revenues in 2020, 2021 and 2022, respectively.

OUR ICL CUSTOMERS

As a nationwide ICL service provider with a comprehensive test catalog and competitive pricing, we are able to offer differentiated value propositions to a broad array of customers we serve.

We believe that we are an industry leader in servicing medical institutions. As of December 31, 2022, our testing services covered over 16,000 medical institutions across China, including over 6,000 public medical institutions, and over 10,000 private medical institutions, including hospitals, clinics and health check centers.

Hospitals

Generally, hospitals maintain an on-site laboratory to perform clinical testing for their patients. However, in light of continued pressure to reduce healthcare costs, hospitals are more inclined to outsource tests to ICL service providers like us to improve profitability and better utilize their internal laboratory capacity. According to Frost & Sullivan, the cost of using ICL services is typically 10% to 15% lower than in-house testing costs due to underutilization of reagents, laboratory technicians and instruments within hospitals. Moreover, continuing medical advances in recent years have allowed for earlier diagnosis and treatment of diseases, which heavily rely on new sophisticated and specialized diagnostic tests. These tests generally require large up-front investments for testing technologies and trained laboratory technicians. As a large-scale ICL chain operator with quality testing capabilities, we are increasingly recognized by hospitals as a go-to choice for esoteric tests.

We have extensive coverage of public hospitals, community health centers and private hospitals and clinics. We provide both routine and esoteric testing services to help them ease the cost pressures from their in-house testing operation and increasing needs for esoteric testing where they have limited in-house testing capabilities. Public hospitals in China are organized according to a three-tier system that recognizes a hospital's ability to provide medical care and medical education, and conduct medical research. Based on this, hospitals in China are generally designated as primary, secondary and tertiary institutions, or Class I, Class II and Class III. Community health centers are typically unrated or rated as Class I under the three-tier system.

A Class I hospital is typically a township medical institution that contains less than 100 beds. They primarily focus on providing preventive care, basic health care and rehabilitation services. As mandated by NHC Medical Institute Basic Standards, Class I hospitals are required only to have a basic laboratory with minimal staffing. Class II hospitals, on the other hand, tend to be affiliated with a medium-sized city, county or district and contain between 100 and 500 beds. They typically can provide comprehensive health services, as well as medical education and conducting research on a regional basis. Class II hospitals are typically equipped with clinical testing and pathology departments. Limited by sample volume and the shortage of qualified laboratory technicians, Class I and Class II hospitals and community health centers are more inclined to outsourcing their tests to high-value and cost competitive service providers, like us, who will be able to effectively expand their test menu without further capacity or investments. We leverage our economies of scale as a nationwide player and our continuous efforts in cost control to offer more competitive pricing to secure customers. During the Track Record Period, we primarily provided routine testing services to Class I and Class II hospitals and community health centers.

Class III hospitals are typically comprehensive or general hospitals at the city, provincial or national level with over 500 beds. They are responsible for providing specialist health services, perform a bigger role with regard to medical education and scientific research and serve as medical hubs providing care to multiple regions. As mandated by NHC Medical Institute Basic Standards, Class III hospitals are required to have clinical testing departments and pathology departments, and therefore are able to ensure their internal capacity in terms of routine tests, and only occasionally outsource routine tests when their capacity is exceeded. However, we support Class III hospitals in gaining access to esoteric tests which may require significant upfront investment, even at smaller testing volumes.

During the Track Record Period, we secured our hospital customers mainly through one-on-one commercial negotiation by our dedicated in-house sales and marketing personnel, and to a lessor extent, through participation in tendering process organized by certain public hospitals, pursuant to regulatory requirements or their respective internal policies. In 2020, 2021 and 2022, 1.2%, 1.8% and 1.4% of our customers were secured through tendering process, respectively. Specifications contained in each tender document for different hospitals may vary, but hospitals typically require testing service providers to be equipped with certain high-end testing technologies, such as polymerase chain reaction, or PCR, gene sequencing, metagenomics, mass spectrometry and pathological diagnosis. Hospitals may also require testing service providers to be equipped with certain accredited and established quality control systems. We normally enter into service agreements with hospitals and the following summarizes the salient terms of such agreements:

Duration. Our service agreements with hospitals typically range from one to two years, subject to renewal.

Customers' Obligations. Our customers shall ensure the samples they provide are compliant with our relevant prerequisites for testing, and shall designate personnel to assist with the delivery and acceptance of the samples. Our customers will be solely responsible for any consequence resulting from their failure to comply with our sample requirement.

Our Obligations. We shall provide specific testing services to our customers in accordance with the pre-determined testing methods, and issue a testing report within prescribed period of time. We warrant to keep the information related to the samples and testing results confidential, unless otherwise required by applicable laws and regulations.

Fee arrangement. The service agreements typically set forth a list of tests that a hospital outsources to us with a pre-determined fee schedule. In the event of a price change as a result of regulatory or policy changes during the term of the agreement, we may negotiate price adjustments with our customers accordingly.

Payment. Payment shall be settled on a monthly basis.

In addition to our testing services, we also provide technical services to Class I and Class II hospitals to optimize the operations of their clinical laboratory departments. Class I and Class II hospitals face a variety of challenges to effectively utilize their in-house laboratory capacity, including laboratory operation, supply chain and inventory management, data processing and analytics as well as human resources management. Leveraging our market leadership, especially our experience in operational efficiency, we were chosen by a number of Class I and Class II hospitals to provide technical services to them. As of December 31, 2022, we provided technical services to 41 hospitals and seven other medical institutions, primarily located in Shanghai, Zhejiang, Jiangsu, Anhui and Shaanxi provinces. We enter into technical service agreements with these hospitals, with terms typically ranging from five to eight years. The services that we provide include holding regular trainings for the physicians and technicians to keep them abreast of the latest industry advances and market practice, and assisting these hospitals on building quality control and operations systems to reach ISO15189 standards. We also bring in our experiences in building up the laboratory information technology infrastructure to ensure optimal laboratory performance. Furthermore, we also assist these hospital customers with overall supply chain management, including procurement of reagents, consumable materials and equipment for performing clinical testing in their laboratories.

Health Check Center

In recent years, the value of disease detection and prevention, wellness and personalized healthcare has been increasingly recognized by consumers in China. Individuals, employers and government agencies have been growingly focused on helping the healthy stay healthy, detecting symptoms among those at risk and providing preventive insight and care that helps avoid diseases. According to Frost & Sullivan, health check industry in China has grown with a CAGR of 4.3% from RMB118.3 billion in 2017 to RMB140.0 billion in 2021, and is expected to reach RMB178.4 billion by 2026. The number of people who seek medical check-ups in China reached 447.4 million in 2021, and is expected to grow with a CAGR of 4.4% to 521.1 million by 2026. Driven by increasing demand from customers, there has been a growing outsourcing rate of tests from health check centers as they are incentivized to seek cost competitive tests performed with premium quality.

We serve both health check departments affiliated with hospitals and independent chain health check providers to fulfill their increasing health check testing demand with high quality and cost-competitive testing services. Our nationwide laboratory coverage enables us to cooperate with large independent chain health check providers that have an extensive consumer outreach, where we could intake testing samples from a wide range of locations. Moreover, for health check centers, it is of vital importance that their cooperative partners are able to perform a large volume of routine tests in a cost-effective and efficient manner. Our outstanding cost control efforts and advanced logistics capabilities position us to effectively serve health check centers and capture the growing opportunities. In addition to health check departments affiliated with hospitals, we served a total of over 930 health check centers in China as of December 31, 2022.

Tests outsourced by health check centers are typically routine tests. We normally enter into a framework agreement with independent chain health check providers at their group level which sets forth general guidelines and pricing for our cooperation. On top of that, our laboratories then separately enter into cooperation agreements with individual health check centers based on their geographic locations. Such individual agreements entered into by each laboratory set out key provisions and details of our cooperation, for example, pricing, test menu, sample transportation and delivery arrangement, and settlement mechanism. The following summarizes the salient terms of such agreements:

Duration. The agreements with health check centers typically have an initial term ranging from one to three years subject to automatic renewal.

Customers' Obligations. Health check centers shall use their best efforts to prioritize us when outsourcing their testing services.

Fee Arrangement. Both parties agree to revisit and reevaluate the pricing of services for the previous year in the first quarter of each year and negotiate new prices for testing services, if necessary.

Payment. Payment shall be settled on a monthly basis.

An example of noteworthy collaboration with independent chain health check providers is our relationship with Meinian, a leading health examination and health consulting service provider in China that we started cooperating with in April 2019. We provide testing services on samples provided by Meinian's health check centers across the country.

The following summarizes the salient terms of the currently effective collaboration and strategic partnership framework agreement we entered into with Meinian:

Duration

- The term of the agreement is three years.

Scope of Cooperation

- Meinian shall use its best efforts to prioritize us when outsourcing their testing services, including testing items that are currently handled by Meinian itself with an intention to be outsourced to us going forward ("Meinian self-tested items"), and those already outsourced to third-party ICLs. If it is our reason that we are not able to take certain orders from Meinian, Meinian may seek other ICL service providers.
- For certain Meinian self-tested items, we shall consult with Meinian as to whether we may need to engage their corresponding technicians and equipment for such testing items. If such engagement is deemed necessary, we shall enter into separate agreement with Meinian's technicians and equipment suppliers, where applicable, to ensure the smooth handover of the relevant testing items.

Our Obligations

- We shall timely deliver our testing services and reports in compliance with applicable regulatory requirements and industry specifications.
- We shall provide trainings and guidance to Meinian to help them (i) better understand the testing report issued by us, and (ii) perform their duties under the collaboration, which mainly include proper sample treatment, storage and handover.
- In the event of a dispute between Meinian and its customer with regard to testing results, we shall provide relevant backups for such results upon Meinian's notification.
- We warrant to keep the information related to the samples and testing results confidential, unless otherwise required by applicable laws and regulations.

Meinian's Obligations

- Meinian shall collect, treat and store the samples properly pursuant to the guidelines we provide. We may refuse and return the order if the samples fail to meet our requirements.
- Meinian shall store all samples in its health check centers and arrange relevant personnel to take care of the sample handover.
- Meinian shall make sure any question on the testing results shall be raised within relevant sample retention period.

Pricing Arrangement

- Both parties agree to set the price through amicable consultation with reference to the fair market price.
- For certain Meinian self-tested items, we may also refer to a cost-plus pricing mechanism upon consultation with Meinian under limited circumstances, where our reagent costs experienced unexpected increase.
- Both parties agree to revisit and reevaluate the pricing of services regularly and negotiate new prices for testing services, if necessary.

Payment

- Payment shall be settled on a monthly basis.

Besides such collaboration with Meinian, we have no other relationships in terms of business, financing, family, or management, with Meinian, its subsidiaries, shareholders, directors, senior management or close associates of such parties as of the Latest Practicable Date.

The following table sets forth a revenue breakdown of Meinian associated customers for the periods indicated.

	For the Year Ended December 31,		
	2020	2021	2022
	(RMB in thousands)		
Meinian controlled entities	97,251.0	104,469.3	181,788.6
Meinian non-controlled associated entities[(1)]	154,837.4	185,414.3	109,833.2
Total	**252,088.4**	**289,883.6**	**291,621.8**

Note:

(1) Including entities associated with Meinian's brands through a franchise model, as well as entities operated by the related parties of Meinian but not the subsidiaries or franchisees of Meinian.

Biopharmaceutical Companies and Contract Research Organizations

The past few years have seen the rise of research on innovative drugs in China, creating an increasing demand for clinical trials and studies and leading to the development of the contract research organizations, or CROs. Due to a high proportion of unfulfilled testing and research demand and in an effort to improve the outcome of clinical trials and studies, biopharmaceutical companies and CROs have been increasingly looking to collaborate with ICLs that have both proprietary disease insights and comprehensive and high quality testing services.

As a leading ICL player in China, we are a forerunner in serving biopharmaceutical companies and CROs. Our strong testing expertise and effective quality control adherence to global standards allow us to offer an array of services to support our customers in streamlining drug development process and to help accelerate clinical trials and speed of drugs to market. These services include sample testing, sample storage, and logistics for test sample and test kits and data management of the clinical trial test results. During the Track Record Period and to the Latest Practicable Date, we collaborated with approximately 300 leading international and domestic biopharmaceutical companies and CROs, primarily through our Shanghai laboratory, which is accredited by both ISO15189 and CAP. Through cooperation with internationally reputable CROs, we participated in various multi-center clinical trials in China of innovative drugs. We believe that we have been able to meet the demands of biopharmaceutical companies and CROs for testing by offering uniform testing methodology and having the ability to provide complex protocol-specific tests such as pharmacokinetic parameters, metabolite concentration, genetic mutation and biomarker tests that meet the stringent requirements of research and clinical trials.

In order to form collaborations with biopharmaceutical companies and CROs, we must go through their rigorous quality assurance audits and technical validations to demonstrate that the design, specification, and performance of our tests as well as our testing workflow meet their quality and technical requirements. We normally enter into laboratory service agreements with biopharmaceutical companies and CROs, and the following summarizes salient terms of such agreements:

Duration. The agreements normally end upon customers' receipt of our testing results.

Our Obligations. We are normally required to perform tests by strictly following specifications and requirements set out by our customers. We are obligated to retain all raw data and documents required by applicable industry guidelines and local laws for a certain period of time after the completion of laboratory services to our customers.

Customers' Rights. Under these agreements, biopharmaceutical companies and CROs are entitled to perform audits at our laboratories at any time during the normal business hours to verify our compliance with the principals set by them. Biopharmaceutical companies and CROs own the exclusive rights to all testing results we perform.

Fee Arrangement. The price is determined upon the nature, duration and sophistication of our testing services.

Payment. For certain types of long-term cooperation, we typically require biopharmaceutical companies and CROs to pay partial service fees as prepayment upon the signing of the agreement, and with the rest of the fee paid upon delivery of our testing results.

Employers and Consumers

The outbreak of COVID-19 created tremendous market opportunities for large-scale ICL service providers like us. During the pandemic, ICLs played a crucial role in meeting growing test demand, and broadening access to laboratory insights to help people lead healthier and safer lives. Our industry-leading testing capabilities enabled us to quickly respond to the pandemic by developing COVID-19 testing capacities and offering testing services to a broad array of customers. During the pandemic, we further expanded our offerings directly to employers to assist their pandemic response to create safer workplaces, and to consumers who voluntarily take COVID-19 tests for ease of travel within the country. We soon established our brand awareness among individual customers in selecting COVID-19 test service providers.

Capitalizing on such opportunity, in 2020, we significantly upgraded our touch points on major internet platforms to enable consumers to order our services online. We also built our mini program on WeChat to enhance consumer experience in making online reservation for diagnostic tests. We plan to continue expanding our consumer directed menu to offer more comprehensive test options, such as colorectal cancer screening tests to the extent permitted by applicable laws.

The following table sets forth the number of customers we served for the periods indicated:

	For the Year Ended December 31,		
	2020	2021	2022
Public medical institutions	**6,156**	**6,335**	**6,035**
Public hospitals	4,752	4,765	4,825
Other public medical institutions	1,404	1,570	1,210
Private medical institutions	**8,970**	**10,242**	**10,724**
Private hospitals and clinics	8,201	9,347	9,793
Health check centers	769	895	931
Others(1)	**4,678**	**3,653**	**2,604**
Total	**19,804**	**20,230**	**19,363**

Note:

(1) Others include pharmaceutical companies and CROs, as well as employers and individuals. All individual customers in each period are counted as one unit.

The following table sets forth a revenue breakdown by customer types during the Track Record Period:

	For the Year Ended December 31,					
	2020		2021		2022	
	RMB	%	RMB	%	RMB	%
	(RMB in thousands, except for percentages)					
Public medical institutions	**1,230,274**	**44.9**	**1,401,207**	**41.4**	**1,721,959**	**35.5%**
Public hospitals	1,109,257	40.5	1,251,383	37.0	1,612,262	33.2%
Other public medical institutions	121,017	4.4	149,824	4.4	109,697	2.3%
Private medical institutions	**899,424**	**32.8**	**1,199,207**	**35.5**	**1,404,223**	**28.8%**
Private hospitals and clinics	602,687	22.0	819,145	24.3	1,003,252	20.6%
Health check centers	296,737	10.8	380,062	11.2	400,971	8.2%
Others(1)	**612,033**	**22.3**	**779,101**	**23.1**	**1,734,431**	**35.7%**
Total	**2,741,731**	**100.0**	**3,379,515**	**100.0**	**4,860,613**	**100.0**

Note:

(1) Others include pharmaceutical companies and CROs, as well as employers and individuals.

Revenues across all customer segments experienced steady growth during the Track Record Period. In 2020, the revenue growth was largely driven by public hospitals and other customers as a result of increasing demand in COVID-19 testing. In 2021, private hospitals and health check centers drove higher revenue growth as 2021 saw return of patient volume and demand, when COVID-19 impacts had gradually become more manageable. Public hospitals tend to be larger in scale and serve a larger patient base on average in China than other public medical institutions and private hospitals. As a result, we experienced a larger than average revenue per customer from this customer segment. In terms of private medical institutions, private hospitals generally have lower patient flow with smaller outsourcing scale. However, our average revenues per health check center customer was the highest category with the revenues per customer due to the relatively larger diagnostic testing share we are able to secure from these customers over public and private hospitals. As compared to 2021, revenue growth in 2022 was primarily driven by (i) continued growth contributed by public and private medical institutions, and (ii) revenues contributed by other customers in connection with COVID-19 mass testing.

SALES AND MARKETING

Sales and marketing is an important function for our business growth and expansion. Effective and efficient sales and marketing efforts enable us to establish our brand recognition and awareness for attracting new customers and retaining existing ones. As of December 31, 2022, we had a dedicated sales and marketing team of over 1,500 employees nationwide. We also deployed a special esoteric sales and marketing team that have more specialized knowledge base and expertise for esoteric testing services to target various clinical departments at medical institutions. In addition, we also designated two special teams of sales and marketing personnel for health check centers and biopharmaceutical companies and CROs.

We provide regular training to our sales and marketing personnel to enhance their knowledge about our services, professional skills and keep them abreast with the latest technique and technology development in the ICL industry. We also sponsor external training courses and programs for our sales and marketing personnel from time to time. We believe that an in-house sales and marketing team with high level of industry knowledge and expertise is important to implement our marketing approach and to enhance our reputation and brand image.

We have adopted a "headquarters – laboratory" two-level sales and marketing management scheme. Our headquarters is responsible for laying out strategies, goals and overall planning for business expansion, whereas the sales department in each laboratory carries out detailed tasks as required to achieve such goals. To effectively promote our brand awareness, during the Track Record Period, our sales and marketing efforts primarily focused on the following aspects:

- *Academic Marketing*. We place strong emphasis on the academic marketing and promotion of our services. We organize, co-host and participate in a wide variety of academic conferences, seminars and symposia, ranging from large-scale national and regional conferences to smaller local events tailored for specific hospital departments.
- *Key Opinion Leader Engagement*. We have established long-term relationships with a number of renowned physicians and other healthcare professionals in our target therapeutic areas. We consider these physicians and other healthcare professionals as KOLs based on their professional qualifications, previous publications as well as academic standing and recognition within their respective specialties. We invite KOLs to attend national and regional conferences, share the latest industry developments, and when time allows, we also invite them to our laboratories to share their experiences with our technicians. We believe our engagement with KOLs helps us enhance our brand awareness within the industry and build up our reputation.
- *Insight-based New Service Offerings.* Sponsoring and participating in various academic conferences allow us to gain insights into recent clinical developments and identify service offering trends in a timely manner. Leveraging our testing capabilities, we proactively introduce tests that cater to new changes in the industry. Once a new test is introduced, we provide comprehensive trainings for our sales and marketing team, who will then provide detailing services for physicians and KOLs.

The following table sets forth a summary of major academic conferences that we sponsored or participated in during the Track Record Period.

Name of Conference	Theme of Conference
The 2nd "Vision and Detection" Infectious Diseases Case Study in 2022 (2022年第二屆「卓見偵知」艾迪康感染病例交流會)	The conference built a platform for multidisciplinary academic exchanges and collaborations in clinical infectious diseases and microbiological testing.
The 2022 China Oncology Conference (2022中國腫瘤學大會)	The conference aimed to promote academic exchanges in the field of clinical oncology in China, with special focus on precision oncology based on multidisciplinary standardized and comprehensive treatment.
Launch of the 2022 National Campaign for Public Education of Cervical Cancer (2022年宮頸癌科普宣教公益行全國啟動會)	The campaign focused on the latest developments in the treatment of cervical cancer treatment in China.
2022 Symposium on Precision and Screening of Spinal Muscular Atrophy (SMA)(2022年脊髓性肌萎縮症(SMA)精準與篩查專題會)	The conference held presentations and discussions on genetic screening and diagnostic strategy, disease overview, therapy progress, detection method, and strategy and application of preventive screening, etc. with regard to SMA.

Name of Conference	Theme of Conference
2022 Consensual Clinical Interpretation and Promotion of Experts at Humoral Cells as Hydrothorax and Ascites (2022年胸腹水等體液細胞專家共識的臨床解讀與推廣)	The conference focused on discussions of the consensual definitions of humoral cells and the clinical application of flow cytometry of body fluid.
2022 Interpretation on *Chinese Experts Consensus on Prevention of Perinatal Group B Streptococcal Disease (GBS) (2021 Version)* (2022年預防圍產期B族鏈球菌病(中國)專家共識(2021版)解讀)	The conference attended to the interpretation of expert consensus on prevention of GBS, GBS detection technology and progress on its application.
2021 Symposium on Acquired Immunodeficiency Syndrome (AIDS) Diagnosis and Treatment (2021年艾滋診療專題研討會)	The conference covered mainly the clinical application of projects regarding viral load and drug resistance of AIDS, etc.
The 14th Summit on Infections of Female Reproductive Tract in China in 2021 (Baiyun Meeting) (2021年第十四屆中華女性生殖道感染峰會(白雲會))	The conference focused on the latest developments in the progress of female reproductive tract infections and the correct diagnosis and treatment of reproductive tract infections in China and other core topics.
The 16th National Academic Conference on Leukemia and Lymphoma of the Chinese Medical Association in 2021 (2021年中華醫學會第十六次全國白血病-淋巴瘤學術會議)	The conference held academic thesis discussions on leukemia, lymphoma, myeloma, immunotherapy of malignant hematological diseases, hematopoietic stem cell transplantation, MDS and MPN, etc.
The 24th National Clinical Oncology Conference and 2021 CSCO Annual Academic Meeting (第二十四屆全國臨床腫瘤學大會暨2021年CSCO學術年會)	The conference held lectures on the cellular pyrotopia and tumor immunity, cellular medicine development strategy, and new practice of precision oncology, delivered by domestic experts and scholars.
The 2021 National Tuberculosis Academic Conference of the Chinese Medical Association (中華醫學會2021年全國結核病學術大會)	The conference held academic presentations on the diagnosis, prevention, testing, basic research, surgery, nursing and intervention of tuberculosis.
Forum of Young Physicians of the Branch of Gynecological Oncology of the Chinese Medical Association in 2021 (2021年中華醫學會婦科腫瘤學分會青年醫師論壇)	The conference organized lectures, debates and youth salons focusing on the history and developments of cervical screening strategies and clinical applications.

OUR LOGISTICS CAPABILITIES

To support our broad geographic operation, we have developed a comprehensive and nimble supply chain that effectively moves samples from the point of collection to the testing laboratory. We believe every sample represents a life. Extending across the entire life cycle of a patient sample, from receiving the sample to the delivery of the test result, our supply chain leverages optimized logistics, sample intake, tracking and processing procedures that minimize errors and expedite the performance of testing and delivery of results.

As of December 31, 2022, we had a dedicated in-house logistics team of over 1,300 personnel providing sample logistics services, covering more than 19,000 customers across 30 provinces and municipalities and over 1,600 cities and counties in China. Leveraging our extensive and standardized logistics network, we were able to achieve daily same-day delivery of up to 540,000 samples during the Track Record Period and up to the Latest Practicable Date.

To ensure timely transportation of samples and quick turnaround for testing results, we use automobiles for in-city or cross-city deliveries, railway transport for in-province or close-distance cross-province delivery and air transport for long distance cross-province delivery. As of the Latest Practicable Date, our sample collection and transportation were primarily completed within province and delivered by our fleet of vehicles. As of December 31, 2022, we had a fleet of 767 vehicles to support our transportation needs, including 89 self-owned vehicles and 678 leased vehicles. We have established a strict automobile intake process to ensure service quality and transportation safety and efficiency. For leased vehicles, we normally enter into leasing agreements with reputable leasing companies with a term of one year, which specify the models of vehicles to be leased. We also have vehicle leasing arrangements with our employees pursuant to which we reimburse our employees for their logistics services. We require every vehicle we lease be covered with motor vehicle liability insurance of not less than RMB500,000.

In case there is no coverage of nearby local laboratories for the relevant testing items, for cross-city or cross-province transportation, we primarily engage reliable logistics partners to transport samples for us after our logistics team has collected the samples. In addition, we require the logistics companies to transport our samples on time, following the delivery counts confirmed by us in advance and they shall bear risks of loss in transit. The payments are generally settled on a monthly basis.

Each of our laboratories is equipped with a local logistics team, the size of which is dependent upon the number of customers that laboratory covers. Our in-house logistics teams pick up and collect samples at customer locations in the late morning and early afternoon every day and deliver the samples to one of our nearby laboratories for testing. If the nearby laboratories are not capable of performing certain large scale or esoteric tests, the relevant samples will then be delivered to the nearest capable laboratory via high-speed railway or plane. Upon receipt of samples, our laboratory technicians perform the requested testing, with results typically available before 8:00 am the next day and in most cases, electronically delivered to the physician via electronic medical record interfaces on our website or through the in-house system of the medical institutions.

Before a sample is picked up by our logistics team, physicians at our partnering medical institutions perform sample preparation to produce laboratory-ready samples that can be tested upon receipt by the testing laboratory, expediting the delivery of test results. Each sample and the associated test order is checked for completeness and given a unique identification number, which associates the results to the appropriate patient and the details of testing orders, including patient demographics, specific testing requested, a sample inventory, and billing information.

During transportation, all of the samples are kept in our proprietary incubators, which are designed to provide temperature uniformity and contamination prevention. Our proprietary incubators are available in three sizes for human carriage, small vehicles and large vehicles. Each incubator is equipped with thermal control equipment and GPS tracking devices. Incubators are tracked by our team throughout the entire logistics process. As such, we are able to easily locate our samples and constantly control and monitor the temperature of each sample in transit.

A Type of Our Vehicle

Our Proprietary Incubators

QUALITY ASSURANCE

Our goal is to provide every customer with services of superior quality. All facets of our services are subject to stringent quality control standards and measures, including laboratory operations, accuracy and reproducibility of tests, as well as customer service and satisfaction. We had established a "headquarters – laboratory" two-level quality assurance system, with a quality assurance team consisting a total of approximately 40 employees. We also assign one to two staffs responsible for documentation management and quality control to each laboratory department. Our quality assurance team is led by Ms. LI Dan, who has over 20 years of experience in laboratory operations and diagnostic testing.

The main responsibilities of the quality assurance team at our headquarters are:

- formulating a unified quality standard and specification policies and manual for each laboratory to follow;
- monitoring each laboratory's quality assurance efforts through unscheduled inspections and regular internal audits;
- establishing quality assurance evaluating indicators for each laboratory to ensure continuous improvement of quality control;
- conducting unified management of LIS and monitoring the operation of each laboratory in real-time by keeping track of key operating data in the LIS, including among others, the usage of reagent and consumables, replacement of equipment and instrument, changes in material inventories; and
- closely supervising the qualifications of each laboratory, including timely application for certifications and accreditations.

The main responsibilities of the quality assurance team in the laboratories are:

- implementing the unified quality management specifications stipulated by our headquarters, and reporting to the quality assurance team in the headquarters on a monthly basis in respect to its work progress;
- formulating specified and detailed work guidance and daily operating standards to ensure that our employees in each laboratory comply with the quality control requirements; and
- taking preventive and corrective measures in a timely manner to improve quality control through regular self-inspections.

Failure in service quality control may adversely affect our reputation and business, and may subject us to medical liability claims. During the Track Record Period and up to the Latest Practicable Date, medical liability claims against us did not, individually or aggregately, have a material adverse effect on our business, results of operations or financial conditions.

Laboratory Operations

Disciplined operation of laboratories is the pillar of our overall quality control, and serves as the foundation for delivering quality services to our customers. Our quality assurance efforts for laboratory operations primarily focus on the management of onsite laboratory employee, management of equipment and instruments, and management over reagents and consumables.

Employee Management

We have set up strict employee management procedures which cover personnel qualifications, training and continuing education. All of our newly recruited employees are required to complete a set of comprehensive trainings to ensure that they adhere to and implement our quality control policies and procedures. For newly recruited employees who will be working in the laboratories, we provide them with additional trainings on professional skills, primarily focusing on quality control and management system, work process and procedures, operations of technology infrastructure, patient information confidentiality and others. We also have designed strict assessment for such professional skills, and only employees who can pass the assessment are eligible to work in our laboratories. In addition, employee review and performance evaluation are carried out every year to ensure that their capabilities can continue to meet our standards.

Equipment and Instrument Management

We employ a wide range of professional equipment and instrument to examine the patients' samples and generate test reports. Therefore, the quality, durability and proper functioning of testing equipment is of vital importance for the stability and accuracy of test results we deliver. We have developed comprehensive management procedures to standardize the selection, purchase, acceptance, use, calibration, maintenance, repair, and scrap management of testing equipment and instrument. Each equipment, before being put into use, is required to be calibrated and verified strictly to make sure it could meet the requirements for clinical tests, and will be issued with a status label for internal record keeping after being accepted to use. Furthermore, we also conduct regular maintenance and calibration for the equipment and instrument to keep close track of the use status of the equipment. We cease the use of any malfunctioned equipment and perform root cause identification. Once repaired, the performance of the equipment will be re-calibrated and the impact of such malfunction on the test samples will be re-validated concurrently. If necessary, emergency measures or corrective actions will be carried out according to our internal procedures.

Reagents and Consumables Management

We regard management over reagents and consumables an integral part of our quality control over laboratory operations, as minor mismanagement of which would directly affect the accuracy of testing results we deliver. Before any suppliers for reagents and consumables are selected, we conduct on-site examination and inspection of their products. We have established stringent procedures for the receipt, storage, acceptance and inventory management of reagents and consumables. Once reagents and consumables are received, each laboratory is required to inspect the products in a timely manner to identify any unqualified ones, report such issues to the headquarters and store them separately from the qualified ones to avoid any misuse. Upon completion of the initial inspection, we require that the reagents and consumables are stored strictly following the manufacturers' instructions. Moreover, considering that reagents and testing kit may be received in different batches, as new batches may be slightly different from those already put in use or under storage, we require any new batches coming in go through strict inspection and performance test to avoid any negative impacts such minor differences may have over the accuracy of our testing results.

Testing Quality Evaluation and Assurance

In terms of testing, our quality assurance efforts focus on pre-analytic, analytic and post-analytic processes, including verification of sample status, appropriate sample transport, analysis and report accuracy, external quality assessment, reference range relevance, process audits, statistical process control and personnel training for all of our laboratories and patient service centers. We observe test results to identify trends, biases or imprecision in our analytical processes. We also closely monitor the qualification, training and competence of our professional and technical staff.

Pre-analytic Phase

The pre-analytic phase starts with a test order and ends with preparation of samples ready for testing, including test application, patient preparation, verification of sample status, sample collection, sample pre-treatment, sample delivery and laboratory reception. The pre-analytic phase is the most vulnerable part of the total testing process and is considered to be among the most significant challenges to the laboratory professionals. To minimize errors and enhance the credibility of our test results, we have adopted systematic quality control measures and maintained standardized protocols which encompass all steps involved in the pre-analytic phase to safeguard the quality.

Contract Signing. During the contract signing process, we carefully listen to and record the testing method, quality standards and specifications for report generation set by our customers and make sure we put in place sufficient resources to meet the requirements. Right after the contract is signed, we normally distribute our sample collection manual to the customers and organize trainings to help them get familiar with our daily practices.

Sample Collection. Improper sample collection can lead to delays in reporting, unnecessary retesting and even decreased customer satisfaction. We set detailed and heightened criteria on all aspects of sample collection process, including among others, patients' preparation, sample collection and container labeling, timing of collection and the volume of different samples. We also provide trainings for personnel who are responsible for sample collection to reduce defects.

Sample Pre-treatment. We require our customers to strictly follow instructions and requirements set forth in our sample collection manual for centrifugation, aliquoting, pipetting, dilution, and sorting of the samples. We also assign each sample a unique identification barcode for our internal tracking and record.

Sample Delivery and Transportation. Timely and safe transportation of samples is a crucial step in the pre-analytic phase. We established a nimble cold-chain logistics network to support the sample transportation and we also adopt a series of stringent requirements for each step in the whole process. For details, please see "– Our Logistics Capabilities".

Sample Receipt. We have identified a series of quality indicators to help our laboratories staff to closely monitor the qualities of samples. Once the samples are delivered to our laboratories, we require our responsible team to conduct thorough inspection on the quality, thermal control, completeness and accuracy of identification information, and other aspects of the samples to identify any unqualified ones. Information of each qualified sample will then be entered into our LIS for tracking.

Analytic Phase

The analytic phase begins when the patient sample is prepared for testing and ends when the test result is interpreted and verified. Analytical quality is a significant issue in the whole testing process. To minimize any unrecognized analytical errors, we have established and maintained testing process and procedure manuals according to internationally recognized standards. We also verify test method performance specifications as to test accuracy, precision, sensitivity, specificity, and linearity.

Committed to continuous improvement of quality standards, we proactively participate in external quality assessment, or EQA, annual programs carried out by National Center for Clinical Laboratory, provincial and municipal clinical laboratory centers as well as industry management organizations. Participation in EQA programs helps us evaluate reliability of testing methods, materials, and equipment, indicates areas to be improved, identifies training needs, and provides early warning for systematic problems associated with kits or operations. During the Track Record Period, we received over 4,100 EQA certificates and participated a total number of over 40,000 EQA programs, covering clinical chemistry, immunology, molecular biology, and pathology areas, enjoying a passing rate of 98.5% on average. The successful performance in an EQA program reflects the effectiveness of our laboratory's quality management and ensure that test results are the same across different laboratories for the same sample.

Furthermore, we implement a comprehensive internal quality control program to assess the repeatability of each testing item. We closely monitor and analyze our daily internal quality control result, and generate Levey-Jennings or Z-score quality control charts to identify changes in test performance and to discover and eliminate unsatisfactory factors of our quality control program in a timely manner. In addition to specific testing procedures, we also carry out other extensive laboratory operational measures. For details, please see "– Quality Assurance – Laboratory Operations."

Post-analytic Phase

In the post-analytic phase, results are reviewed and released to physicians, upon which they will make diagnostic and therapeutic decisions. We have established a multipronged review mechanism to ensure the accuracy of the testing reports, including using critical data generated from internal quality assurance programs, clinical information and previous test results. During the Track Record Period, we maintained an acceptable error rate of less than 0.1% across all of our testing reports.

Customer Service

The customer is at the center of everything we do. We have been dedicated to improving our customer service quality through enhancing our logistics network to expedite sample collection process, and ensure the timely issuance of accurate testing results.

We have formulated a detailed internal protocol in dealing with customer complaints to ensure that rectification and corrective actions will be properly carried out. Upon receiving any customer complaint or feedback on improvement, personnel from customer service department shall complete "Customer Complaint Handling Form" on Corrective Action and Preventive Action Electronic system, or E-CAPA system. Such form will then be forwarded to quality assurance department for handling. Our quality assurance department normally conduct investigations to determine the vesting of accountability before passing on to the responsible department. The responsible department shall record real causes of such complaints in accordance with quality control procedures, as well as implementing rectified or corrective actions for improvement. Subsequently, the business department shall directly relay rectification and corrective improvements to customers. Where timely improvements cannot be made to customer complaints, or their causes or vesting of accountability remain uncertain, business department shall directly discuss and negotiate with customers until a solution satisfactory to the customers is achieved.

OPERATIONAL EFFICIENCY

We strive to enhance operational excellence and improve efficiency across every segment of our value chain and operations, which we believe will strengthen our foundation for growth and competitiveness. During the Track Record Period, our initiatives on operational efficiency primarily focus on supply chain management, laboratory operation, inventory management and fixed asset management.

Supply Chain Management

We primarily procure testing instrument, reagents, and other consumables. To ensure uniformity in quality and to secure efficiency, we adopt a centralized procurement system. The bidding and selection process of testing instruments and reagents suppliers are centrally managed by our headquarters, including negotiation of prices, volumes, rebates and credit terms. Framework supply agreements are signed between our headquarters and suppliers, whereas actual purchases are made by each laboratory by directly placing orders with the suppliers.

Supplier Selection and Management

As of December 31, 2022, we sourced from over 1,500 suppliers, mostly reputable domestic and international brands. Suppliers are selected based on stringent criteria. Before engaging a new supplier, our procurement department pre-screens supplier candidates based on their reputation, reliability, product offering, pricing, product quality and capacity. In addition, we sample their products or conduct on-site inspections to ensure that they and their products comply with our quality standards. We periodically review and evaluate the performance of our suppliers. If the performance of a supplier does not meet our requirements and cannot be improved, we will terminate our relationship with such supplier. For the five largest suppliers during the Track Record Period, please see "– Top Customers and Suppliers – Top Suppliers." To prevent any kickback arrangements with the suppliers, we request each of our suppliers to undertake in writing not to violate our anti-bribery and corruption policy. Our anti-bribery and anti-corruption policy prohibits our suppliers to offer any unauthorized payment, such as bribes, kickbacks, or benefit to our employees in order to secure an improper benefit. They are not allowed to conceal their relationships with our management, or deal with any relatives or related parties of our employees with respect to our supplies. Our anti-bribery and anti-corruption policy also prohibits other misconducts, such as fraud or other illegal activities. If any violation of the undertaking is identified, it will be deemed as a material breach of our master supply agreement.

We typically retain multiple suppliers for each major category of procurement to reduce reliance on any particular supplier. We have since our inception identified and established stable business relationships with reliable suppliers. During the Track Record Period and up to the Latest Practicable Date, we did not rely on any single supplier for any of our major laboratory instruments, reagents, or consumables. During the Track Record Period, we did not experience any significant fluctuation in prices set by our suppliers, material breach of contract on the part of our suppliers, or interruption or delay in supplies, which had a material adverse effect on us.

Procurement of Testing Instruments

We implement heightened criteria for selection of our suppliers for testing equipment and instrument and we periodically review and evaluate the performance of such suppliers. We maintain a list of qualified suppliers, who have a proven record of reliable and stable supply, and we only partner with such qualified suppliers. Our testing instruments are either leased or purchased from our suppliers. Most international brands adopt the leasing model. For testing instrument we purchased from our suppliers, we normally enter into agreements on a single order basis.

Procurement of Reagents and Consumables

Our typical supply agreements for reagents and consumables have a term of one year subject to review and renewal. Pursuant to the terms of the agreements, our suppliers are responsible for arranging the delivery of products to our laboratories at their costs. We shall examine and inspect the reagents and consumables upon receipt and are entitled to exchange or return any products that are below quality standards. We are generally given a credit period of 60 to 120 days by our suppliers. In addition, each supply agreement we enter into with our suppliers is annexed with an anti-bribery undertaking letter and product quality assurance warranty we require our supplier to provide.

Laboratory Operation

Operating our laboratories effectively and efficiently is the key of maintaining our competitiveness in the market. We have carried out a series of industry leading initiatives in monitoring and measuring our laboratory productivity, and improving our overall operational efficiencies, which primarily focus on employee productivity and reagents and consumables efficiency.

Employee Productivity. We include employee productivity as one of the metrics in evaluating the overall laboratory productivity. We closely track the working hours of each employee and their respective tasks, through which we are able to evaluate how productive each employee is and easily identify the top performers. By observing the top performers, we meticulously design our training programs to improve overall employees' performance. In addition, our employee incentive mechanism is tightly associated with their productivity analysis. Our headquarters perform monthly statistical analysis on employee productivity by laboratory, and issue comprehensive reports and action plans. Our successful implementation of employee productivity analysis has made us a market leader in cost saving. During the Track Record Period, our employee productivity, measured by testing volume performed per laboratory employee, grew by 12.4% from 2020 to 2021, and further by 53.5% from 2021 to 2022.

Reagents and Consumables Efficiency. To use reagents and consumables cost effectively is of vital importance for our overall efficiency. We have adopted lean management scheme to monitor the usage of reagents and consumables across our laboratories. We closely track the level of wastage for each reagent under different tests performed. For example, our system alerts us when the wastage rate for certain reagents exceeds our standard levels. We then analyze the reasons and put forward remedial plans to prevent reoccurrence. This is also used as one of the KPIs for evaluating laboratory performance across our network. Through such management, we are able to minimize reagents and consumables wastages.

Inventory Management

In order to improve overall laboratory operational efficiency, we have adopted a centralized inventory management system, which easily tracks vital information and movement associated with every reagent and consumable and analyzes inventory level for each of our laboratory. In addition, we provide comprehensive trainings for our employees to make sure that our high standards and criteria could be adhered to thoroughly and completely.

- *Timely Registration of Inventory*. We register and inspect each reagent or consumable upon their arrival at our laboratories. Our inventory management system digitally captures general information for each item from its extensive database, and then generates unique identifiers or barcode labels for such item for our internal tracking.

- *Automatic Alerts of Expiration and Low-Stock*. Unlike traditional manual record and tracking, we rely on our inventory system to track the whole life cycle of our reagents and consumables digitally, including among others, open/expiry dates, location, ownership and per-unit consumption. Our inventory management system captures the opening date and calculate the expiration date based on when the tamper-proof seal is removed. It also has built-in notifications for expiration that timely informs us when our specific inventory is about to expire before it actually expires, leaving us with sufficient time to properly dispose of it and replenish it. Moreover, we are able to keep track all of our inventories at both macro and micro levels and always have appropriate amount on hand to support our operations.

- *Established Purchase Request Management*. To better improve the efficiency of our inventory management, we have set up submission and approval procedures of purchase requests. In addition, through our inventory management system, we also institute visibility into what has and has not been ordered, and whether or not the materials have been received, so as to reduce laboratory wastages.

RESEARCH AND DEVELOPMENT

We believe research and development is critical to our future growth and our ability to remain competitive in the ICL market in China. We have strong medical and scientific expertise and aspire to be a trusted authority in clinical testing, provide insights and tools to support public and personal health, lead and facilitate scientific discussion and inspire innovation. We are dedicated to discovering, developing and innovating new and advanced testing methods and techniques to better improve testing process and enhance testing efficiency, which thereby provide higher quality services to our ever growing customer base. As of December 31, 2022, we had nine high-tech R&D laboratories, including two industry leading central R&D laboratories in Shanghai and Hangzhou and seven high-tech R&D laboratories located in Hefei, Jinan, Beijing, Nanchang, Fuzhou, Wuhan and Nanjing. As of the Latest Practicable Date, all of our nine laboratories had obtained High and New Tech Enterprise Certificates issued by relevant local authorities. As of December 31, 2022, we had over 380 R&D personnel, including Ph.D. and master degree holders across molecular biology, genetics and bio-engineering, toxicology, pathology, and other related areas. Our R&D activities are centrally led by our R&D laboratories in Shanghai and Hangzhou.

As of the Latest Practicable Date, we owned 214 registered patents, 315 registered software copyrights, and 115 pending patents applications in China. Our invention patents primarily include LDTs covering our major business focuses, namely infectious diseases and blood diseases, as well as fields with large and unaddressed clinical demands such as personalized medication, single-gene genetic diseases and solid tumors. Leveraging our first-hand clinical knowledge and proprietary technological capacities, our intellectual properties enable us to effectively address the unmet clinical demand and solidify our leadership within the industry. We have invested RMB102.0 million, RMB125.4 million and RMB162.7 million in research and development in 2020, 2021 and 2022, respectively. As our key focus, we expect our research and development expenses to increase in line with the growth of our business.

Our research and development efforts are primarily used to further develop and improve our testing process, efficiency and modalities, broaden our testing portfolio as well as optimize our testing accuracy. We categorize our main research and development efforts into the following categories, and retain the ownership of the intellectual properties developed in the process:

Broadening Our Testing Portfolio

We develop new testing items by leveraging our research and development capabilities, which primarily focus on the prevention, diagnosis, efficacy monitoring, and recurrence monitoring of diseases such as infectious diseases, hematological tumors and genetic diseases.

Optimizing Existing Testing Projects

We optimize and improve the operation efficiency, testing stability and detection sensitivity of our existing products and products acquired from the market. Specifically, we have optimized our products on the flow cytometry, immunohistochemistry and molecular diagnostic platforms.

In addition, we also invest in the improvement of our testing process to optimize our workflow thereby improving our labor efficiency. For sample transportation, we use incubators with frozen liquid-filled features and easy-to-identify embedding instruments in pathological sample circulation.

Developing New Testing Modalities

As the clinical testing technologies are diversified and refined, we continue to upgrade the modalities of our clinical test offerings, including NGS detection of lung cancer markers, ICP-MS trace element detection, liquid mass spectrometry drug concentration detection and multi-functional flow cytometry cytokine detection, to meet the evolving customer and market demands.

The following table summarizes a selection of the highlights of our research and development efforts during the Track Record Period.

Project	Description and Significance
Application of pyrosequencing technology in HPV testing	Pyrosequencing technology enables fast and accurate detection of short DNA fragments (≤50bp), without fluorescent labeling of DNA sequence. It can be automated, and suitable for rapid testing for large sample volume.
Application of one-tube multi-primer pyrosequencing technology in HPV typing detection	To explore the clinical application value of one-tube multi-primer pyrosequencing technology in the typing and detection of HPV. Highly specific sequencing primers are designed for seven different HPV subtypes, using one-tube multi-primer sequencing method, through semi-nested PCR Amplify and obtain HPV gene fragments and perform pyrosequencing analysis.
Mass spectrometry detection methods for genetic metabolic diseases related testing	We established liquid-phase tandem mass spectrometry and gas-phase mass spectrometry detection methods for genetic metabolic diseases. Based on the accumulated data, we established laboratory reference value range, where the two methods were used simultaneously to provide a basis for the accurate detection and diagnosis of genetic metabolic diseases.
Detection of full amino acid profile	Accurate detection of a comprehensive panel of amino acids has always been a difficult point in detection. Through the establishment of liquid-phase mass spectrometry detection methods, the detection of full amino acid profiles (40 amino acids) has been achieved, improving upon the traditional methodology of amino acid detection. It is a comprehensive perspective to detect and evaluate the balance of amino acid metabolism.
Whole blood immunosuppressive agents	We have established a mass spectrometry method for the clinically commonly used immunosuppressants (cyclosporine A, sirolimus, everolimus, tacrolimus, mycophenolic acid). Such method provides objective indicators for the implementation of individualized dosing regimens, reducing the impact of individual drug differences. It can be used as an observation indicator of drug efficacy, determining the best treatment plan, and avoiding or reducing possible side effects for patients.

Project	Description and Significance
NGS Detection of Pharmacogenomics related genes . .	We have completed pharmacogenomic testing Panel (PGx Panel), including 124 genes, which enables us to detect mutations such as SNV/indel/CNV and hybrid, well distinguish pseudogene CYP2D7 from CYP2D6 homolog. According to the genotype, the corresponding metabolic types (slow metabolism, conventional metabolism, fast metabolism, ultra-fast metabolism) can be determined, which can meet the above needs of clinical drug safety assessment as well as new drug development.
Hematology NGS testing	We have developed a series of panels for hematology testing, covering 426 genes related to hematology tumors in the databases of NCCN, ESMO, WHO, FDA, CSCO and other guidelines and OncoKB, CIViC, PMKB, CGI, DoCM, COSMIC, including somatic mutations, germline mutations, drug treatment guidance, rearrangements and fusions, and other gene mutation detection. We have NGS test for ALL-related genes, NGS test for B-cell lymphoma-related genes, NGS test for T-cell lymphoma-related genes, NGS test for diffuse large B-related genes, NGS test for multiple myeloma-related genes, as well as myeloid large panel and gonadal large panel to meet clinical needs in diagnostic staging, treatment guidance, prognosis determination, micro-residue monitoring, clonal evolution, etc. The test is designed to meet clinical needs in diagnostic staging, therapeutic guidance, prognosis, micro-residue monitoring and clonal evolution.
CAR-T clinical testing solution . . .	With the development of tumor immunotherapy, chimeric antigen receptor (CAR)-T cell immunotherapy, which combines the advantages of antibodies and immune cells, has received great attention. We have developed clinical testing solutions for CAR-T and other cellular therapeutics on nucleic acid, protein and cellular testing platforms, and have completed the following: exogenous gene copy number detection by fluorescent quantitative PCR; CAR gene copy number detection by digital PCR; lentivirus replication RCL detection by fluorescent quantitative PCR; and CD19 CAR expression detection by flow cytometry.
Clinical application of mass spectrometry	• Serum antidepressant detection: We have completed the mass spectrometry methods for 17 commonly used antidepressants such as venlafaxine, mirtazapine, paroxetine, bupropion, nortriptyline and citalopram. • Serum schizophrenic/sedative drugs testing: We have completed the mass spectrometry methods for 16 commonly used schizophrenic/sedative drugs such as quetiapine, risperidone, aripiprazole, sulpiride, olanzapine, clozapine, etc. have been completed.

Project	Description and Significance
	• Serum antiepileptic drug testing: We have completed the mass spectrometry methods for 13 commonly used antiepileptic drugs such as valproic acid, phenytoin sodium, lamotrigine, oxcarbazepine, levetiracetam, carbamazepine, etc. • Serum antibiotics detection: We have completed the mass spectrometry method for 13 commonly used antibiotics, including amikacin, imipenem, meropenem, voriconazole, itraconazole, and desmethyl-vancomycin. • Serum antipyretic and analgesic detection: We have completed the mass spectrometry analysis method for acetaminophen, acetaminophen cysteine, acetaminophen glucuronide, acetaminophen sulfate, which helps to understand the effect of the antipyretic and analgesic acetaminophen on the liver. • Serum steroid detection program: We have completed the mass spectrometry method of 25 hormones, including 17α-hydroxyprogesterone, dihydrotestosterone, dehydroepiandrosterone sulfate, androstenedione and testosterone, which is helpful for the diagnosis and treatment of endocrine diseases such as primary aldosteronism and polycystic ovary syndrome (PCOS).

The following table summarizes a selection of the pending patents applications as of the Latest Practicable Date:

Type	Patent	Patent Number	Application Date
Invention	Primers, probes, compositions and methods for screening and identifying Ph-like ALL-related fusion genes using fluorescent PCR technology	202011121074.2	October 19, 2020
Invention	Technology for detecting tumor-related multi-gene mutations by using high-throughput sequencing	202011528444.4	December 22, 2020
Invention	Free DNA preservation reagent and preparation technology	202110005990.8	January 5, 2021
Invention	Technology for large volume extraction of trace amount nucleic acids in mixed swab samples	202110125242.3	January 29, 2021
Invention	A set of probes and library building kit for detecting CYP3A4 polymorphisms in pharmacogenomics-related genes using hybridization capture method	202210030225.6	January 12, 2022

Type	Patent	Patent Number	Application Date
Invention	A set of probes and library building kit for detecting CYP2D6 polymorphisms in pharmacogenomics-related genes using hybridization capture method	202210032720.0	January 12, 2022
Invention	A set of probes and library building kit for detecting CYP3A5 polymorphisms in pharmacogenomics-related genes using hybridization capture method	202210032721.5	January 12, 2022

In addition, we provide testing services to advanced research projects headed by reputable medical research institutions, universities, and hospitals. During the Track Record Period, we worked on research projects with renowned hospitals, medical research institutions and universities related to CAR-T affinity detection, viral typing and detection, select mRNA expression, brain tissue genotyping and genetic expression in cryopreserved stem cells.

Research and Development Publications

The following table describes a selection of some of our publications based on clinical trials and research studies during the Track Record Period and up to the Latest Practicable Date:

Name of Publication	Journal or Book Title	Collaborating Institution	Publication Time
Analysis of 46 fusion genes in 1,058 newly diagnosed acute leukemia patients (1,058例初診急性白血病患者46種融合基因篩查分析)	Chinese Journal of Clinical Laboratory Science (Issue 6, 2022) (《臨床檢驗雜誌》2022年第6期)	–	2022
The analysis of two deaf genealogies with mitochondrial 12S rRNA A1555G and tRNAThr mutations (2個攜帶線粒體12S rRNA A1555G和tRNAThr突變的聾病家系分析)	Zhejiang Clinical Medical Journal (Issue 3, 2022) (《浙江臨床醫學》2022年第3期)	–	2022
Research progress in the clinical use of new immunohistochemical antibodies in the pathological diagnosis of soft tissue tumors (軟組織腫瘤病理診斷中新的免疫組織化學抗體臨床運用的研究進展)	Medical Diet and Health (Issue 21, 2022) (《醫學食療與健康》2022年第21期)	–	2022
Performance comparison of different nucleic acid extraction Methods for HBV-DNA detection (不同核酸提取方法HBV-DNA檢測的性能比較)	Capital Medicine (Issue 17, 2022) (《首都食品與醫藥》2022年第17期)	–	2022

Name of Publication	Journal or Book Title	Collaborating Institution	Publication Time
Observe the Clinical Diagnostic Value of TCT and Biopsy Pathology for Early Cervical Cancer and Cervical Intraepithelial Lesions (觀察早期宮頸癌及宮頸上皮內病變採用TCT與活檢病理的臨床診斷價值)	*China Practical Medicine* (Volume 16, Issue 13) 《中國實用醫藥》第16卷13期	–	May 1, 2021
Analysis on the Fluctuation of Blood Uric Acid Level in Patients with Hypertension Complicated by Different Diseases (高血壓併發不同疾病患者血尿酸水平波動差異分析)	*Medicine and Health* (2021 April) (《醫藥衛生》2021 4月刊)	–	April 1, 2021
The Diagnostic Value of Combined Detection of Serum AFU, AFP, GGT, LAP And APT In Primary Liver Cancer Discussion And Development of Mutual Recognition of Regional Inspection Results (血清AFU、AFP、GGT、LAP 及 APT 聯合檢測在原發性肝癌中的診斷價值區域檢驗結果互認的探討與發展)	*Contemporary Medicine* (August 2020, Volume 26, Issue 22) (《當代醫學》2020年8月第26卷22期)	–	August 1, 2020
Chromosome Karyotype Analysis of Umbilical Cord Blood of 48,600 Newborns in Zhejiang Province (浙江省48,600例新生兒臍帶血染色體核型分析)	*Chinese Journal of Eugenics and Genetics*, (2020, Volume 28, Issue 4) (《中國優生與遺傳雜誌》2020年第28卷第4期)	The National Health Commission (國家衛生健康委員會)	April 25, 2020
Analysis and Research of Anti-Müllerian Hormone Detection on Ovarian Function in Patients after Hysterectomy (抗苗勒氏管激素檢測對子宮切除術後患者卵巢功能的分析研究)	*Medicine and Health* (February 2020) (《醫藥衛生》2020年2月刊)	–	February 1, 2020

SALES OF MEDICAL PRODUCTS

Aiming to provide well-rounded services to our customers, and as a supplement to our ICL business, we started to sell medical products to our own laboratories and third-party customers, primarily medical institutions in 2010. We primarily procure testing instruments, reagents and consumables from internationally and domestically reputable brands. During the Track Record Period, revenues generated from sales of medical products amounted to RMB228.5 million, RMB234.7 million and RMB459.9 million in 2020, 2021 and 2022, respectively, representing 8.3%, 6.9% and 9.5% of our total revenues in the same years, respectively. As part of our quality assurance effort, we deploy extensive screenings and stringent due diligence initiatives to selectively engage only industry-leading and trustworthy suppliers. We normally enter into agreements with suppliers for reagents and consumables with terms ranging from one to two years, and we enter into agreements with suppliers for instruments normally on a single order basis.

PRICING

Pursuant to the Opinions on Promoting Further Reform of the Healthcare System (《中共中央、國務院關於深化醫藥衛生體制改革的意見》), the PRC government and its local counterparts set the benchmark for the price of certain of our testing services. For such services with benchmark prices, our prices are tied to the price benchmark with adjustment made to competitors' pricing, our production costs and service premiums. We may also adjust our testing item pricings from time to time to respond to market demand as well as our competitor's pricing strategy. For our testing services that do not have the benchmark price, we determine preliminary prices with reference to prices of competitors' products and our production costs, off which we will give our partner hospitals respective discounts in light of their different size, ranking and competitiveness, as well as historical transaction track record with us. We generally are able to charge a more premier price for testing services that are not benchmark controlled. The price of our clinical services provided to CROs, pharmaceutical companies, research institutes and other non-hospital customers are made on a case-by-case basis, taking into account the cost and size of the research programs and the size, competitiveness or the budget of our customers.

IMPACT OF COVID-19 ON OUR BUSINESS

Since late December 2019, the COVID-19 outbreak disrupted the normal life and daily routine of the global population, and in amidst of this global pandemic, the performance of and access to many of our testing services were disrupted. As a result, our business, operations and financial conditions were affected.

Impact on Testing Volume

In response to the COVID-19 pandemic, the Chinese government imposed a series of measures to contain its spread, including travel bans, quarantine measures, social distancing, restrictions on business operations and freedom of movement. Such measures had resulted in, among others, a significant reduction in patients' hospital visits, cancellation of elective medical procedures and decrease in routine health checks, which caused a material decline in our base testing volume in the first quarter of 2020 as compared to the same period in 2019. In addition, with the outbreak of COVID-19, many hospitals in China allocated significant resources to contain the spread of COVID-19, and had scaled back or postponed non-emergency care, which also led to a significant decline in demand for testing services.

Notwithstanding the above, COVID-19 also provided national ICLs with new opportunities. In February 2020, Meetings of the Central Leading Group for COVID-19 Containment allowed qualified third party testing service providers, like us, to carry out COVID-19 nucleic acid tests. Leveraging our testing capabilities and national laboratory network, we quickly mobilized our teams across multiple fronts to develop COVID-19 testing capacities and protocols across our laboratories. We launched nucleic acid testing capability using PCR methods, and immuno-based detection tests. We started to offer COVID-19 testing services in February 2020, and soon turned it into a regular line of service. During the Track Record Period, we performed a total of over 133 million COVID-19 tests, with a daily capacity of up to approximately 996,000 tests. Revenues generated from COVID-19 tests amounted to RMB924.5 million, RMB1,232.4 million and RMB2,284.6 million in 2020, 2021 and 2022, respectively.

Our strong performance for COVID-19 testing during the pandemic validated our capabilities to process large amount of testing volume with high quality and operating efficiency. Leveraging such opportunity, we have successfully built up new business relationships with hospitals and health check centers that did not partner with us before, expanded our cooperation with them beyond COVID-19 tests, and turned them into our regular customers for base tests, which further drove the growth of our non-COVID-19 business. As a result, our total non-COVID business experienced strong recovery in 2020, evidenced by a 5.1% revenue growth from 2019 to 2020. By the end of the second quarter of 2020, our monthly non-COVID-19 business revenues had recovered back to 2019 levels. Starting from the third quarter of 2020, our non-COVID-19 business registered positive growth compared to the same period in previous year. As a result, revenues generated by

non-COVID business increased by 18.2% from 2020 to 2021, and further by 20.0% from 2021 to 2022. Our Directors believe that, with our continuous focus on further strengthening our testing capabilities and portfolio, strategically penetrating untapped markets, developing new testing methods and applying innovative technologies, our business is expected to grow further.

The following table sets forth a breakdown of our revenues by COVID-19 testing and non-COVID-19 business during the Track Record Period:

	For the Year Ended December 31,					
	2020		2021		2022	
	RMB	%	RMB	%	RMB	%
	(RMB in thousands, except for percentages)					
Non-COVID-19 business	1,817,195	66.3	2,147,080	63.5	2,576,057	53.0
COVID-19 testing	924,536	33.7	1,232,435	36.5	2,284,556	47.0
Total	**2,741,731**	**100.0**	**3,379,515**	**100.0**	**4,860,613**	**100.0**

In December 2022, Chinese government began to lift most of the COVID-19 related restrictions, and canceled mass testings previously implemented in various regions across the country. This had reduced the need for our COVID-19 related testing services nationwide and is expected to result in significant decline in revenues generated from such services in the future. The extent to which the pandemic impacts our results of operations going forward will depend on future developments which are uncertain and unpredictable. With respect to related risks, please see "Risk Factors – Risks Relating to Our Business and Industry – Revenues generated from COVID-19 related testing services may not be sustainable."

Impact on Daily Operations

In response to Chinese government's policies to contain the spread of the COVID-19, in early 2020, we implemented temporary adjustments to work schedules and travel plans, mandating employees to work from home and collaborate remotely. We had incurred additional costs for the safety of our employees and the continuity of our operations, including increased frequency of deep cleaning and sanitation at each of our laboratory, additional safety training and processes, enhanced hygiene practices and materials, more efforts in keeping track of the travel history and the health of our employees and their immediate family members, flexible and remote working where possible, and allowing for greater social distancing for the employees who must work on-site. In addition, we had also provided our logistics team with masks, hand sanitizers and other protective gear immediately after the outbreak, which increased and may continue to increase costs and expenses of our operations. As of the Latest Practicable Date, all of our employees had returned to work.

In addition, dual impact of the massive upsurge of the COVID-19 testing demand as well as logistics disruptions caused by the pandemic, led to a shortage of supplies of reagents and other raw materials dictating the course of COVID-19 testing services, resulting in a leap in the prices of the raw materials. As a result, we experienced temporary difficulties in securing adequate supplies of reagents and consumables used in COVID-19 tests at the beginning of the outbreak.

Our management had been and continue to closely monitoring the impact of COVID-19 on all material aspects of our business operation and respond to any challenges and opportunities the pandemic may bring about. Due to the unpredictability of the duration and impact of the current COVID-19 pandemic, the extent to which the COVID-19 pandemic will have a material effect on our business, results of operations or financial condition is uncertain. For details, please see "Risk Factors – Risks Relating to Our Business and Industry – The COVID-19 pandemic had and may continue to have material impacts on our business, results of operations and financial performance".

OUR TECHNOLOGY AND IT INFRASTRUCTURE

We are committed to developing proprietary information technology systems to support the daily operation of our laboratories. We have a proprietary and industry-leading information system, namely, Laboratory Information System, or LIS, which are responsible for tremendous operational efficiencies, enabling us to achieve consistent, structured, and standardized operating results and superior customer service. It is extensively used in all aspects of our business, including clinical testing, test ordering and reporting, billing, customer service, logistics and management of medical data. LIS is responsible for the receipt and processing of sample testing application information, patient information and the pre-processing of samples, including sample verification and management. After the samples enter our laboratories, LIS is also responsible for a series of functions related to testing, including among others, the grouping of samples, test report generation, abnormal testing results alerts, and data classification and storage. We also built in ISO15189 requirements into LIS to conduct review on our reports with global quality standards.

We developed our proprietary logistics IT system, AiLogistics (艾物流), which digitalized and automated the sample receipt process through mobile digital and AI recognition technologies. Sample information is processed beforehand through AiLogistics, which reduced the time needed for sample requisition process, prevented errors when processing sample information, thereby enhancing our laboratory operational efficiencies.

The successful delivery of our services depends, in part, on the continued and uninterrupted performance of our IT systems and standardization of the operating processes across our laboratory network through our IT systems. After over a decade of research and development and upgrades, our proprietary systems are able to support our ever scaling business operation. Currently, our systems stored and managed over 10 billion accumulative laboratory testing data and results, which we believe are great assets for our future growth and development.

We have developed effective operating procedures, protocols and standards to fulfill high industry standards with respect to daily operation, maintenance, troubleshooting, backup and disaster recovery with respective to our IT infrastructure.

Data Security

Data security is one of our top priorities. Securing personal and health information is critical to our business operations and to future growth, as we are committed to using technology to improve the delivery of care. A security breach could have a material adverse operational, financial, regulatory, and reputational impact to us.

We are informed by our customers that they are duly authorized by their patients or research participants to grant us the access and use of their personal data, and we are entitled to collect a minimum amount of personal information that is necessary for us to perform our testing services. Unless otherwise permitted by laws and regulations, we inform our patients of the purposes, method and scope of our collection, use and storage of their personal and health information. We strictly prohibit disclosing or reusing patients' personal data without their prior consent.

To protect data privacy, we employ a secure technology framework that covers laboratory devices, computers, and communications systems. We use state-of-the art tools and advanced analytics to proactively identify and protect against potential information system disruptions and breaches, to monitor, test and secure key networks and services, and to facilitate prompt resumption of operations if a system disruption or interruption should occur. We perform periodic security audit against our systems to ensure its proper function and minimize potential risks. Coupled with the technologies we have in place and to further safeguard our data security, we have implemented comprehensive policies and procedures to preserve and manage all patient information in compliance with relevant laws and regulations. Our internal policies and procedures administer various scenarios including network and system securities, data center security, organization

management, cybersecurity emergency preparedness and response, as well as complaint and reporting. We have formed an information security management team to overlook the formulation, modification, and abolition of our cybersecurity and data privacy related policies and procedures. Our employees must obtain relevant authorization before they are allowed any access to the minimum amount of personal and health information that is necessary for their performance of duties. We also request our employees to report any incidents in violation of our data protection requirements. Externally, we follow protocols for evaluating the cybersecurity status of any vendor or third-party that will have access to our data or information technology systems. We monitor and keep track of the information security incidents, changed requests and other abnormalities during our interaction with these third-parties, and enforce information security assessments on a periodic basis. During the Track Record Period, we have not experienced cyber breaches or interruptions to our systems and data.

INTELLECTUAL PROPERTY

Intellectual property rights are essential to our business, and we devote significant time and resources to their development and protection. As of the Latest Practicable Date, we owned 214 patents, 119 registered trademarks, 315 registered software copyrights and 32 registered domain names in China. We believe, however, that no single patent, technology, trademark, intellectual property asset, or license is material to our business as a whole. Our approach is to manage our intellectual property assets, to safeguard them and to maximize their value to our enterprise. We actively defend our important intellectual property assets and pursue protection of our products, processes and other intellectual property where possible.

During the Track Record Period, we did not find any of such breaches of our intellectual property rights. However, unauthorized use of our intellectual property by third parties and the expenses incurred in protecting our intellectual property rights from such unauthorized use may adversely affect our business and results of operations. See "Risk Factors – Risks Relating to Our Business and Industry – We may not be able to obtain, maintain, or enforce our intellectual property rights and may be subject to intellectual property litigations that could adversely impact our business." We did not have any material disputes or any other pending legal proceedings of intellectual property rights with third parties during the Track Record Period and up to the Latest Practicable Date.

SEASONALITY

Our business is subject to seasonal fluctuations. Our testing volume generally declines in January and February due to lower patient flow and decreasing needs for health checks during the Chinese New Year holiday. Declines in testing volume reduce revenues, operating margins and cash flows.

AWARDS AND RECOGNITIONS

The following table sets forth some of our major awards and recognitions during the Track Record Period and up to the Latest Practicable Date.

Name of Subsidiary	Award/Recognition	Issuing Entity	Year of Receipt
Nanchang Adicon...	"Specialized, Refined, Distinctive and Novel" Enterprise of Jiangxi Province (江西省專精特新企業)	Department of Industry and Information Technology Jiangxi Province (江西省工業和信息化廳)	2022
Zhengzhou Adicon..	Excellent Anti-epidemic Entity (抗疫先進單位)	Social Affairs Bureau of Zhengzhou Economic and Technological Development Zone (鄭州市經濟技術開發區社會事業局)	2021
Shanghai Adicon ...	"Specialized, Refined, Distinctive and Novel" Enterprise of Shanghai (2021年度上海市專精特新企業)	Shanghai Municipal Commission of Economy and Informatization (上海市經濟和信息化文員會)	2021
	Pilot Enterprise of National Standard for Standardization of Drug Cold Chain Logistics Operation (藥品冷鏈物流運作規範國家標準試點企業)	China Federation of Logistics and Purchasing Pharmaceutical Logistics Division (中國物流與採購聯合會醫藥物流分會)	2020
Jinan Adicon.....	Enterprise Technology Center Recognized by Jinan Municipal Government (濟南市認定企業技術中心)	Bureau of Industry and Information Technology of Jinan (濟南市工業和信息化局)	2020
	Outstanding Innovation Achievement Certificate for Enterprises in Shandong (山東省企業優秀創新成果證書(一等獎))	Shandong Small and Medium-sized Enterprises Development and Promotion Center/Shandong Industry and Information Innovation Achievement Evaluation Expert Committee (山東省中小企業發展促進中心/山東省工業和信息化創新成果評價評估專家委員會)	2020
Wuhan Adicon	(2020年抗擊新冠肺炎疫情優秀企業)	High Tech Enterprises Association of Jianghan District, Wuhan (武漢市江漢區高新技術企業協會)	2020
Shenyang Adicon...	Recognition of Excellence (優秀達標單位)	Shenyang Health Workers Association (瀋陽市衛生工作者協會)	2020
Chongqing Adicon..	Anti-epidemic Testing Pioneer Group (抗疫檢驗先鋒團隊)	Chongqing Clinical Laboratory Center (重慶市臨床檢驗中心)	2020

COMPETITION

We expect competition in the ICL industry in China to intensify. Our major competitors are other ICL service providers with national network. See "Industry Overview – Overview of the ICL Market in China – Competitive Landscape" for a detailed description on the competitive landscape in our industry.

TOP CUSTOMERS AND SUPPLIERS

Top Customers

Customers of our ICL business are mainly medical institutions (which include public hospitals, community health centers, private hospitals and clinics, and health check centers), pharmaceutical companies and CROs. Our health check center customers can be grouped under four individual chain health check providers, some of which are wholly owned by the chain health check providers and others are affiliated. We enter into cooperation agreements with individual health check centers as opposed to the chain health check providers, with which we enter into framework agreement. See "– Our ICL Customers – Health Check Center" for details. We sell medical products mainly to medical institutions. In 2020, 2021 and 2022, our five largest customers together generated RMB114.3 million, RMB164.4 million and RMB321.6 million of revenues, accounting for approximately 4.3%, 4.8% and 6.6% of our total revenues in the same periods, respectively. All of our five largest customers are Independent Third Parties during the Track Record Period. To the best of our knowledge and as of the Latest Practicable Date, we were not aware of any information or arrangement that would lead to the termination of our relationships with any of our major customers. None of our Directors and their respective associates, or Shareholders who own 5% or more of the total issued Shares had an interest in any of our Group's five largest customers during the Track Record Period.

Top Suppliers

Our suppliers primarily consist of our suppliers for equipment, reagent and other consumable material for testing. We consider several factors in the evaluation and selection of suppliers, including but not limited to the supplier's background, reputation, and industry experience, and most importantly the quality and price of their supplies. All new suppliers must go through our internal supplier admission process before entering into supply agreements with us. Some of them are subject to an onsite inspection conducted by us on their production plants on an as-needed basis to evaluate the production processes and quality management and test the raw material and packaging material samples.

In 2020, 2021 and 2022, purchases from our five largest suppliers were RMB510.8 million, RMB427.2 million and RMB718.0 million, representing 43.1%, 28.1% and 35.6% of our total purchases, respectively. Purchases from the single largest supplier of each respective period in 2020, 2021 and 2022, were RMB150.1 million, RMB99.9 million and RMB203.6 million, representing 12.7%, 6.6% and 10.1% of total purchases, respectively. We believe that adequate alternative sources for such supplies exist and we have developed alternative sourcing strategies for these supplies. We normally settle our payment with these suppliers through bank transfer.

The following table sets forth the details of our five largest suppliers during the Track Record Period.

Rank	Supplier	Type of products/ services provided	Principal business	Listing Status[1]	Credit Period	Year of commencement of business relationship	Purchase amount	Percentage of our total purchase
							(RMB'000)	
For the year ended December 31, 2020								
1	Company F	Testing equipment, reagents and consumables	Research, development and sales of medical instruments and related reagents	Listed	60 days	2012	150,110	12.7%
2	Company A	Reagents and consumables	Sales of medical instruments and reagents	Listed	90 days	2014	145,854	12.3%
3	Company B	Reagents and consumables	Research, development and sales of medical instruments and related reagents	Private	60 days	2004	107,899	9.1%
4	Company G	Testing equipment	Sales of medical instruments	Listed	30 days	2010	69,684	5.9%
5	Company H	Reagents and consumables	Sales of medical instruments and reagents	Listed	90 days	2013	37,224	3.1%
For the year ended December 31, 2021								
1	Company I	Reagents and consumables	Research, development and sales of medical instruments and related reagents	Listed	90 days	2020	99,860	6.6%
2	Company B	Reagents and consumables	Research, development and sales of medical instruments and related reagents	Private	60 days	2004	99,668	6.5%
3	Company J	Reagents and consumables	Research, development and sales of medical instruments and related reagents	Listed	90 days	2020	76,399	5.0%
4	Company A	Reagents and consumables	Sales of medical instruments and reagents	Listed	90 days	2014	75,841	5.0%
5	Company F	Testing equipment, reagents and consumables	Research, development and sales of medical instruments and related reagents	Listed	90 days	2012	75,418	5.0%
For the year ended December 31, 2022								
1	Company I	Reagents and consumables	Research, development and sales of medical instruments and related reagents	Listed	90 days	2020	203,616	10.1%
2	Company F	Testing equipment, reagents and consumables	Research, development and sales of medical instruments and related reagents	Listed	90 days	2012	155,566	7.7%
3	Company M	Testing equipments	Sales of medical instruments	Private	30 days	2010	146,717	7.3%
4	Company J	Reagents and consumables	Research, development and sales of medical instruments and related reagents	Listed	90 days	2020	133,169	6.6%
5	Company B	Reagents and consumables	Research, development and sales of medical instruments and related reagents	Private	60 days	2004	78,915	3.9%

Note:

(1) A supplier is marked as "listed" if its group company is publicly listed on a recognized stock exchange.

We and ACON Biotech (Hangzhou) Company Limited (艾康生物技術(杭州)有限公司) ("**ACON**") entered into a purchase and equipment lease framework agreement (the "**Purchase and Equipment Lease Framework Agreement**") pursuant to which we agreed to purchase certain testing equipment and reagents from, and to lease certain testing equipment from, ACON from time to time in our ordinary course of business. ACON is currently indirectly owned as to 50% by Mr. LIN Jixun (our founder and one of our non-executive Directors), and is therefore a connected person of our Company under Rule 14A.07(4) of the Listing Rules. In 2020, 2021 and 2022, the historical fees paid to ACON amounted to RMB107.9 million, RMB102.0 million and RMB78.9 million, representing 9.1%, 6.7% and 3.9% of total purchases, respectively. See "Connected Transactions – Non-Exempt Continuing Connected Transaction." Other than ACON, none of our directors, their respective associates or any of our shareholders holding more than 5% of our issued share capital after the [**REDACTED**], to the knowledge of our directors, held any interests in any of our five largest suppliers during the Track Record Period.

EMPLOYEES

As of December 31, 2022, we had a total of 6,128 full-time employees. The following table sets forth our employees by functions as of December 31, 2022:

Function	Number of Employees	% of Total
Laboratory operation (technical professionals)	1,992	32.5
Laboratory operation (supporting staffs)	225	3.7
Logistics	1,370	22.4
Sales and marketing	1,551	25.3
Research and development	381	6.2
Management and administrative	609	9.9
Total	**6,128**	**100.0**

We believe that maintaining a stable and motivated employee force is critical to the success of our business. We organize various training programs on a regular basis for our employees to enhance their knowledge, to improve time management skills and communications skills, and to strengthen their teamwork spirit. We also provide various incentives to better motivate our employees. We primarily recruit our employees through job fairs, employee referrals, industry referrals and online channels including our corporate website and social networking platforms.

The remuneration package of our employees includes salary, benefits and bonus. Our compensation programs are designed to remunerate our employees based on their performance, measured against specified objective criteria. As required by PRC laws and regulations, we have made contributions to the various mandatory social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance and maternity leave insurance, and to mandatory housing provident funds, for or on behalf of our employees. During the Track Record Period and up to the Latest Practicable Date, we have not experienced any strikes or labor disputes that had any material adverse effect to our operations.

INSURANCE

In line with industry practices, we maintain a variety insurance for our business operation, including medical liability insurance policies for a limited number of esoteric tests (for example, non-invasive prenatal testing), auto insurance, property insurance and employer's liability insurance and COVID-19 insurance for employees.

Our Directors believe that our insurance coverage is adequate and in line with industry norm. However, the risks related to our business and operations may not be fully covered by insurance. Please see "Risk Factors – Risks Relating to Our Business and Industry – Our insurance may not sufficiently cover, or may not cover at all, losses and liabilities we may encounter during the ordinary course of operation."

PROPERTIES

As of the Latest Practicable Date, we did not own any real property for our operations and we entered into 43 lease agreements for premises across different regions for our current business operations in the PRC. Our leased properties are primarily used as premises for our operating laboratories and offices. The relevant lease agreements generally provide a duration ranging from five to ten years, some with renewal options. These properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules.

As of the Latest Practicable Date, the landlords of five of our leased properties in Hangzhou, Changchun, Qingdao, Harbin and Xiamen, did not provide valid title certificates of the relevant leased properties to us. The leased property in Hangzhou is used for our offices, and the remaining four are used for our laboratories. Revenues generated from the concerned laboratories accounted for 4.3%, 5.3% and 5.7% of our total revenues in 2020, 2021 and 2022, respectively. In addition, the landlords of the leased properties used as warehouse and laboratory operation by our newly acquired laboratory in Henan also failed to provide relevant valid title certificates.

As advised by our PRC Legal Advisor, lack of valid title certificates does not inevitably affect the validity of the relevant lease agreements we entered into, and it is the landlords' responsibilities to obtain the valid title certificates, and therefore, as a tenant, we will not be subject to any administrative punishment or penalties in this regard. The lessors may be subject to challenges, lawsuits or other actions taken against the properties leased by us. If the lessors' rights with respect to any of such properties were successfully challenged, we may be forced to relocate our operations on the affected properties. We have obtained confirmation from the competent government authorities for all of the relevant properties, which have confirmed that our laboratories have not violated any applicable laws or regulations, or been subject to any administrative punishment or penalties during the Track Record Period, or the risk of forced relocation is remote.

As of the Latest Practicable Date, we leased one property each in Jinan and Kunming as our laboratories from the landlords who obtained these parcel of land by way of government allocation, and the landlords of these properties did not obtain approval from local competent land and housing administrative authorities for the lease of land as requested by applicable regulations. Revenues generated from these laboratories accounted for 6.9%, 5.6% and 4.8% of our total revenues in 2020, 2021 and 2022, respectively.

Pursuant to the Provisional Regulations of the People's Republic of China Concerning the Grant and Assignment of the Right to Use State-owned Land in Urban Areas (《中華人民共和國城鎮國有土地使用權出讓和轉讓暫行條例》), lease of any property built on allocated land should be approved by local competent land and housing administrative authorities. According to consultations with the competent government authorities, according to the local practice in Tianqiao District of Jinan and Wuhua District of Kunming, and as advised by our PRC Legal Advisor, we, as the tenant, will not be subject to administrative penalties as a result of leasing properties on an allocated land. The landlords of Jinan Adicon and Yunnan Adicon may be subject to challenges, lawsuits or other actions taken against the properties leased by us. If the landlords' rights with respect to such properties were successfully challenged, we may be forced to relocate our operations in Jinan and Yunnan. We have obtained confirmation from the Natural Resources and Planning Bureau of Jinan and Wuhua District of Kunming and the Housing and Urban-Rural Development Bureau of Tianqiao District of Jinan and Kunming, being the competent government authorities that, no approval is required in practice for the lease of premises built on the allocated land in Tianqiao District of Jinan and Wuhua District of Kunming. Furthermore, the landlords of the relevant properties have agreed to indemnify the damages or losses that Jinan Adicon and Yunnan Adicon may suffer due to the lack of government approval for the lease of allocated land.

As of the Latest Practicable Date, the actual land use of the properties leased for our laboratories is inconsistent with the designated land use as specified in their land use right certificates. As of the Latest Practicable Date, one of our laboratories is located on land for commercial use, one of our laboratories is located on land for warehousing use, two of our laboratories are located on land for scientific study and educational use, one of our laboratories is located on construction land without specific use restrictions, one of our laboratories is located on land to be used as general plants for biology, medical and pharmaceutical industry and the rest of our operating laboratories are located on land for industrial use. The following table sets forth the related details.

Causes of Inconsistencies	The inconsistent land use is primarily due to the limited land available for medical purposes. In practice, medical land is mainly allocated or granted to non-profit medical institutions. In recent years, to promote the development of socially-run medical institutions, medical land may also be granted to certain qualified large-scale for-profit hospitals or specialized medical parks in some regions intended to be utilized by large hospitals based on local regulations or practices. However, it is still difficult for small-scale for-profit medical institutions which mainly use leased properties for operations (such as independent clinical laboratories and clinics) to find suitable premises on medical land for their operation. This results in a large number of non-hospital for-profit medical institutions using non-medical properties in practice.
Risk Associated and PRC Legal Advisor's Assessments on Potential Legal Consequences and Liabilities	Pursuant to the Civil Code of the PRC (《中華人民共和國民法典》), the Law on the Administration of Urban Real Estate of the PRC (《中華人民共和國城市房地產管理法》), the Land Administration Law of the PRC (《中華人民共和國土地管理法》) and other relevant laws and regulations, any change in the use of land within an urban planning area shall be approved by the competent land and natural resources administration authorities and submitted to the competent authority that originally approved the land use for approval. As advised by our PRC Legal Advisor, if the use of a premise is inconsistent with the approved purpose of the state-owned land where the premise locates and deemed by competent natural resources and planning bureaus as a violation of applicable land related laws and regulations, the landlords of properties will be required to rectify the noncompliance, imposed on a penalty ranging from RMB100 to RMB500 per square meter of the concerned land and even be ordered to return the land if the noncompliance could not be rectified within a required time period. As a tenant, we will not be subject to the aforesaid administrative penalties. However, if a landlord of the properties for our leases is required by competent authorities to rectify such land use or return the land, we may have to relocate and bear relocation costs. We may not be able to find other suitable property to lease for our laboratory testing facility in a timely manner or at all, which may affect our future business operations.

Rectification Actions Taken	In light of the above, we have obtained confirmation from relevant natural resources and planning bureaus at provincial level, municipal or county level for all of our operating laboratories, and based on such confirmation, (i) the use of the leased properties for laboratory operations is subject to review and approval by competent local NHCs, and no approval from natural resources and planning bureaus is required, and (ii) the likelihood of our operating laboratories being deemed as violating applicable land related laws and regulations due to inconsistent land use and then be ordered to relocate is remote. All of our laboratories have obtained Medical Institution Practicing Licenses and the relevant leases were duly reviewed and approved by competent local NHCs in accordance with applicable rules and regulations during the application of the licenses. Based on the forgoing, our PRC Legal Advisor is of the view that the risk of our laboratories being forced to relocate due to inconsistent land use is remote.
Internal Control Measures	We have formulated a laboratory establishment manual and a standardized laboratory site selection checklist covering all material aspects including title certificate, property ownership, land use specifications and mortgage status, so as to guide responsible personnel in selecting sites when setting up a new laboratory. For details of enhanced internal control measures we have taken, please see "– Properties – Enhanced Internal Control Measures." Moreover, we plan to enhance our due diligence efforts and review more prudently when we lease additional premises, particularly on the nature, designated use and title certificates for such properties, and submit all leases to our legal department for their compliance review and approval before entering into lease agreement with the lessors.

For associated risks of the above mentioned defects, please see "Risk Factors – Risks Relating to Our Business and Industry – Certain of our leased properties are subject to land defects, and we could be required to vacate such properties which may adversely affect our business, financial condition and results of operations."

Since our inception and up to the Latest Practicable Date, we were not subject to any action, claim, fine or investigation being conducted or threatened by any third parties or the competent government authorities with respect to the above mentioned leased properties. Based on the confirmation we obtained from competent government authorities, and as advised by our PRC Legal Advisor, our Directors believe that the properties with defects described above did not and will not, individually or in the aggregate, have a material adverse effect on our business or results of operation, and the risk of us being required to vacate or relocate is remote. Furthermore, we undertake that we will (i) closely monitor the regulatory development associated with the use of land in China, (ii) take necessary actions to be in compliance with applicable local laws and regulations, (iii) use reasonable efforts to seek assurances from competent authorities to confirm that the land chosen for future new laboratories' will be compliant with applicable laws and regulations, and (iv) disclose in periodical reports once we become a [**REDACTED**].

Having considered the view of the Directors and based on the due diligence work conducted, including discussing with the PRC legal advisors to the Company and the Joint Sponsors, having reviewed the confirmations from, and the notes taken by the PRC legal advisors to the Company and the Joint Sponsors during oral interviews with, the relevant natural resources and planning bureaus at provincial level or, where necessary, relevant municipal or county level, nothing has come to the Joint Sponsors' attention that would reasonably cause them to cast doubt on the reasonableness of the view of the Directors that the risk of forced relocation is remote.

In the unlikely scenario if we were required to vacate the properties, our Directors are of the view that it would not have a material adverse effect on our business or results of operations. Typically it takes approximately six months to prepare a new laboratory in an established market. If we were forced to relocate without prior notice, we would be able to transit testing volume and move equipment to nearby laboratories within our network within three weeks while we set up a new laboratory. Based on the gross floor area of a typical laboratory of ours, total relocation costs for a laboratory is estimated to be no more than RMB3.0 million incremental costs, primarily taking into consideration of the courier costs for temporary sample transportation, equipment shipment costs, and relocation expenses.

Lease Registration

As of the Latest Practicable Date, we had not completed lease registration for 11 of the properties we leased in the PRC, primarily due to the difficulty of procuring the relevant landlords' cooperation to register such leases. As advised by our PRC Legal Advisor, failure to register such lease agreements with the relevant PRC government authorities does not affect the validity and enforceability of the relevant lease agreements but the relevant PRC government authorities may order us or the lessors to, within a prescribed time limit, register the lease agreements. Our Directors are of the view that the unregistered leases will not individually or collectively have a material adverse impact on our business or financial condition because, as confirmed by our PRC Legal Advisor, the estimated aggregate maximum penalty is RMB110,000 with respect to the unregistered leases of properties leased by our Group. Also, we are not subject to any action, claim or investigation being conducted or threatened by any third parties or the competent government authorities with respect to the registration in our leased properties as of the Latest Practicable Date.

According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L), this Document is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which require a valuation report with respect to all of our Group's interests in land or buildings, for the reason that, as of December 31, 2022, none of the properties held or leased by us had a carrying amount of 15% or more of our consolidated total assets.

Enhanced Internal Control Measures

We also implemented enhanced laboratory site selection policies, pursuant to which our legal department shall review the lease agreements together with a standardized laboratory site selection checklist covering all material compliance aspects including title certificate, property ownership, land use specifications, mortgage status, and the ability to obtain approval on the environmental impact form prior to laboratory operation. We will organize training programs for the relevant project managers to familiarize them with our site selection manual and more importantly, applicable laws, regulations and local policies, which enable them to identify and collect sufficient and valid licenses, certificates and other relevant documents for each type of properties during the site selection process. The legal team will then review and verify the completeness and authenticity of such documents collected, and perform assessment on the compliance status of a potential new premise. The project managers shall also seek written indemnification from the lessor when selecting new premises. The corresponding departments at our headquarters shall monitor and review the procedures conducted by the relevant local departments and re-ensure the completeness

and authenticity of all the licenses, certificates and other relevant documents. We will consult with our external legal counsel to review the title certificates and other documents to ensure the compliance with all relevant laws and regulations. We will ensure the land use of our future ICLs are compliant with the applicable regulations by, including but not limited to, seeking for prior assurances from competent authorities.

Having considered the internal controls adopted by the Company above and based on the due diligence work conducted, including but not limited to reviewing the Group's internal policies on site-selection of laboratories with the help of an independent internal control advisor, discussing with the Company to understand the revisions made to the Company's site-selection policies and procedures, nothing has come to the Joint Sponsors' attention that would reasonably cause them to cast doubt on the effectiveness of the enhanced internal controls mentioned above.

Our Directors believe that leased properties issues described above will not impugn on the Directors' suitability under Rules 3.08 and 3.09, for the following reasons: (i) the current urban land use planning in China makes it difficult for the Company to find suitable medical land, and the Company's current practices in selecting premises to set up laboratories are in line with market practices, (ii) during the Track Record Period and up to the Latest Practicable Date, the Company has not been subject to any action, claim, fine or investigation being conducted or threatened by any third parties or the competent government authorities with respect to the above mentioned leased properties, (iii) the Company has taken sufficient rectification actions by obtaining positive confirmations from competent government authorities with respect to each of the above mentioned leased properties, (iv) the Company's PRC Legal Advisor is of the view that issues with respect to the Company's leased properties, individually or in the aggregate, did not and will not have a material adverse effect on the Company's business operations, and (v) the Company have implemented enhanced internal control measures aiming to minimize reoccurrence risks in the future, and it undertakes to continue to work on compliance issues with respect to their business operations.

Having considered the plans of the Group above and based on the following due diligence steps, nothing has come to the Joint Sponsors' attention that would reasonably cause them to cast doubt on the Directors' suitability under Rule 3.08 and 3.09 of the Listing Rules: (i) reviewed the Group's internal policies on site-selection of laboratories with the help of an independent internal control advisor, discussing with the Company to understand the revisions made to their site-selection policies and procedures; (ii) interviewed with the management and the chief compliance officer of the Company and understood that, among others, the chief compliance officer of the Company is set to be under the supervision of the Board and to overview the Group's compliance work since October 2018; (iii) interviewed with the management of the Company and understood that, among others, (a) the executive Director has discussed with the Company's legal advisors to understand and evaluate the risks relating to the Leased Labs and (b) continuous efforts have been made to improve the Company's internal policies over site-selection of laboratories; and (iv) interviewed with each Director to understand their education background, working experience and professional qualifications and understood their knowledge to serve as directors of [**REDACTED**].

HEALTH, SAFETY AND ENVIRONMENTAL MATTERS AND CORPORATE SOCIAL RESPONSIBILITY

We strive to operate our facilities in a manner that protects the environment and the health and safety of our employees and communities. If we fail to comply with environmental protection and health and safety laws and regulations, we may be subject to fines, monetary damages or suspensions of our business operations. In the event of any accidental contamination, biological hazards or personal injury at our facilities during normal operations, we could be held liable for damages and clean-up costs that, to the extent not covered by existing insurance or indemnification, could be burdensome to our business. For details, see "Risk Factors – Risks Relating to Our Business and Industry – We are subject to environmental, health and safety laws and regulations. If we fail to comply with such regulations, our business may be adversely impacted".

We have implemented a number of company-wide measures to ensure compliance with the stringent regulatory requirements and standard operating procedures relating to emissions of air, water and other materials, bio-waste generation and treatment, handling, use, storage, treatment and disposal of hazardous substances, worker health and safety requirements, and emergency planning and response. When selecting leased properties for our laboratory sites, we carefully review their environmental and safety qualifications, and assess relevant risks with regard to fire control and sewage, pollutants and waste discharge to ensure the compliance of relevant requirements under applicable laws and regulations. We have dedicated biosafety experts responsible for biosafety training, compliance of our operations with biosafety-related legal requirements, biosafety risk assessment and review of corrective actions and preventative actions that we will take upon the occurrence of any biosafety emergency. During the Track Record Period and up to the Latest Practicable Date, we did not experience any material accidents involving personal injury or property damages. Additionally, we were not subject to any material claims, lawsuits, penalties, compensations or disciplinary actions as a result of any material accidents and were in compliance with the relevant occupational health and safety laws and regulations.

To ensure timely identification and proper assessment and management of environment-related risks and social sustainability risks, we have formulated an effective internal organizational structure. Our environmental health and safety ("**EHS**") department is in charge of the occupational health, safe production as well as environmental protection and waste reduce. Alongside with the EHS department, our internal audit department supervises the regulatory compliance of our operations, including following developments in environmental laws, regulations and related interpretations and identifying environment-related risks. Both EHS and internal audit teams make report to our chief compliance officer on a regular basis. Our chief compliance officer, Ms. LAN Jia, overlooks the overall management and assessment of environment-related risks and incidents, and makes periodic reports to the executive committee and senior management on our overall EHS performance and sustainability status. See "– Incidents – Incidents Relating To Bribery – Remedial actions taken by the Company following the Incidents – Implementation of Anti-corruption Policies and Procedures" for details of the background and qualification of our chief compliance officer. We familiarize our employees of EHS, biosecurity and compliance requirements through comprehensive and in-depth trainings on both Company and department levels. To ensure smooth internal communication, we encourage our employees to make ad hoc reports to relevant departments upon their identification of any emergency or red flag, or to the manager, chief compliance officer, and subsequently the chief executive officer or the Board, depending on the nature of the event.

In line with related regulatory requirements, we have put in place specific metrics and targets to assess and manage the environmental and social sustainability risks. We are subject to unannounced inspections from competent government authorities on our biosafety, waste and disposal. In addition, our headquarters organizes monthly compliance inspection of our subsidiaries, primarily focusing on the licenses, personnel qualifications, working environment, quality control, and overall operations, and conducts annual audits on each subsidiary, including environmental and biosafety audits.

Waste Control

We are subject to certain environmental protection laws and regulations in China. See "Regulatory Overview – Regulations Relating to Environmental Protection". Our operations involve the use of hazardous and flammable chemical materials and disposal of hazardous waste. We take steps to ensure that wastes generated as a result of our operations are properly disposed of in order to reduce adverse effects to the environment.

Our waste control starts early from the site planning stage of our laboratories. We take into consideration environment, social and health requirements prescribed in relevant laws and regulations when planning functional areas of our laboratories to ensure the proper treatment, sterilization and disposal of our medical waste and sewage. We have put in place adequate infrastructure and facilities to ensure effective treatment of our waste and disposal.

Under the guidance of the applicable technical specifications promulgated by relevant government authorities, we have formulated a set of internal waste disposal procedures setting forth detailed guidelines on the classification, collection, transportation and disposal of the waste generated from our laboratories. In accordance with our internal waste disposal procedures, technical professionals of our laboratories are required to make sure all the disposals are properly sanitized and categorized before being collected by our laboratory janitors. Our laboratory janitors will then sort and place such disposals in a designated area, where the disposals will be properly contained, sealed, labeled and timely recorded before further passed to professional third-party service providers we engaged for further processing. During the process, our janitors are required to wear protective gear while handling the waste, and will disinfect the designated area on a regular basis. Before engaging third-party service providers for centralized disposal of our wastes, we closely review and verify their qualification, and we only cooperate with those licensed by relevant authorities. Upon engagement, we record their qualification and the service agreement in our system. The system notifies us in advance of the expiration of their qualification or the terms of the agreement, thereby enabling us to facilitate needed adjustments or renewal of agreements in a timely manner. Our EHS department supervises the emission of exhaust gas and formulates the internal guidelines to be met by each of our laboratories pursuant to applicable laws, regulations and technical specifications. We also invite qualified institutions to deliver periodic training on the emission control and climate impact to relevant personnel on a regular basis.

We enforce strict metrics and targets to assess and manage the waste water and exhaust gas pursuant to the requirements of the national guide to clinical laboratory procedures and the relevant discharge and emission standards for medical institutions. For waste water, we track and record the level of residuals with close attention paid to the containment of infectious substance. For exhaust gas, we establish compliance files for our gas outlets to record the basic statistics including the temperature, volume, types of the main pollutants and the activated carbon replacement timetable, so as to control the emissions and monitor possible climate impact. We also engage qualified institutions to assess and evaluate our emission control performance. In addition, we require our employees to report promptly to relevant health authorities in occurrence of any loss, leakage or diffusion of hazardous waste within 48 hours. Our solid waste primarily consists of disposable protective gear as well as used or contaminated instruments, including bottles and testing tubes, and our liquid waste is primarily liquid that contains solvents and reagents that may be toxic, corrosive, flammable, and/or reactive chemical substances. In 2020, 2021 and 2022, the discharge volume of our solid waste was 1,382.9 tons, 2,210.9 tons and 4,028.9 tons, respectively, and the discharge volume of our liquid waste was 21.1 tons, 34.4 tons and 56.3 tons, respectively, all of which were in line with the increase in the sample volume of our medical diagnostic testing services. During the Track Record Period and up to the Latest Practicable Date, we complied with the relevant environmental laws and regulations in China and had not been subject to any material claims, lawsuits, fines, penalties or disciplinary actions.

Climate-Related Risks

Due to our effective internal control and risk management measures as outlined in this section, our business, results of operation and financial condition had not been materially adversely impacted by any climate-related incident during the Track Record Period and up to the Latest Practicable Date. Despite that we don't see climate-related risks affecting our business or financial condition in a short term, it may potentially affect our business and financial condition in medium and long term. Potential transition risk may result from the transitioning to a lower-carbon economy which entails change in climate-related regulations and policies. In a medium term, we may be subject to heightened pollutant discharge policies, which may result in higher operating costs due

to increased cost for pollutant charge, fines and penalties as a result of non-compliance and higher operating costs incurred in connection with investment in new facilities. In a long term, alongside with worldwide initiatives for reducing carbon emissions, we may be subject to higher operational costs or tax burdens.

Our business operations are subject to environmental protection laws and regulations promulgated by the PRC government. For example, we are required by the relevant governmental authorities to carry out an environmental impact assessment before constructing new laboratories to minimize the impact of our business operation on the environment. See "Regulatory Overview – Regulations Relating to Environmental Protection" for details. Maintaining compliance with applicable environmental rules and regulations is costly. During the Track Record Period, we incurred compliance costs in connection with applicable environmental rules and regulations of RMB8.4 million, RMB12.6 million and RMB25.3 million in 2020, 2021 and 2022, respectively. Costs incurred during the Track Record Period in connection with our environmental compliance efforts included environmental impact assessments on new construction projects and expansion projects as well as installation and upgrades of our waste control and treatment facilities in our laboratories to improve the economic benefits of our operation while promoting environmental protection, thereby achieving sustainable growth of our business. For associated risks relating to failure to comply with environmental related laws and regulations, please see "Risk Factors – Risks Relating to Our Business and Industry – We are subject to environmental, health and safety laws and regulations. If we fail to comply with such regulations, our business may be adversely impacted."

Tightened environmental regulations may require significant investment to be made in transforming our business and operations, which may have a material adverse impact on our business, results of operations and financial condition. Our Board and EHS department will evaluate the likelihood of occurrence and the estimated magnitude of resulting impacts over medium and long term horizons. The decision of transfer, accept or control a risk is influenced by various factors such as the laboratory's geographic location, transportation network and policy change. If the risks and opportunities are considered to be material, we will incorporate them into our strategy and financial planning process. We also aim to minimize the transition risk in the long term through enhanced energy efficiency and consumption of renewable energy.

Environmental Report Form

As of the Latest Practicable Date, Jinan Adicon failed to obtain the Report Form on Environmental Impact of Construction Project ("**Report Form**") for an expansion area of approximately 890 square meters (the "**Expanded Area**"), due to a limitation of the condition of the leased site. Pursuant to the Environmental Impact Assessment Law of the People's Republic of China (《中華人民共和國環境影響評價法》), the Administrative Regulations on Environmental Protection in Construction Projects (《建設項目環境保護管理條例》) and other applicable rules, failure to obtain the Report Form may subject us to a fine ranging from 1% to 5% of total investment amount of the related construction, which equals RMB9,600 to RMB48,000, or restore to original operating status, by suspending all operations on or the construction of the concerned areas and to only operate on the approved areas.

The Expanded Area is primarily used for warehouse, waste room and to a lesser extent, for testing services, and accounts for approximately 18% of total area of Jinan Adicon. In the case where Jinan Adicon is ordered to suspend operation within the Expanded Area, it may rearrange the site layout to move the facilities on the Expanded Area to the rest of the laboratory. Given that (i) the Expanded Area contributes minimal gross floor area of Jinan Adicon, and (ii) no core business was operated on the Expanded Area, and the operations thereon can be easily rearranged to the rest of the laboratory, our Directors are of the view that, failure to obtain Report Form for the Expanded Area is of no significance to our overall operation, and does not have a material adverse effect on our business or results of operations.

Corporate Social Responsibility

We are committed to contributing to the welfare of society and sharing our corporate social responsibility. For example, we have made charitable contribution in university educational foundations to support the training, scientific research, international exchanges, materials and equipment procurement, and student scholarships of certain medical subjects. We have also contributed to anti-HPV educational campaign hosted by provincial woman and children's foundation, volunteered free testing services for an assortment of communities, and donated medical supplies to anti-epidemic campaigns against COVID-19.

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we had not been involved in any actual or pending legal, arbitration or administrative proceedings, including any bankruptcy or receivership proceedings, that we believe would have a material adverse effect on our business, results of operations, financial condition or reputation. Our Directors are not involved in any actual or threatened claims or litigations. There are no material legal, arbitral or administrative proceedings before any court current or pending against, or involving the properties, or the businesses of our Company or to which any of the properties or members of our Company is subject. However, we may from time to time become a party to various legal, arbitration or administrative proceedings arising in the ordinary course of business.

Non-Compliance

During the Track Record Period and up to the Latest Practicable Date, we did not have any non-compliance incidents which our Directors believe would, individually or in the aggregate, have a material operational or financial impact on our business as a whole. As advised by our PRC Legal Advisor, unless otherwise disclosed, during the Track Record Period and up to the Latest Practicable Date, we had complied with the applicable PRC laws and regulations in all material respects, except for the non-compliance which would not have a material adverse effect on our business as a whole.

Social insurance and housing provident fund contributions

During the Track Record Period, some of our PRC subsidiaries engaged third-party human resources agencies to pay social insurance premium and housing provident funds for certain of our employees. Pursuant to the agreements entered into between such third-party human resources agencies and our relevant PRC subsidiaries, the third-party human resources agencies have the obligation to pay social insurance premium and housing provident funds for our relevant employees. These third-party human resources agencies have confirmed in writing that they have paid such contributions in strict compliance with the agreements with us. Pursuant to the PRC laws and regulations, the contributions to social insurance premium and housing provident funds made through third-party accounts may not be viewed as contributions made by us. As of the Latest Practicable Date, neither our Company nor our PRC subsidiaries had received any administrative penalty or labor arbitration application from employees for its agency arrangement with third-party human resources agencies. As of December 31, 2022, our PRC subsidiaries paid contributions to social insurance premium and housing provident funds for seven employees through third party agencies per such employees' written agreements.

Our PRC Legal Advisor has advised us that, pursuant to relevant PRC laws and regulations, if we fail to pay the full amount of social insurance contributions as required, we may be ordered to pay the outstanding social insurance contributions within a prescribed time limit and may be subject to an overdue charge of 0.05% of the delayed payment per day from the date on which the payment is payable. If such payment is not made within the stipulated period, the competent authority may further impose a fine from one to three times the amount of any overdue payment. Our PRC Legal Advisor has further advised us that, pursuant to relevant PRC laws and regulations,

if we fail to pay the full amount of housing provident fund as required, the housing provident fund management center may order us to make the outstanding payment within a prescribed time limit. If the payment is not made within such time limit, an application may be made to the PRC courts for compulsory enforcement. As of the Latest Practicable Date, no competent government authorities had imposed administrative action, fine or penalty to us with respect to this non-compliance incident nor had any competent government authorities required us to settle the outstanding amount of social insurance payments and housing provident fund contributions.

During the Track Record Period and as of the Latest Practicable Date, some of our PRC subsidiaries did not pay social security insurance and housing provident fund contributions in full for some of our employees in accordance with the relevant PRC laws and regulations. As of December 31, 2022, we did not pay social security insurance for 22 of our full-time employees as their social security insurance have been paid by other entities or themselves; we did not pay housing provident fund contributions for 24 of our full-time employees as their housing provident fund contributions have been paid by other entities or themselves, or they agreed not to make such contributions. Our non-compliance was primarily due to our large labor force and relatively high mobility, the lack of experience of our human resources personnel who did not fully understand the relevant requirements of the relevant PRC laws and regulations, and the preference of many of our employees not to contribute to such funds. We have taken the following rectification measures to prevent future occurrence of such non-compliance:

Training. Strengthen legal compliance training to our employees to increase their awareness of the relevant PRC laws and regulations and encourage their cooperation in making payments for social insurance and housing provident funds;

Policy. Formulate and distribute to our employees an internal control policy with respect to social insurance and housing provident fund contribution in compliance with relevant PRC laws and regulations, which we have started to implement; and

Review and record-keeping. Designate our human resources staff to monitor the payment status and prepare monthly reports of salary and contribution amounts, which shall be reviewed by our human resources department head and our finance department head to ensure that we make these payments and on time in accordance with relevant laws and regulations.

We began to make full payment of social security insurance and housing provident fund contributions based on the actual salaries of our employees gradually from July 2021 to the extent practicable under local practices. Despite our efforts, we were unable to make full contributions of social insurance and housing provident fund for all our employees as of the Latest Practicable Date because some employees did not cooperate and chose to not to contribute to such funds. We will continue to actively encourage the cooperation of such employees and make the relevant contributions once they agree to participate in the social insurance and housing provident funds programs.

Our Directors believe that such non-compliance would not have a material and adverse effect on our business and results of operations, considering that: (i) as of the Latest Practicable Date, we had not received any notification from the relevant PRC authorities requiring us to pay material shortfalls or the penalties with respect to social insurance and housing provident funds; (ii) we had not been subject to any material administrative penalties during the Track Record Period and up to the Latest Practicable Date; (iii) we were not aware of any material employee complaints nor were involved in any material labor disputes with our employees with respect to social insurance and housing provident funds; and (iv) we have made provisions of RMB24.5 million, RMB62.2 million and RMB42.4 million for the social insurance and housing provident fund contribution shortfall in 2020, 2021 and 2022, respectively. We also undertake to make timely payments for the deficient amount and overdue charges and take practical measures to mitigate the practice of engaging third party agencies to make contributions, as soon as requested by the competent government authorities.

For more details, please see "Risk Factors – Risks Relating to Doing Business in China – We may be subject to penalties under relevant PRC laws and regulations due to failure to be in full compliance with social insurance and housing provident fund regulation."

INCIDENTS

Incidents Relating To Bribery

Shanghai Incident

According to (2015) Min Xing Chu Zi No. 3087 judgment, the People's Procuratorate of Minhang District, Shanghai prosecuted Shanghai Adicon, due to bribery conducts in a total amount of RMB1,814,378 paid to relevant personnel of several medical institutions in Shanghai from January 2011 to May 2014 in order to seek and maintain a business advantage (the "**Shanghai Incident**"). As stated in the judgment, the relevant payments were normally initiated by the sales supervisors or sales representatives, and then summarized and reviewed by the sales assistants. Then such payments were progressively approved by the sales manager, the assistant general manager and the general manager. Once approved, the assistant general manager supervised and delivered the payments and then the sales supervisors or sales representatives paid to relevant personnel of the medical institutions.

None of our then and current director or senior management were involved in the Shanghai Incident. We believe the Shanghai Incident was uncovered by an on-site anti-corruption investigation carried out by relevant government authorities against the staff concerned. In December 2015, Shanghai Adicon was fined RMB600,000 and became disqualified to participate in government procurement activities for the following three years. After the Shanghai Incident, we terminated the employment agreements with these aforementioned employees and relevant sales representatives, and none of them worked for us during the Track Record Period and up to the Latest Practicable Date. Moreover, the relevant medical institutions had no longer served as our customers during the Track Record Period and up to the Latest Practicable Date.

Other than Shanghai Adicon, the business of our other subsidiaries has not been affected by the Shanghai Incident. The impact of the Shanghai Incident on Shanghai Adicon was not material and Shanghai Adicon has been eligible to participate in government procurement activities from 2019. As of the Latest Practicable Date, the main business of Shanghai Adicon is to provide testing services for CRO or pharmaceutical companies for scientific research or clinical trial purpose. It is not expected that the Shanghai Incident will have any further material negative impact on our future business, financial condition or results of operations.

Other Incidents

(i) The Tang and Wang Case (People's Procuratorate of Minhang District of Shanghai vs. Xu)

This is a criminal prosecution against Xu, the former deputy director of Minhang Community Medical Service Center in Shanghai (the "**Minhang Medical Center**"). Xu was accused of accepting a number of bribes for an aggregate amount of RMB106,000 during his service in Minhang Medical Center from February 2011 to July 2013, when he took advantage of his position of being in charge of purchasing drugs and medical equipment, and selecting suppliers. Among his seven bribes, Xu received a total amount of RMB20,000 from the former sales supervisor of Shanghai Adicon, Tang, in February 2012, and a total amount of RMB6,000 from the then sales supervisor of Shanghai Adicon, Wang, in 2013. Tang and Wang attended the trial as witnesses. Xu was convicted of bribery and sentenced to five years imprisonment. The concerned sales supervisors, Tang and Wang, left Shanghai Adicon after the incident. The incident did not have a material adverse impact on Shanghai Adicon. During the Track Record Period and up to the Latest Practicable Date, Minhang Medical Center had no longer been our customer.

(ii) The Chen and Xu Case (People's Procuratorate of Pudong New District of Shanghai vs. Qiao)

This is a criminal prosecution against Qiao, the former deputy director of Huinan Community Medical Service Center in Shanghai (the "**Huinan Medical Center**"). Qiao was accused of accepting a number of bribes for an aggregate amount of RMB86,000 from the then employees of Shanghai Adicon, Chen and Xu, during his service in Huinan Medical Center from the end of 2010 to September 2012, when he took advantage of his position of being in charge of public health. Qiao was convicted of bribery and sentenced to two years imprisonment with a suspension of sentence for two years. The two concerned employees, Chen and Xu, left Shanghai Adicon after the incident. The incident did not have a material adverse impact on Shanghai Adicon. During the Track Record Period and up to the Latest Practicable Date, Huinan Medical Center had no longer been our customer.

(iii) The Zhu Case (People's Procuratorate of Shanxian County of Shandong vs. Ding)

This is a criminal prosecution against Ding, the former director of the Basic Level Health Department of Shandong Provincial Health and Family Planning Commission. Ding was accused of accepting a number of bribes for an aggregate amount of RMB737,886 from the end of 2008 to April 2013. Among the bribers, Ding accepted a total amount of RMB261,886 from Zhu, the then general manager of Jinan Adicon in January 2012 and April 2013, and assisted Jinan Adicon with its bid to provide cervical cancer screening services in rural area of Shandong province (the "**Project**"). Jinan Adicon later successfully won the bids for the Project in August 2012, May 2013 and July 2014. Ding was convicted of bribery and sentenced to four years imprisonment. The concerned general manager, Zhu, left Jinan Adicon after the incident. The incident did not have a material adverse impact on Jinan Adicon. During the Track Record Period and up to the Latest Practicable Date, Basic Level Health Department of Shandong Provincial Health and Family Planning Commission had no longer been our customer.

(iv) The Huang Case (People's Procuratorate of Xihu District of Hangzhou vs. Li)

This is a copyright infringement and criminal prosecution against Li, an employee of an authorized distributor for Kingdee software. In August 2011, Li cracked the Kingdee software without the permission of the copyright holder, and installed the pirate version of the software on Hangzhou Adicon's server, with the permission of Huang Qinghe, the then IT manager of Hangzhou Adicon. In June 2012, Huang took kickback for a total amount of RMB30,000 from Li. Li was convicted of copyright infringement and bribery to non-state officials, and was sentenced to three years imprisonment with a suspension of sentence for four years. The concerned IT manager, Huang, left Hangzhou Adicon after the incident. The incident did not have a material adverse impact on the Company. During the Track Record Period and up to the Latest Practicable Date, the software distributor had no longer served as our supplier.

Given that (i) each of the incident described above occurred at the subsidiary level of the Group prior to the Track Record Period, and none of our subsidiary was prosecuted or convicted in any of the incidents, (ii) the concerned amount of payment or kickback was minimal, (iii) the concerned customer or supplier, individually or in the aggregate, was not material to the relevant subsidiary or the Group as a whole, (iv) none of the concerned parties in the incidents served as our customers or suppliers after the incidents, or during the Track Record Period and up to the Latest Practicable Date, (v) the concerned employees already left the relevant subsidiary after the incident, and (vi) none of the current directors or senior management of the Company was involved in any of the incidents, our Directors believe that the aforementioned incidents, individually or in the aggregate, did not have a material adverse effect on our business as a whole.

Remedial actions taken by the Company following the Incidents

We have taken the following measures to prevent the recurrence of similar incidents in the future, and there was no recurrence of incidents of similar kind in which our Group or any of our subsidiaries was held liable for any bribery activities subsequent to the Shanghai Incident.

Implementation of Anti-corruption Policies and Procedures

In November 2018, we implemented anti-corruption policies and procedures (the "**Anti-corruption Policies and Procedures**"), which sets forth our commitment to ensure that each subsidiary and employee abides by applicable anti-corruption laws and internal policies.

We prohibit bribery in any form. Employees may not, whether directly or through a third party, offer, give, promise, authorize the payment of anything of value to any person or entity, including any government official, in order to improperly influence or reward any decision or act related to our business, including to improperly obtain or retain business or a business advantage. Receiving, requesting, or agreeing to receive a bribe is also prohibited, as are facilitation payments. In addition, we set up different management approval authority to ensure approval roles are effectively separated, and expenditures are properly reviewed, approved and authorized. In general, our chief compliance officer is in charge of the approval of the exceptional cases to our internal procedures and guidelines, whereas our chief financial officer takes to scrutinize and approve any large expenditures and proposed engagements of third-party service providers. The management monitors the third party payments during regular internal audits to identify non-compliance incidents. Moreover, we extend our anti-corruption and anti-bribery efforts not only to our management and employees, but also to third-party intermediaries and agents. They are strictly prohibited from providing improper payments or gifts on behalf of the company to any entity or individual, including but not limited to government officials.

We require our engagement with third parties to be made in the form of written agreement, which shall include complete and accurate descriptions of salient terms such as the scope of service and fee arrangement. All fee arrangement shall be in line with market practice and comply with applicable laws. We prohibit any cash payment to third party service providers. Payment to third parties shall be made through bank transfer to a bank account opened in the place where the service is provided or where the party's office is located. Any other payment methods shall be subject to the approval from our chief compliance officer on a case by case basis. There may be very few cases where exceptions to our internal procedures and guidelines are urged in response to emergencies such as imminent threat to the health and safety of our employees. Nevertheless, any exceptions to our procedures and guidelines are subject to written approval by our chief compliance officer. Before engaging any third parties, detailed background check must be conducted to ensure that we cooperate with reliable partners. Our sales team conducts background check before engaging new customers, including reviewing business license, tax registration certificate, medical practice permit and physician license, based on different customer groups. For intermediaries and agents, our sales team reviews their business scope and conduct public research to make sure such agents are not subject to any non-compliance incidents. Before engaging new suppliers, our procurement team runs background check on their licenses and certificates required for the performance of relevant service as per relevant laws and regulations, and investigates the manufacturing and operation of such suppliers to make sure they have the capacity required for the performance of relevant services. If the amount to be paid to third party service providers is in excessive of RMB50,000, regardless of whether it is in the form of remuneration or reimbursement, the introducing and supervising personnel must first obtain approval from senior management within our finance department who shall conduct a thorough background check on the third party. The introducing and supervising personnel shall cooperate with our finance department to collect materials and information required for the performance of background check, and to negotiate the compliance terms of the relevant agreement pursuant to the instructions of the chief financial officer.

In addition, our Anti-corruptions Policies set out red flags indicating higher risks leading to a possible violation from detailed aspects, such as irregular payment or reimbursement requests from the third party service providers, their relationships with government officials, their refusal of committing to our Anti-corruption Policies or disclosing responsible personnel or organizational structure, or if they are subject to any non-compliance incidents. We require employees who have knowledge of any violation of this policy, or any risk that may lead to a violation, to immediately report the corresponding situation directly to our chief compliance officer. To this regard, we established whistleblowing policies to protect those employees who report probable violations they

are aware of. Our internal audit team has set up hot line, e-mail and mail address for reporting. The internal audit team evaluates the alleged risk or violation received and make report to the board, who will then decide if further investigation is required. We maintain the confidentiality of the anonymous whistleblower during the investigation and strictly prohibit any discrimination or retaliation against such whistleblower. Those who were found to break the protection measures will be subject to penalties pursuant to our internal employees' code of conduct, and transferred to the judicial department in accordance with applicable laws and regulations. Violations of the Anti-corruption Policies and Procedures may result in disciplinary actions, up to and including termination of employment.

Establishment of Internal Control Department and Appointment of Chief Compliance Officer

After discovering the Shanghai Incident, in June 2014, we enhanced out internal control measures and established an internal control department. Our internal control department conducts regular internal audits and reviews to assess the compliance of departments and individual employees with our internal control policies including the Anti-corruption Policies and Procedures. We constantly monitor the implementation of those measures and procedures through our on-site internal control teams, and we regularly review and enhance our internal control system.

In addition, we have appointed a chief compliance officer, Ms. LAN Jia, who is responsible for the management and enforcement of our internal control policies, under the supervision of our chief executive officer and the Board. Ms. LAN takes to update the Anti-corruption Policies and Procedures, as well as the training materials on a regular basis, and to coordinate with the Board to assess and evaluate the performing status and effectiveness of our relevant internal control efforts. Ms. LAN enjoys extensive experience in management, finance, accounting and compliance. Prior to joining us, Ms. LAN worked for more than five years in Meinian Onehealth, where she had been primarily responsible for the company's finance, investment and financial compliance. Prior to that, she worked as the head of internal audit in a Shenzhen listed company, and concurrently as an independent director of another Shenzhen listed company. Ms. LAN obtained the Certified Public Accountant qualification in China in 2001. Leveraging her versatility and rich experience, she is capable of taking charge of the overall risk management of our Company, and implementing consistent and effective policies and procedures accommodating our organization structure.

Training

All of our employees are required to complete compulsory and comprehensive training on our Anti-corruption Policies and Procedures covering outlines of prohibited behaviors, our supervisory policies, and penalties for violation of such policies and procedures and coupled with illustrative case studies. All employees are required to execute Compliance Assurance Letter on a periodic basis in which they agree to comply with the Anti-corruption Policies and Procedures and will not engage in any bribery or corruption behaviors. In addition, we require our sales and marketing personnel to pass our tests on such policies and procedures to ensure they acknowledge the key topic areas of bribery and the best practice. Moreover, we also require the managers of each of our departments to take an anti-corruption annual questionnaire by the end of each fiscal year, and report to our chief compliance officer for assessment and inspection.

Directors' and Joint Sponsors' Views

Based on our investigations, our Directors are of the view that (i) the Shanghai Incident and the other incidents occurred at the subsidiary level and our directors and senior management then and now held in office were not aware of, were not involved in and did not in any way endorse the misconduct in the Shanghai Incident, the Tang and Wang Case, the Chen and Xu Case, the Zhu Case and the Huang Case; (ii) our Group has implemented enhanced internal control measures to prevent similar incidents in the future, which our Directors believe are effective, as no similar incidents in which our Group or any of our subsidiaries was held liable for any bribery activities occurred after the incidents; and (iii) all of the incidents, individually or in the aggregate, did not and will not have any material effect on our business, financial condition and results of operations.

Having considered the view of the Directors and based on the due diligence work conducted by the Joint Sponsors, including but not limited to reviewing the internal control policies and measures of the Group with the assistance of an internal control consulting firm (the "**Internal Control Consultant**") pursuant to the scope agreed among the Company, the Joint Sponsors and the Internal Control Consultant, understanding that the Internal Control Consultant did not identify deficiencies in such controls that would warrant rectification recommendations within the Group and interviewing with relevant management of the Company, nothing has come to the Joint Sponsors' attention that would reasonably cause them to cast doubt on the reasonableness of the view of the Directors above.

Incident Relating To Bidding

Background

Hefei Adicon participated the bidding for Mingguang Municipal People's Hospital in June 2019 and initially won the bid. As Hefei Adicon obtained a certificate of "Highly Specialized and Innovative Small and Medium-sized Enterprise of Anhui Province" (安徽省專精特新中小企業) issued by the Economic and Information Technology Commission of Anhui Province (安徽省經濟和信息化委員會) in 2015 and a certificate of "Excellent Entity for Employment of People with Disabilities" (殘疾人就業先進集體) issued by Hefei municipal government in 2010, Hefei Adicon's staff erroneously checked the relevant items of small and medium-sized enterprise status and welfare enterprise for people with disabilities (殘疾人福利企業) status in the electronic bidding submission system (the "Hefei Incident"). Upon investigation conducted by Mingguang Municipal Development and Reform Commission Office, as Hefei Adicon was neither a small enterprise nor a welfare enterprise for people with disabilities in accordance with applicable rules, the aforesaid information submitted by Hefei Adicon during the bidding process was deemed as false information. As a result, Hefei Adicon was determined to be disqualified for the bid with Mingguang Municipal People's Hospital. It was imposed a fine of RMB5,100 and banned from participating in government procurement activities for one year from October 31, 2019 and the Hefei Incident was recorded and publicly disclosed as an ordinary dishonest conduct (一般失信行為) on website of Credit China (www.creditchina.gov.cn).

Upon Hefei Adicon's application based on the reasons that (i) the allegation of a small enterprise and welfare enterprise for people with disabilities didn't add any point to Hefei Adicon in the bidding valuation process, (ii) the allegation was made purely due to uninformed carelessness of relevant employees, (iii) the Hefei Incident did not result in any material negative impact on Mingguang Municipal People's Hospital and other participants in the bidding and Hefei Adicon did not receive any economic benefits due to its negligence in the Hefei Incident, and (iv) Hefei Adicon has fully paid the fine and made all necessary rectification measures, the competent government authorities made the decision, on February 12, 2020, to restore the credibility of Hefei Adicon and the public disclosure of the ordinary dishonest conduct was subsequently withdrawn from Credit China.

After the Hefei Incident, the concerned staff resigned from our Company. As the Hefei Incident was purely due to uninformed carelessness of the relevant staff, based on our internal investigation, the concerned staff did not obtain any benefits from the incident. The impact of the Hefei Incident on Hefei Adicon was not material and Hefei Adicon is now eligible to participate in government procurement activities. It is not expected that the Biding Incident will have any further material negative impact on our future business, financial condition or results of operations.

Remedial actions taken by the Company following the Hefei Incident

We have taken the following measures to prevent the recurrence of similar incidents in the future, and there was no recurrence of similar incidents in which our Group or any of our subsidiaries was held liable for any noncompliance in participating in any government procurement activities subsequent to the Hefei Incident.

Establishment of a Bidding Management Team

To effectively prevent any similar incident from happening in the future, we built a dedicated bidding team to closely manage and supervise the bidding process. Our bidding team consists of a material preparation group and a participating group, both of which have a handful of specialists with extensive experience. By engaging a group of specialists each handling specific procedures they are familiar with, we are able to effectively enhance our bidding quality and significantly reduce potential mistakes.

Enhancement of Policies and Procedures

Coupled with our specialists, we also enhanced the standardization of our procedures and established review mechanism to further ensure the accuracy of our information provided in bidding materials. Once the bidding material is composed, it will be subject to in-depth review by our bidding material review specialists to ensure that we take due care to meet all relevant requirements set by the customer. We have also made it clear that in the case of similar bidding incidents caused by carelessness or any other malpractice of the relevant staff, the staff will be subject to disciplinary actions, dependent upon the severity of such incident.

Training

We organized multiple training sessions on bidding process for our employees, including trainings on laws and regulations on bidding and our enhanced internal bidding procedures. We will continue to conduct regular trainings for our bidding team.

Views of our Directors

Based on our investigations, our Directors are of the view that (i) the inaccuracy of the information provided in the Hefei Incident was not willful and was purely out of uninformed carelessness; (ii) our Group has enhanced the internal bidding procedures to prevent similar incident in the future and no similar incidents in which our Group or any of our subsidiaries was held liable for any noncompliance in participating in any government procurement activities occurred after the Hefei Incident; and (iii) the Hefei Incident did not and will not have any material effect on our business, financial condition and results of operations.

RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management

We are dedicated to the establishment and maintenance of a robust risk management and internal control system. We have adopted and implemented risk management policies and corporate governance measures in various aspects of our business operations to identify, assess, evaluate and monitor key risks associated with our strategic objectives on an on-going basis. Our audit committee, and ultimately our Directors supervise the implementation of our risk management programs. Risks identified by management will be analyzed on the basis of likelihood and impact, and will be properly followed up and mitigated and rectified by our Group and reported to our Directors.

The following key principles outline our approach to risk management and internal control:

Our Audit Committee oversees and manages the overall risks associated with our business operations, including (i) reviewing and approving our risk management programs and procedures to ensure that it is consistent with our corporate objectives; (ii) monitoring the most significant risks associated with our business operation and our management's handling of such risks; (iii) reviewing our corporate risk matrix in the light of our corporate risk tolerance; (iv) reviewing the significant residual risks and the needs to set up mitigating controls; and (v) monitoring and ensuring the appropriate application of our risk management framework across our Group.

Our chief financial officer, Mr. WANG Lawrence Allen, is responsible for (i) formulating and updating our risk management program and target; (ii) reviewing and approving major risk management issues of our Company; (iii) promulgating risk management measures; (iv) providing guidance on our risk management approach to the relevant departments in our Company; (v) reviewing the relevant departments' reporting on key risks and providing feedbacks; (vi) supervising the implementation of our risk management measures by the relevant departments; (vii) ensuring that the appropriate structure, processes and competences are in place across our Group; and (viii) reporting to our Audit Committee on our material risks.

Our finance department, legal and compliance department, and human resources department are responsible for implementing our risk management program and carrying out our day-to-day risk management practice. In order to formalize risk management across our Group and set a common level of transparency and risk management performance, the relevant departments will (i) gather information about the risks relating to their operation or function; (ii) conduct risk assessments, which include the identification, prioritization, measurement and categorization of all key risks that could potentially affect their objectives; (iii) continuously monitor the key risks relating to their operation or function; (iv) implement appropriate risk responses where necessary; and (v) develop and maintain an appropriate mechanism to facilitate the application of our risk management framework.

Internal Control

Our Board is responsible for establishing our internal control system and reviewing its effectiveness. We have engaged the Internal Control Consultant to perform certain agreed-upon procedures (the "**Internal Control Review**") in connection with our internal control and our major operating subsidiaries and to report factual findings on our entity-level controls and internal controls of various processes, including financial reporting and disclosure controls, sales accounts receivable and collection, procurement and vendor management, accounts payable and payment, fixed assets and assets under construction, human resources and payroll management, cash and treasury management, inventory management, general controls of IT system, taxation management, production and costing, insurance management, research and development and intangible assets. The Internal Control Consultant performed the Internal Control Review. As of the Latest Practicable Date, there were no material outstanding issues relating to our internal control.

We regularly reviewed and enhanced our internal control system. The following is a summary of the internal control policies, measures and procedures we have implemented or plan to implement:

We have adopted various measures and procedures regarding each aspect of our business operation, such as sample management, sample collection and transportation, quality control over laboratory operations, protection of intellectual property, information security, adverse event reporting, environmental protection and occupational health and safety, etc. We provide periodic training about these measures and procedures to our employees as part of our employee training program. We also constantly monitor the implementation of those measures and procedures through our on-site internal control teams.

Our senior management team and our Directors, with help from our legal advisors, will also periodically review our compliance status with all relevant laws and regulations. We have internally established a set of compliance policies to provide guidance to our employees on expected business practices and ethical and moral behaviors, such as Code of Conduct and Ethics Policy and Anti-corruption Policies and Procedures. We strictly require our employees to comply with applicable anti-corruption laws. Such anti-corruption laws generally prohibit the offer, promise, payment or receipt of anything of value to obtain, retain or grant business opportunities or to exchange in an improper advantage. Any employee that violates the Anti-corruption Policies and Procedures can be subject to disciplinary actions, up to and including termination of employment. We also prohibit employees from engaging in any illegal or unethical economic behavior and seeking benefits from it, and implement strict management and audit procedures to prevent lack of transparency and corruption during the sale or procurement process.

LICENSES, PERMITS AND APPROVALS

Our PRC Legal Advisor has advised us that as of the Latest Practicable Date, except as otherwise disclosed, we had obtained all requisite licenses, approvals and permits from the relevant government authorities that are material for our business operations in China. In addition, the Company believes that there is no foreseeable difficulty in renewing the material licenses that will expire in the next 12 months after [**REDACTED**].

The following table sets forth a list of material licenses currently held by us:

License Holder	License	Issuance/Grant Date	Expiration Date
Hangzhou Adicon	Medical Institution Practicing License	June 18, 2020	June 17, 2025
Hefei Adicon	Medical Institution Practicing License	August 20, 2018	August 19, 2023
Shanghai Adicon	Medical Institution Practicing License	May 31, 2021	July 14, 2026
Jinan Adicon	Medical Institution Practicing License	November 26, 2020	November 25, 2035
Beijing Adicon	Medical Institution Practicing License	October 25, 2022	December 17, 2024
Nanchang Adicon	Medical Institution Practicing License	May 13, 2022	May 12, 2027
Fuzhou Adicon	Medical Institution Practicing License	January 5, 2021	January 4, 2024
Jilin Adicon	Medical Institution Practicing License	May 6, 2021	May 5, 2026
Wuhan Adicon	Medical Institution Practicing License	November 22, 2021	December 4, 2026
Nanjing Adicon	Medical Institution Practicing License	November 12, 2019	May 3, 2024
Changsha Adicon	Medical Institution Practicing License	May 25, 2022	April 2, 2023
Chengdu Adicon	Medical Institution Practicing License	July 6, 2020	July 14, 2025
Shenyang Adicon	Medical Institution Practicing License	January 21, 2022	January 20, 2027
Zhengzhou Adicon	Medical Institution Practicing License	April 23, 2020	April 17, 2025
Guangzhou Adicon	Medical Institution Practicing License	March 26, 2021	August 7, 2023
Tianjin Adicon	Medical Institution Practicing License	February 9, 2022	February 8, 2027
Yunnan Adicon	Medical Institution Practicing License	September 5, 2022	December 2, 2024
Xi'an Adicon	Medical Institution Practicing License	October 26, 2021	November 23, 2026
Sanming Adicon	Medical Institution Practicing License	October 26, 2022	November 14, 2025
Chongqing Adicon	Medical Institution Practicing License	October 26, 2020	August 27, 2023
Nanning Adicon	Medical Institution Practicing License	December 16, 2022	December 8, 2024
Qingdao Adicon	Medical Institution Practicing License	December 20, 2019	December 19, 2024
Shenzhen Adicon	Medical Institution Practicing License	May 16, 2020	January 20, 2025
Quzhou Adicon	Medical Institution Practicing License	April 22, 2022	July 26, 2035
Shangrao Adicon	Medical Institution Practicing License	December 14, 2020	November 27, 2034
Xiamen Adicon	Medical Institution Practicing License	June 9, 2021	June 8, 2024
Suzhou Adicon	Medical Institution Practicing License	May 23, 2022	May 22, 2027
Henan Adicon	Medical Institution Practicing License	July 9, 2020	July 8, 2035
Guizhou Adicon	Medical Institution Practicing License	June 7, 2022	June 7, 2025
Heilongjiang Adicon	Medical Institution Practicing License	August 8, 2022	August 7, 2027
Wenzhou Adicon	Medical Institution Practicing License	September 23, 2022	September 22, 2027
Xinyang Adicon	Medical Institution Practicing License	November 14, 2022	November 13, 2037
Hangzhou Huitu	Medical Device Operation License	May 8, 2021	April 1, 2026
Shanghai Lv'angjie	Medical Device Operation License	March 22, 2021	January 24, 2026
Jiangxi Jince	Medical Device Operation License	June 28, 2021	December 6, 2025

INTRODUCTION

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

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

PRC LAWS AND REGULATIONS ON FOREIGN OWNERSHIP RESTRICTIONS

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

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

Recent Regulatory Development in China

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

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

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

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

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

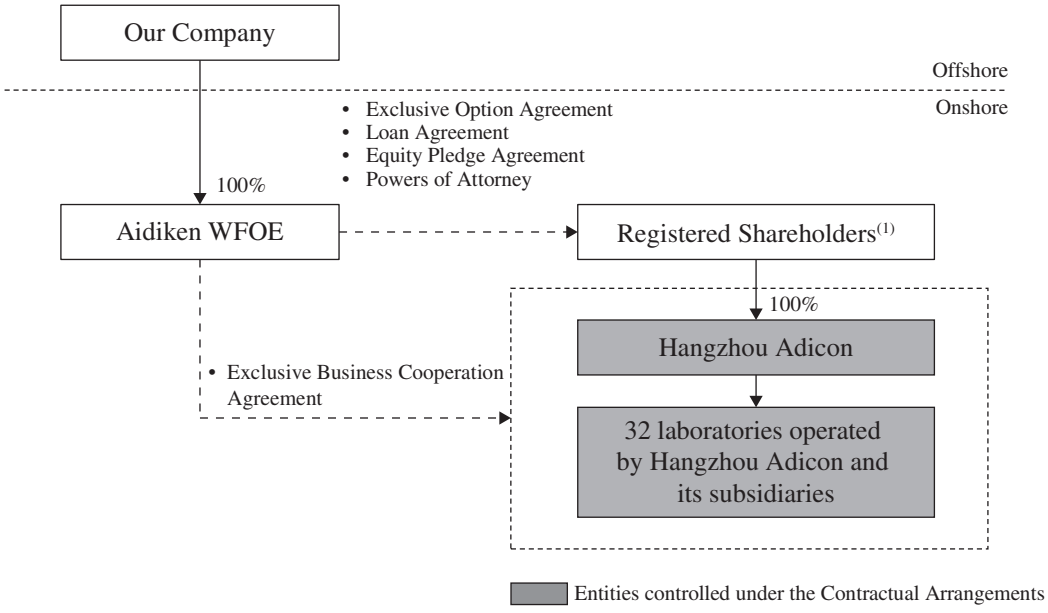
Based on the foregoing and as advised by our PRC Advisor, if we are not deemed as an Existing Applicant, we will be required to complete the filing procedures with the CSRC in connection with the [**REDACTED**].

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

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

OUR CONTRACTUAL ARRANGEMENTS

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



Note:

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

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

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

SUMMARY OF THE CONTRACTUAL ARRANGEMENTS

Exclusive Business Cooperation Agreement

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

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

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

Exclusive Option Agreement

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

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

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

Loan Agreements

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

Equity Pledge Agreement

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

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

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

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

Powers of attorney

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

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

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

Spouse undertakings

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

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

Dispute resolution

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

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

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

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

Succession

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

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

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

Arrangements to address potential conflicts of interests

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

Loss sharing

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

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

Liquidation

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

Insurance

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

Company's confirmation

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

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

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

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

Our PRC Legal Advisor is of the opinion that:

(i) each of Aidiken WFOE, Hangzhou Adicon, the Registered Shareholders and their spouses has the legal capacity to execute and deliver the Contractual Arrangements and carry out the transactions contemplated thereby;

(ii) the Contractual Arrangements will not be deemed void under Articles 144, 146, 153 and 154 of the Civil Code of the People's Republic of China or violate the articles of association of each of Aidiken WFOE and the PRC Operating Entities;

(iii) each of the agreements underlying the Contractual Arrangements is valid, legally binding and enforceable on the parties thereof in accordance with their terms and provisions under applicable PRC laws and regulations, except that interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands as set out in the dispute resolution provisions of the Contractual Arrangements may not be enforceable in China unless recognized by PRC courts, as set out in the paragraph headed "– Summary of the Contractual Arrangements – Dispute resolution" in this section;

(iv) the execution, delivery and performance of each of the agreements underlying the Contractual Arrangements do not require any approvals from or filings with PRC governmental authorities, except that (a) the equity pledges under the Equity Pledge Agreement are required to be registered with the relevant Administration for Market Regulation, which were duly completed on December 10, 2020, and (b) any transfer of equity interests in Hangzhou Adicon pursuant to the terms of the Exclusive Option Agreement will have to be filed and registered with the relevant governmental authorities upon the exercise of the call option under the Exclusive Option Agreements.

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

THE CONTRACTUAL ARRANGEMENTS ARE NARROWLY TAILORED

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

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

(i) providing PCR and non-PCR related testing through different laboratories would disqualify our Company from bidding for certain tenders, or significantly reduce our success rate to bid for customers' testing services contracts for both PCR and non-PCR related testing. This would severely and adversely affect our business and financial performance;

(ii) it would be extremely difficult for a laboratory performing only PCR-related testing to obtain the ISO15189 accreditation, which is an important accreditation for ICL business in the PRC. According to Frost & Sullivan, as of December 31, 2022, none of the hospitals and medical diagnostic testing institutions with ISO15189 accreditation only applied PCR technology in offering testing services. Laboratories without ISO15189 accreditation would not be able to meet the key bidding criteria of many of our customers. This would severely and adversely affect our business and financial performance;

(iii) it is operationally and practically infeasible to provide PCR and non-PCR through separate laboratories, as PCR is highly interconnected and correlated with, and forms an inseparable part of, our ICL business. Our Company often uses the PCR technology in conjunction with other laboratory technologies to provide clinically appropriate diagnostic testing solutions based on the relevant industry standards and guidelines for our customers and patients. Such industry standards and guidelines do not distinguish PCR technology from other laboratory technologies;

(iv) if our Company is to provide PCR and non-PCR related testing through separate laboratories, the laboratory-ready samples, which are often perishable and limited in size and/or quantity, would have to be tested twice in different laboratories by different laboratory technicians, or be manually divided by our laboratory technicians for transportation to a second laboratory. Additional handling or transfer of human specimens could affect the reliability and accuracy of diagnostic results, which could directly impact patient care, and severely and adversely affect our abilities to meet industry standards of care;

(v) longer turnaround times for testing results would adversely affect our ability to market our services in comparison with our competitors; and

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

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

Regulatory assurance on our compliance with the "narrowly tailored" requirements

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

(i) in December 2020, our PRC Legal Advisor consulted the competent government authority in charge of the ICL business of Hangzhou Adicon, namely Hangzhou NHC. In the consultation with Hangzhou NHC, the responsible officer, who our PRC Legal Advisor confirmed to be a competent person to speak for Hangzhou NHC, confirmed that, among others:

  (A) our existing ICL business is 100% foreign investment prohibited, as PCR-related testing forms a part of our existing ICL business, and is prohibited from foreign investment in accordance with the Negative List;

  (B) setting up a laboratory which only provides PCR-related testing is not in line with the market practices. In practice, such laboratory would not be able to bid for comprehensive medical diagnostic testing services. The interviewee of Hangzhou NHC is not aware of any cases approved by Hangzhou NHC where laboratories only provide PCR-related testing; and

  (C) the separation of our existing ICL business into two laboratories providing PCR and non-PCR related testing respectively in the same administrative region and/or in close proximity is not encouraged and in practice may not be workable.

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

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

(iii) in February 2021, our PRC Legal Advisor interviewed local NHCs in charge of certain other ICLs, including (A) the local NHCs of four administrative regions, namely Kunming, Nanning, Qingdao and Zhengzhou, advised that it would be operationally, practically and commercially infeasible for us to attend biddings for comprehensive

medical testing services if it is going to provide PCR and non-PCR related testing through separate ICL; and (B) the local NHCs of seven administrative regions, namely Chengdu, Guangzhou, Jinan, Quzhou, Sanming, Shenyang and Shenzhen, advised that we should consider the operational, practical and commercial feasibility to provide PCR and non-PCR related testing through separate ICL under our existing business model. As advised by our PRC Legal Advisor, the interviewed local NHCs are the competent government authorities in charge of the Company's ICL business in the relevant regions, and the relevant interviews were conducted through calling the official telephone number of the relevant local NHCs; and

(iv) Our PRC Legal Advisor has also reviewed the written local administrative planning documents for the establishment of medical institutions and reached out in January 2021 to local NHCs in Beijing, Chongqing, Jinan, Nanchang, Hefei, Changchun, Wuhan, Tianjin and Shanghai, pursuant to which the relevant local administrative regions do not allow the establishment of another laboratory by our Company which only provides PCR-related testing, as there is no available quota under the relevant local administrative planning for establishing ICLs.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

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

(a) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;

(b) our Board (including the independent non-executive Directors) will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

(c) our Company will disclose the overall performance of and compliance with the Contractual Arrangements in our annual reports to update our Shareholders and potential investors;

(d) our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements and the legal compliance of Hangzhou Adicon, Aidiken WFOE, the Registered Shareholders and the PRC Operating Entities to deal with specific issues or matters arising from the Contractual Arrangements;

(e) the company seals, financial seals, contract seals and crucial corporate certificates of the PRC Operating Entities are kept by our Group's designated personnel. Any employee of our Group who wishes to use the seals will have to obtain internal approval following our Group's established policies and procedures. The business, legal and/or finance departments constitute our Group's central management system and the persons in charge of these departments as well as the department members responsible for the custody and handling of the seals and crucial corporate certificates are employees of our Group;

(f) in the event of the occurrence of a conflict of interests between our Group and the Registered Shareholders (where our Group has the sole and absolute discretion to determine whether such conflict arises), Hangzhou Adicon shall take appropriate measures upon the consent of Aidiken WFOE or its designee to eliminate such conflicts, failing which Aidiken WFOE will exercise, to the extent permitted under the PRC laws, the option under the Exclusive Option Agreement;

(g) in order to further secure Aidiken WFOE's rights under the Exclusive Option Agreement, the Registered Shareholders have also entered into the Equity Pledge Agreements with Aidiken WFOE and Hangzhou Adicon, pursuant to which the Registered Shareholders pledged all their equity interests in Hangzhou Adicon in favor of Aidiken WFOE as security to guarantee the Registered Shareholders' performance of the contractual obligations under the Contractual Arrangement (including their obligations under the Exclusive Option Agreement);

(h) pursuant to the Loan Agreements, Aidiken WFOE can demand from Ms. LAN Jia and Ms. LIAN Hailun repayment of the Loans without cause at any time after serving 10 days notice as and when Aidiken WFOE considers appropriate at its absolute discretion. The Loans can only be repaid by transferring all of the equity interests in Hangzhou Adicon held by Ms. LAN Jia and Ms. LIAN Hailun to Aidiken WFOE (or its designee); and

(i) pursuant to a deed of undertaking dated March 19, 2021 given by all the partners of Hangzhou Kangming (namely Mr. GAO Song, Mr. PAN Chao, Mr. WANG Chengdong and four other existing and previous senior employees who are neither our Directors nor our senior management), each of the partners undertook that he/she will ensure the enforceability of the Contractual Arrangements.

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

DEVELOPMENTS IN PRC LAWS ON FOREIGN INVESTMENT

Background of the FIL

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

The Potential Impact of the FIL on the Contractual Arrangements

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

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

ACCOUNTING ASPECTS OF THE CONTRACTUAL ARRANGEMENTS

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

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

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

OUR CONTROLLING SHAREHOLDERS

Pearl Group Limited was entitled to exercise the voting rights to approximately 39.87% of the total issued Shares of our Company as of the Latest Practicable Date, and will be entitled to exercise the voting rights to approximately [**REDACTED**]% of our total issued Shares immediately upon completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised).

Pearl Group Limited is an investment holding company incorporated in Cayman Islands and is 94.57% owned by Carlyle Asia Partners V, L.P. and 5.43% owned by CAP V Co-Investment, L.P.. The general partner of Carlyle Asia Partners V, L.P. and CAP V Co-Investment, L.P. is CAP V General Partner, L.P.. The general partner of CAP V General Partner, L.P. is CAP V, L.L.C., a subsidiary of Carlyle. Accordingly, Carlyle, CAP V, L.L.C., CAP V General Partner, L.P., Carlyle Asia Partners V, L.P., CAP V Co-Investment, L.P. and Pearl Group Limited are our Controlling Shareholders under the Listing Rules.

CLEAR DELINEATION OF BUSINESS

Carlyle, a company listed on Nasdaq Global Select Market (ticker symbol: CG), is one of the world's largest and most diversified global investment firms, with approximately US$373 billion in assets under management as of December 31, 2022 across three business segments: Global Private Equity, Global Credit and Investment Solutions. Carlyle's purpose is to invest wisely and create value on behalf of their investors, portfolio companies and the communities in which they live and invest.

To the best knowledge and belief of our Directors, as of the Latest Practicable Date, our Controlling Shareholders and Directors did not control more than 10% voting capital of any listed companies in Hong Kong and the PRC, and with a business similar to the principal business of our Group that competes, either directly or indirectly, with our Group's business in the PRC, which would require disclosure under Rule 8.10 of the Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are able to carry on our business independently from our Controlling Shareholders and their respective close associates after the [**REDACTED**].

Management Independence

Our Board consists of eight Directors, comprising one executive Director, four non-executive Directors and three independent non-executive Directors. Our core management team is led by Mr. GAO Song, our executive Director and chief executive officer, and consists of five of our senior management members, namely Mr. PAN Chao, Mr. WANG Chengdong, Ms. HU Yuanyuan, Mr. CHU Jianing and Ms. LI Dan. None of the members of our core management team held a position in our Controlling Shareholders as of the Latest Practicable Date. For details of our Directors and senior management members, please refer to the section headed "Directors and Senior Management" in this Document.

Our core management team is able to manage our Group independently from our Controlling Shareholders for the following reasons:

(a) save for two non-executive Directors, namely Ms. YANG Ling and Ms. FENG Janine Junyuan, none of our Directors and senior management members held an ongoing position with our Controlling Shareholders as of the Latest Practicable Date. Although Pearl Group Limited nominated Ms. YANG Ling and Ms. FENG Janine Junyuan as our Directors to supervise the development and strategic direction of our Group, they are not involved in our day-to-day business management;

(b) each Director is aware of his/her fiduciary duties as a Director which require, among others, that he/she acts for the benefit and in the interest of our Company and all our Shareholders as a whole, and does not allow any conflict between his/her duties as a Director and his/her personal interests;

(c) our Directors believe that our Board has a balanced composition of executive, non-executive and independent non-executive Directors, which ensures the independence of the Board in making decisions affecting our Company. Specifically, our independent non-executive Directors (i) account for one-third of the Board, (ii) do not and will not take up any position in our Controlling Shareholders or their close associates, and (iii) together possess the requisite industry experience and qualifications for their views to carry weight. Our Directors believe that our independent non-executive Directors are able to bring impartial and sound judgment to the decision-making process of our Board and protect the interests of our Company and our Shareholders as a whole;

(d) under the Articles, matters discussed at board meetings shall be determined by a majority of votes by our Board, including our independent non-executive Directors. Since the investment of Pearl Group Limited in our Group in October 2018, Pearl Group Limited has not appointed a majority of the directors of our Board nor the boards of any of our subsidiaries;

(e) under the Articles, for any resolution in respect of any contract or arrangement or any other proposal in which a Director of any of his/her close associates has any material interest, the interested Director shall not vote nor be counted towards the quorum in respect of such transactions; and

(f) we have adopted/will adopt a set of corporate governance measures to manage conflicts of interest, if any, between our Group and our Controlling Shareholders. For details, please refer to the paragraph headed "– Corporate Governance Measures" in this section.

Based on the above, our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders and/or their close associates after the [**REDACTED**].

Operational Independence

Our operations do not depend on our Controlling Shareholders and/or their close associates for the following reasons:

(a) our Group possesses sufficient capital, facilities, equipment, technology and human resources to operate its business independently from our Controlling Shareholders, and holds licenses and qualifications that are necessary for our business independently from our Controlling Shareholders;

(b) our Group has an established and complete organizational structure, comprising various separate departments each charged with specific responsibilities;

(c) our Group has independent access to, among others, customers, suppliers, experts and other resources required for our Group's business. We can exercise independent rights to make and implement our operational decisions without regard to our Controlling Shareholders;

(d) we maintain a set of internal control procedures to facilitate the effective operation of our business. For details, please refer to the section headed "Business – Risk management and internal control" in this Document; and

(e) we have adopted/will adopt a set of corporate governance measures pursuant to the Listing Rules and other applicable laws and regulations. For details, please refer to the paragraph headed "– Corporate Governance Measures" in this section.

Based on the above, our Directors are satisfied that we are able to operate independently from our Controlling Shareholders and/or their close associates after the [**REDACTED**].

Financial Independence

We have an independent financial system and finance team responsible for our own treasury functions and we have made, and will continue to make, financial decisions based on our own business needs. We are financially independent of our Controlling Shareholders and/or their close associates.

We have sufficient capital and banking facilities to operate our business independently, and have adequate resources to support our daily operations. In addition, our Group has an independent financial system and makes financial decision according to our own business needs. Our source of funding is independent from our Controlling Shareholders and/or their close associates. As of December 31, 2022, there were no loans, advances and balances due to and from and guarantee provided by our Controlling Shareholders and/or their close associates. Further, there is no security over assets and guarantees provided by our Controlling Shareholders and/or their close associates on our Group's borrowing. Our Directors confirm that our Group does not intend to obtain any borrowing, guarantees, pledges and mortgages from our Controlling Shareholders and/or their close associates.

Based on the above, our Directors believe that we are able to maintain financial independence from our Controlling Shareholders and/or their close associates after the [**REDACTED**].

CORPORATE GOVERNANCE MEASURES

Our Directors recognize the importance of good corporate governance in protecting our Shareholders' interests. We have adopted/will adopt the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders and/or their close associates:

(a) under the Articles, where a Shareholders' meeting is to be held for considering proposed transactions in which our Controlling Shareholders and/or their close associates have a material interest, our Controlling Shareholders will not vote on the resolutions and shall not be counted in the quorum present at the meeting;

(b) our Company has established internal control mechanisms to identify connected transactions. Upon [**REDACTED**], if our Company enters into connected transactions with our Controlling Shareholders and/or their close associates, our Company will comply with the applicable Listing Rules;

(c) as required by the Listing Rules, our independent non-executive Directors will (i) review, any connected transactions annually and disclose in our annual report or by way of announcements that, such connected transactions have been entered into in our ordinary and usual course of business, are either on normal commercial terms or on terms no less favourable to us than those available to or from independent third parties and on terms that are fair and reasonable and in the interests of our Shareholders as a whole (the "**Annual Review**"); and (ii) provide impartial and professional advice to protect the interests of our minority Shareholders. Where our Directors reasonably request the advice of independent professionals, such as financial advisors, for this purpose, the appointment of such independent professionals will be made at our Company's expenses;

(d) our Controlling Shareholders agree to provide all information reasonably requested by the independent non-executive Directors for the Annual Review, including all relevant financial, operational and market information; and

(e) we have appointed Somerley Capital Limited as our compliance advisor pursuant to the Rule 3A.19 of the Listing Rules to provide advice and guidance to us in respect of compliance with the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders, and to protect minority Shareholders' interests after the [**REDACTED**].

OVERVIEW

Pursuant to Chapter 14A of the Listing Rules, our Directors, Substantial Shareholders and chief executive of our Company and our subsidiaries (other than the Directors, Substantial Shareholders and chief executive of our insignificant subsidiaries), any person who was a director of our Company or our subsidiaries within 12 months preceding the [**REDACTED**] and any of their respective associates will be connected persons of our Company upon the [**REDACTED**].

Our Group has entered into a number of transactions with our connected persons in our ordinary and usual course of business. Upon completion of the [**REDACTED**], the transactions disclosed in this section will constitute connected transactions under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

Purchase and Equipment Lease Framework Agreement

Principal terms

On January 10, 2022, our Company and ACON Biotech (Hangzhou) Company Limited (艾康生物技術(杭州)有限公司) ("**ACON**") entered into a purchase and equipment lease framework agreement (the "**Purchase and Equipment Lease Framework Agreement**"), pursuant to which we agreed to purchase certain testing equipment and reagents from, and to lease certain testing equipment from, ACON from time to time in our ordinary course of business. ACON is currently indirectly owned as to 50% by Mr. LIN Jixun (our founder and one of our non-executive Directors), and is therefore a connected person of our Company under Rule 14A.07(4) of the Listing Rules.

The Purchase and Equipment Lease Framework Agreement is for a term commencing on the [**REDACTED**] until December 31, 2025, and will be renewed for another three years upon expiration, conditional upon the fulfillment of requirements under the Listing Rules and other applicable laws and regulations. The parties will enter into separate agreements setting out the specific terms and conditions in respect of the relevant purchases and leases, including the relevant transaction amounts, the types of testing equipment and/or reagents involved, and the payment methods.

Reasons for the transactions

We purchase or lease testing equipment and purchase testing reagents in our ordinary course of business. While our Group did not lease or purchase any testing equipment from ACON during the Track Record Period, and does not currently plan to lease or purchase testing equipment from ACON after the [**REDACTED**], as ACON offers a wide range of testing equipment, we have covered in the framework agreement the potential leasing of testing equipment from ACON to allow us to have the flexibility to lease testing equipment from ACON in case (i) ACON offers certain equipment only for leasing; or (ii) we consider the terms offered by ACON for leasing the relevant equipment to be more commercially viable.

Our Group does not exclusively source the relevant testing equipment and reagents from ACON, and could procure the relevant testing equipment and reagents from other suppliers in the PRC. Our Group is not the sole customer of ACON.

We have a long standing business relationship with ACON, and ACON has been one of our major suppliers during the Track Record Period. As ACON has a proven track record in providing our Group with a broad range of high quality and reliable testing equipment and reagents at competitive pricing, our Directors are of the view that it is in the interest of our Group in terms of cost and stability to continue procuring testing equipment and reagents from ACON, instead of procuring from other suppliers which offer higher price or we are less familiar with.

Pricing policy

We procure testing equipment and reagents through bids from our list of approved qualified suppliers, taking into account their bidding price, product quality, reliability and specifications, product delivery time, range of offerings and their track records with our Group. ACON is an approved qualified supplier of our Group. The amounts payable by us under the Purchase and Equipment Lease Framework Agreement will be determined after a bidding process involving ACON and other approved qualified suppliers. Any successful bids from ACON should not be less favourable than bids from other suppliers and bids offered by ACON to independent third parties. After a successful bid of ACON, we enter into a separate agreement on terms which will be determined on an arm's length basis, with reference to, among others, (i) the historical transaction amounts paid by us to ACON for the purchase of similar testing equipment and reagents from ACON, (ii) the amount, quality and specifications of the relevant testing equipment and reagents, and (iii) the bidding price, product quality, reliability and specifications, product delivery time and range of offerings of ACON as compared to other suppliers in the list of our approved qualified suppliers.

Historical Transaction Amounts

For the years ended December 31, 2020, 2021 and 2022, the historical fees paid to ACON amounted to approximately RMB107.9 million, RMB102.0 million and RMB78.9 million, respectively.

Annual Caps on Future Transaction Amounts

The maximum amounts payable by us to ACON under the Purchase and Equipment Lease Framework Agreement for the years ending December 31, 2023, 2024 and 2025 shall not exceed the annual caps as set out below:

	Proposed annual cap for the years ending December 31,		
	2023	2024	2025
	(RMB in millions)		
Fees payable by us to ACON (including applicable taxes)	110.0	110.0	110.0

The above annual caps are determined based on (i) the historical transaction amounts we paid to ACON in consideration for the purchase of testing equipment and reagents; (ii) the improvement in our business after recovering from the impact of COVID-19; (iii) the possibility that we will experience an increasing need for testing equipment and reagents in view of the continual expansion of our ICL business; and (iv) the market prices and expected trends in relation to the relevant testing equipment and reagents.

Listing Rules Implications

In respect of the purchase of testing equipment and reagents from ACON as contemplated under the Purchase and Equipment Lease Framework Agreement, as the highest applicable percentage ratio (other than the profit ratio) under the Listing Rules is expected to be more than 0.1% but less than 5% on an annual basis, the transactions will be subject to the reporting, annual review and announcement requirements but exempt from the circular and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In respect of the leasing of testing equipment from ACON as contemplated under the Purchase and Equipment Lease Framework Agreement, in the event that we lease any testing equipment from ACON in the future, we will, in accordance with HKFRS 16 "Leases", recognize a right-of-use asset and a lease liability on our balance sheet in connection with the lease of the testing equipment from ACON. Accordingly, the leasing of testing equipment from ACON will be regarded as a one-off connected transaction of our Company for the purposes of the Listing Rules. We will comply with the reporting, announcement, annual review and independent shareholders' approval requirements, as applicable, in Chapter 14A of the Listing Rules if we lease any testing equipment from ACON under the Purchase and Equipment Lease Framework Agreement in the future.

CONTRACTUAL ARRANGEMENTS

Background

Due to regulatory restrictions on foreign ownership in the PRC, we entered into the Contractual Arrangements whereby Aidiken WFOE has acquired effective control over Hangzhou Adicon and its subsidiaries, and become entitled to all the economic benefits derived from the laboratories operated by Hangzhou Adicon and its subsidiaries.

The Contractual Arrangements currently in effect mainly comprise the following agreements, namely (i) the exclusive business cooperation agreement; (ii) the exclusive option agreement; (iii) the loan agreements; and (iv) the equity pledge agreements, which were entered into between or amongst Aidiken WFOE, Hangzhou Adicon and the Registered Shareholders, and the irrevocable power of attorney executed by the Registered Shareholders. For details, please refer to the section headed "Contractual Arrangements" in this Document.

Listing Rules Implications

For the purposes of Chapter 14A of the Listing Rules, our PRC Operating Entities will be treated as our wholly-owned subsidiaries, and their directors, chief executives or substantial shareholders (as defined in the Listing Rules) and their respective associates will be treated as our connected persons.

Our Directors, including the independent non-executive Directors, and the Joint Sponsors are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to our Group's legal structure and business operation and it is justifiable and normal business practice for agreements under the Contractual Arrangements to have a term of longer than three years to ensure that (i) the financial and operational policies of the PRC Operating Entities can be effectively controlled by Aidiken WFOE; (ii) Aidiken WFOE can obtain the economic benefits derived from the PRC Operating Entities; and (iii) any possible leakage of assets and values of the PRC Operating Entities can be prevented on an uninterrupted basis. Such transactions have been entered into on normal commercial terms and are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Company and our Shareholders as a whole.

Our Directors also believe that our Group's structure, whereby the financial results of the PRC Operating Entities are consolidated into our Group's financial statements as subsidiaries and the flow of economic benefit of their business to our Group, places our Group in a special position in relation to relevant rules concerning connected transactions under the Listing Rules. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing agreements to be entered into between the PRC Operating Entities and any member of our Group ("**New Intergroup Agreements**") technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that it is unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if the Contractual Arrangements are subject to the requirements set out under Chapter 14A of the Listing Rules.

WAIVER APPLICATIONS

Purchase and Equipment Lease Framework Agreement

As illustrated above, the purchase of testing equipment and reagents under the Purchase and Equipment Lease Framework Agreement constitute continuing connected transactions that are subject to the reporting, annual review and announcement requirements but exempt from the circular and independent Shareholders' approval requirements of the Listing Rules.

Pursuant to Rule 14A.105 of the Listing Rules, we have applied for, and the Stock Exchange [has granted], a waiver exempting us from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules.

The Contractual Arrangements

In relation to the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver pursuant to Rule 14A.102 of the Listing Rules from strict compliance with (i) the announcement, circular and independent Shareholders' approval requirements under Rule 14A.105 of the Listing Rules, (ii) the annual cap requirement for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement for limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Shares are listed on the Stock Exchange subject, however, to the following conditions:

(a) No change without independent non-executive Directors' approval

No change to the Contractual Arrangements will be made without the approval of the independent non-executive Directors.

(b) No change without independent Shareholders' approval

Save as described in paragraph (d) below, no change to the agreements governing the Contractual Arrangements will be made without the approval of our Company's independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement to or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. However, the periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will continue to be applicable.

(c) Economic benefits flexibility

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by the PRC Operating Entities through (i) our Group's option, to the extent permitted under PRC laws and regulations, to acquire all or part of the equity interest in the PRC Operating Entities at the minimum purchase price permitted under PRC laws and regulations, (ii) the business structure under which the profit generated by the PRC Operating Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to Aidiken WFOE by the PRC Operating Entities under the exclusive business cooperation agreement, and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of, the PRC Operating Entities.

(d) Renewal and reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding on the one hand, and the PRC Operating Entities on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the prior approval of our Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executive or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/or reproduction of the Contractual Arrangements, however be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

(e) Ongoing reporting and approvals

Our Group will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:

- the Contractual Arrangements in place during each financial period will be disclosed in our Company's annual report and accounts in accordance with relevant provisions of the Listing Rules;
- our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report and accounts for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, and that the profit generated by the PRC Operating Entities has been substantially retained by Aidiken WFOE, (ii) no dividends or other distributions have been made by the PRC Operating Entities or any non-wholly owned subsidiary of our Group to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) any new contracts entered into, renewed or reproduced between our Group and the PRC Operating Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Shareholders as a whole;
- Our Company's auditor will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by the PRC Operating Entities or any non-wholly owned subsidiary of our Group to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group;

- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", the PRC Operating Entities and each of its subsidiaries will be treated as our Company's subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of the PRC Operating Entities, its subsidiaries and their associates will be treated as connected persons of our Company (excluding for this purpose, the PRC Operating Entities), and transactions between these connected persons and our Group (including for this purpose, the PRC Operating Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules; and
- The PRC Operating Entities will undertake that, for so long as the Shares are [**REDACTED**] on the Stock Exchange, the PRC Operating Entities will provide our Group's management and our Company's auditor with full access to their relevant records, and (where applicable) relevant records of their subsidiaries, for the purpose of our Company's auditor's review of the connected transactions.

In addition, we have also applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver pursuant to Rule 14A.105 of the Listing Rules from strict compliance with (i) the announcement, circular and independent Shareholders' approval requirements under Rule 14A.105 of the Listing Rules in respect of the transactions contemplated under any New Intergroup Agreement, (ii) the requirement of setting an annual cap for the fees payable by/to any member of our Group to/from the PRC Operating Entities under any New Intergroup Agreements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of any New Intergroup Agreement to three years or less under Rule 14A.52 of the Listing Rules, for so long as Shares are [**REDACTED**] on the Stock Exchange subject however to the condition that the Contractual Arrangements subsist and that the PRC Operating Entities will continue to be treated as our Company's subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of the PRC Operating Entities and their associates will be treated as connected persons of our Company (excluding for this purpose, the PRC Operating Entities), and transactions between these connected persons and our Group (including for this purpose, the PRC Operating Entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.

We will comply with the applicable requirements under the Listing Rules, and will immediately inform the Stock Exchange if there are any changes to these continuing connected transactions.

JOINT SPONSORS' AND DIRECTORS' VIEWS

Our Directors (including our independent non-executive Directors) are of the view that the connected transactions set out above have been entered into (i) in the ordinary and usual course of business of our Company, and (ii) on normal commercial terms or better that are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

The Joint Sponsors have reviewed the relevant documents and information provided by our Group, have participated in the due diligence and discussions with our management and our PRC Legal Advisor, and have obtained necessary representations and confirmations from our Company and our Directors. The Joint Sponsors are of the view that the non-exempted continuing connected transaction set out above (i) have been entered into in the ordinary and usual course of business of our Company, and on normal commercial terms or better; (ii) are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (iii) the proposed monetary annual caps in respect of the Purchase and Equipment Lease Framework Agreement are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

BOARD OF DIRECTORS

Our Board consists of eight Directors, comprising one executive Director, four non-executive Directors and three independent non-executive Directors:

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Date of appointment as a Director
Ms. YANG Ling (楊凌)	43	Chairwoman and Non-executive Director	Providing professional opinion and judgment to the Board	September 27, 2018	October 12, 2018
Mr. GAO Song (高嵩)	50	Executive Director, Chief executive officer	Overall management of our Group	December 16, 2019	November 24, 2021
Mr. LIN Jixun (林繼迅)	58	Non-executive Director	Providing professional opinion and judgment to the Board	January 16, 2004	December 19, 2008
Ms. FENG Janine Junyuan (馮軍元)	53	Non-executive Director	Providing professional opinion and judgment to the Board	August 12, 2020	August 12, 2020
Ms. LIM Kooi June	45	Non-executive Director	Providing professional opinion and judgment to the Board	December 17, 2020	December 17, 2020
Mr. MI Brian Zihou (宓子厚)	56	Independent non-executive Director	Supervising and providing independent judgement to the Board	April 15, 2021	April 15, 2021
Mr. YEH Richard (葉霖)	54	Independent non-executive Director	Supervising and providing independent judgement to the Board	June 24, 2021	June 24, 2021
Mr. ZHANG Wei (張煒)	51	Independent non-executive Director	Supervising and providing independent judgement to the Board	[**REDACTED**]	[**REDACTED**]

Executive Director

Mr. GAO Song (高嵩), aged 50, has served as our executive Director and chief executive officer since November 2021. Prior to his appointment to our Board, he served as our vice president of business operations from December 2019 to November 2021 and was responsible for (i) overall management of our sales force, marketing team and commercial operations; (ii) supervision of our technical support team for in-house hospital laboratory service lines; (iii) relationship management of CRO and biopharma customers; and (iv) supervision of our DTC business lines.

Prior to joining our Group, Mr. GAO served as a general manager of Shanghai Yaoshiquanyun Health Technology Development Co., Ltd. (上海鑰世圈雲健康科技發展有限公司) from July 2019 to December 2019. He also held various positions at GlaxoSmithKline (China) Investment Co., Ltd. (葛蘭素史克中國投資有限公司) from September 1997 to April 2019, a subsidiary of GlaxoSmithKline PLC (LSE: GSK; NYSE: GSK) including as vice president and head of respiratory BU, head of commercial excellence department, head of hepatitis sales department, North-China sales director in respiratory and antibiotics and sales excellence manager in esprit program in GSK house in London.

Mr. GAO received his bachelor's degree in biochemistry from Fudan University (復旦大學) in China in July 1995, and his master's degree in business management from China Europe International Business School (中歐國際工商學院) in China in September 2009.

Non-executive Directors

Ms. YANG Ling (楊凌), aged 43, is the chairwoman of the Board and one of our non-executive Directors. Ms. YANG led the investment by Pearl Group Limited in our Company in October 2018, and became the chairwoman of our Company at that time. She is a managing director of Carlyle's Asia Buyout Fund and has co-headed Carlyle Asia Healthcare since November 2021. She joined Carlyle Asia as a vice president in May 2011.

Ms. YANG has served as (i) a non-executive director of Shenzhen Salubris Pharmaceuticals Co., Ltd. (深圳信立泰藥業股份有限公司) (SZSE: 002294) since October 2020; and (ii) a non-executive director of Ambio Pharmaceuticals since August 2018. Ms. YANG also worked (i) at KKR Asia Limited from July 2008 to February 2011, where her last position was a principal primarily responsible for carrying out investments made by KKR Asia Limited; (ii) as an associate in Carlyle's U.S. leveraged buyout healthcare group from May 2005 to August 2006; and (iii) as an analyst in the investment banking division of The Goldman Sachs Group, Inc. from July 2002 to July 2004.

Ms. YANG graduated summa cum laude and as a member of the Phi Beta Kappa with bachelor's degrees in economics and computer science from Smith College in the United States in May 2002, and she received her master's of business administration from Harvard Business School in the United States in June 2008.

Mr. LIN Jixun (林繼迅), aged 58, is one of our non-executive Directors and is one of our Founders. Mr. LIN was an executive director of our Company between February 2014 and October 2018, and has been a passive financial investor of our Group and a non-executive Director since October 2018. From November 2007 to December 2010, he served as an independent director of Mindray Medical International Limited (邁瑞醫療國際有限公司) (NYSE: MR, from September 2006 to March 2016; and then SZSE: 300760, since October 2018). Prior to founding our Group, Mr. Lin founded ACON Laboratories Inc. ("**ACON Laboratories**") in 1995 and currently serves as its director. ACON Laboratories is the U.S.-incorporated affiliate of ACON Biotech (Hangzhou) Company Limited (艾康生物技術(杭州)有限公司) ("**ACON**"), one of our suppliers of testing equipment and reagents.

Mr. LIN received his bachelor's degree in medicine from Zhejiang University School of Medicine (浙江大學醫學院) (formerly known as Zhejiang Medical University (浙江醫科大學)) in China in July 1987, and his doctoral degree in philosophy from Medical University of South Carolina in the United States in December 1995.

Ms. FENG Janine Junyuan (馮軍元), aged 53, is one of our non-executive Directors. Ms. FENG joined Carlyle Management Hong Kong Limited of Carlyle in October 1998 and is currently holding the position of managing director of Carlyle Asia Buyout Fund. Prior to joining Carlyle, she worked in the global project finance group of the investment banking department at Credit Suisse First Boston Corporation from July 1992 to June 1994 and then August 1996 to September 1998. Ms. FENG also served as (i) a director of Meinian Onehealth Healthcare Holdings Co., Ltd. (美年大健康產業控股股份有限公司) (SZSE: 002044) from October 2015 to February 2019, (ii) a non-executive director of MicroPort Scientific Corporation (微創醫療科學有限公司) (HKEX: 853) from March 2016 to November 2018, and (iii) a director of Hedy Holding Company Limited (七喜控股股份有限公司) (now known as Focus Media Information Technology Co., Ltd. (分眾傳媒資訊技術股份有限公司)) (SZSE: 002027) from January 2016 to November 2016.

Ms. FENG graduated summa cum laude and as a member of Phi Beta Kappa with Bachelor of Arts degree in mathematics, computer science and economics from Middlebury College in the United States in 1992, and she received her master's of business administration from Harvard University Graduate School of Business Administration in the United States in June 1996.

Ms. LIM Kooi June, aged 45, is one of our non-executive Directors. Ms. LIM has served as a director of investments of Khazanah Nasional Business Consulting (Shanghai) Co., Ltd. (馬投商務諮詢(上海)有限公司) since November 2019. Ms. LIM has also served as a board member of Shanghai Jinghua Medical Management Co., Ltd. (上海菁華醫療管理有限公司) (formerly known as Shanghai Lianji Biotechnology Co., Ltd. (上海連驥生物科技有限公司)) since September 2020. Ms. LIM also served as a director of investments of Khazanah Nasional Consulting (Beijing) Co., Ltd. (馬投諮詢(北京)有限公司) ("**Khazanah**") from January 2012 to October 2019 primarily responsible for carrying out investments made by Khazanah. Prior to that, Ms. LIM served at (i) Khazanah Nasional Berhad, Beijing Representative Office as a director of investment from April 2008 to December 2011, (ii) the Citi technology infrastructure department of Citibank, N.A. from April 2004 to May 2005, where her last position was a senior auditor, and (iii) Deloitte LLP from August 2002 to April 2004, where her last position was an assistant manager.

Ms. LIM received her bachelor degree with honors in law from University of Nottingham in England in July 2000 and was awarded the Professional Accountancy Certificate by the Institute of Chartered Accountants in England and Wales in May 2002.

Independent Non-executive Directors

Mr. MI Brian Zihou (宓子厚), aged 56, is one of our independent non-executive Directors. Mr. MI has served as the president of Asia Pacific for IQVIA (NYSE: IQV, formerly known as Quintiles and IMS Health, Inc.) since April 2020, a company providing full spectrum of services, including information, technology and contract clinical research, to healthcare industry. He also held various positions at IQVIA, including the president for Greater China from December 2016 to April 2020, the president for China and Southeast Asia from April 2015 to December 2016, the general manager for Greater China from July 2011 to April 2015, and a senior principal for management consulting from December 2008 to July 2011.

Mr. MI received his Ph.D. degree in pharmaceutical chemistry from the Ohio State University in December 1995, and his MBA degree from University of Chicago Booth School of Business in June 2000.

Mr. YEH Richard (葉霖), aged 54, is one of our independent non-executive Directors. Mr. YEH has served as a director and the chief operating officer at I-MAB, a clinical stage biopharmaceutical company traded on the NASDAQ (NASDAQ: IMAB), since April 2022. Since September 2022, Mr. YEH has also served concurrently as I-MAB's interim chief financial officer. Before joining IMAB, he took leadership positions in certain biopharmaceutical companies, including serving as (i) a director of Medlive Technology Co., Ltd. (醫脈通科技有限公司) (HKEX: 2192) since June 2021; (ii) a director of Abbisko Therapeutics Co., Ltd. (上海和譽生物醫藥科技有限公司) ("**Abbisko**") (HKEX: 2256) from January 2021 until his resignation in April 2022, (iii) as chief financial officer and the head of strategic operations at Abbisko from November 2020 to April 2022, and (iv) the chief financial officer of CStone Pharmaceuticals, a company listed on the Stock Exchange (HKEX: 2616), from July 2018 to April 2020. Prior to joining CStone Pharmaceuticals, Mr. YEH was a managing director and the business unit leader of Asia Pacific healthcare equity research at Goldman Sachs (Asia) L.L.C. in Hong Kong from July 2015 to July 2018. Before that, Mr. YEH worked at Citigroup Capital Markets Asia Limited from July 2009 to June 2015 where he last served as the head of China healthcare research team. In October 1995, he joined Amgen Inc., a leading global biotechnology company traded on the NASDAQ (NASDAQ: AMGN), as a research associate conducting drug discovery research.

Mr. YEH received his master's of business administration from Cornell University in the United States in May 2002 and a Master of Science in medical biophysics from the University of Toronto and Ontario Cancer Institute in Canada in November 1995. Mr. YEH received a Bachelor of Science with a major in biochemistry from University of Manitoba in Canada in May 1993.

Mr. ZHANG Wei (張煒), aged 51, is one of our independent non-executive Directors. Mr. ZHANG has served as an independent non-executive director at various public companies, including (i) as an independent director of Biostage, Inc. (NASDAQ: BSTG), a US biotechnology company developing bioengineered organ implants, from May 2018 to June 2021, (ii) an independent director of Dong-E-E-Jiao Co., Ltd. (東阿阿膠股份有限公司) (SZSE: 000423), a company primarily manufacturing and selling traditional Chinese medicine and healthcare products, from January 2015 to June 2021, (iii) an independent director of Yunan Jianzhijia Health-Chain Co., Ltd. (健之佳醫藥連鎖集團股份有限公司) (SHA: 605266) from March 2015 to December 2020, (iv) an independent director of Huadong Medicine Co., Ltd. (華東醫藥股份有限公司) (SZSE: 000963) from January 2016 to June 2019, and (v) an independent director of China Merchants Property Development Co., Ltd. (招商局地產控股股份有限公司) (SZSE: 000024) from December 2011 to December 2015, which was privatized in December 2015.

Mr. ZHANG has also served as the senior executive of China Merchants Health Care Holdings Company Limited (招商局健康產業控股有限公司) since September 2020 primarily responsible for its strategy and operation.

Mr. ZHANG received his doctoral degree in clinical medicine from Peking Union Medical College (北京協和醫科大學, currently known as 北京協和醫學院) in July 1998, and his doctoral degree in medical management and policy from Harvard University in June 2005.

SENIOR MANAGEMENT

In addition to our executive Director, the senior management team of our Group comprises the following persons:

Name	Age	Position	Roles and responsibilities	Date of joining our Group	Date of appointment
Mr. PAN Chao (潘超)	59	Senior vice president, head of laboratory	Laboratory overall management	July 7, 2004	October 26, 2018
Mr. WANG Lawrence Allen (王之翰)	45	Chief financial officer, vice president and joint company secretary	Financial strategy, financial management and investor relation	September 9, 2020	September 9, 2020
Mr. WANG Chengdong (王成棟)	46	National purchasing director, national project management director	National purchasing, technical cooperation and project management	July 5, 2011	April 19, 2019
Ms. HU Yuanyuan (胡元媛)	38	Vice president	Daily work of the Board	October 13, 2014	October 26, 2018
Mr. CHU Jianing (褚佳寧)	42	Internal audit director, strategic intelligence officer	Overseeing internal control and risk management and the management of operating data analysis and applications	June 3, 2014	June 3, 2014
Ms. LI Dan (李單)	44	National quality director	Laboratory quality control	January 1, 2004	April 19, 2019

Mr. PAN Chao (潘超), aged 59, has been in charge of the operation of the ICLs of Hangzhou Adicon during the Track Record Period, and has served as our senior vice president since July 2021 and our head of laboratory since October 2018. Mr. PAN also held various positions at Hangzhou Adicon, including as a laboratory deputy manager from March 2017 to October 2018, a laboratory director from January 2010 to March 2017, and a laboratory supervisor from October 2007 to January 2010.

Prior to joining our Group, he served as a laboratory director of People's Hospital of Jiangsu Gaoyou (江蘇高郵市人民醫院) ("**Gaoyou Hospital**") from November 1991 to July 2004, during which, he served as (i) a deputy director of its outpatient department from October 1998 to July 2004, and (ii) a technician responsible its medical laboratory technology from September 1989 to November 1991. From May 1982 to August 1989, he served as a technician of Hospital of Integrated Traditional Chinese and Western Medicine of Jiangsu Gaoyou (江蘇高郵市中西醫結合醫院).

Mr. PAN received (i) his technical degree in laboratory from Zhenjiang Medical College (鎮江醫學專科學校) (currently known as Jiangsu University (江蘇大學)) in March 1982, (ii) his college degree in medical laboratory from Jiangsu Staff Medical University (江蘇職工醫科大學) (currently known as Jiangsu Health Vocational College (江蘇衛生健康職業學院)) in January 1998 through part-time study, and (iii) his bachelor's degree in medical laboratory science from

Jiangsu University (江蘇大學) (evening courses) in July 2003. Mr. PAN was accredited as (i) a member of the Second Committee of Laboratory Medicine Branch of Zhejiang Medical Doctor Association (浙江省醫師協會檢驗醫師分會第二屆委員會委員) by Zhejiang Medical Doctor Association in April 2019, (ii) a member of the First Committee of Heath Examination Branch of Chinese Non-Government Medical Institutions Association (中國非公立醫療機構協會健康體檢分會第一屆委員會委員) by Chinese Non-Government Medical Institutions Association in October 2019, and (iii) a member of the Third Committee of Clinical Laboratory Management of Zhejiang Hospital Association (浙江省醫院協會第三屆臨床檢驗管理專業委員會委員) by Zhejiang Hospital Association in December 2020. Mr. PAN received (i) the qualification of Deputy Chief Technician of clinical medical laboratory and clinical basic laboratory technology awarded by Zhejiang Provincial Department of Human Resources and Social Security in November 2010 and (ii) his Clinical Genetic Diagnosis Laboratory Certificate (臨床基因診斷實驗上崗證) awarded by Jiangsu Clinical Laboratory Center in March 2004.

Mr. WANG Lawrence Allen (王之翰), aged 45, has served as our chief financial officer and vice president since September 2020.

Prior to joining our Group, Mr. WANG worked in various capacities in private equity and investment banking, including as a managing director of Vivo Capital, LLC from November 2015 to August 2020, a managing director of Primavera Capital Limited from December 2010 to July 2015, an associate director of Macquarie Group Limited (ASX: MQG) from July 2009 to September 2010, an executive director of Goldman Sachs (Asia) L.L.C., a subsidiary of Goldman Sachs Group, Inc. (NYSE: GS) from March 2004 to May 2009, and an associate of Bank of America Corporation (NYSE: BAC) from August 2003 to March 2004.

Mr. WANG received his bachelor's degree in medical science from Boston University in the United States in May 1999, his doctorate degree in medicine from Boston University School of Medicine in the United States in May 2003, and his MBA degree from Massachusetts Institute of Technology Sloan School of Management in the United States in June 2003.

Mr. WANG Chengdong (王成棟), aged 46, has been in charge of our supply chain management during the Track Record Period, and has served as our national purchasing director and national project management director since April 2019. Mr. WANG also held various positions at Hangzhou Adicon, including as (i) a national purchasing manager from July 2011 to March 2013, (ii) a national purchasing, planning and warehousing senior manager from March 2013 to January 2018, (iii) a national purchasing, planning and warehousing deputy director from January 2018 to April 2019, and (iv) a national purchasing, planning and warehousing director, national technical cooperation and project manager from April 2019 to December 2019.

Prior to joining our Group, he served as a purchasing manager of ACON from February 2011 to July 2011, a purchasing specialist of ACON from August 2003 to January 2011, an assistant agronomist of Shengzhou Silkworm Eggs Farm (嵊州市蠶種場) from January 2000 to March 2003.

Mr. WANG received his bachelor's degree in sericology from Zhejiang University (浙江大學) in China in June 1999.

Ms. HU Yuanyuan (胡元媛), aged 38, has been in charge of many of our internal administrative functions, and was responsible for overseeing, among others, our (i) human resources department, (ii) business administrative department, (iii) engineering project department, and (iv) legal department.

Prior to joining our Group, Ms. HU served as (i) an administrative director of AJON Medical Device (Hangzhou) Co., Ltd. (艾健醫療器械(杭州)有限公司) ("**AJON**") from July 2012 to October 2014, (ii) a director of the general manager office of AJON from November 2010 to June 2012, (iii) an assistant to general manager of AJON from November 2008 to November 2010, (iv) a personal assistant to the general manager of Junglerock Biological Cloning Technology (Hangzhou) Co., Ltd. (叢林石生物克隆技術(杭州)有限公司) from November 2007 to November 2008 and (v) a translator for Mahindra (China) Tractor Co., Ltd. (馬恒達(中國)拖拉機有限公司) from March 2007 to October 2007.

Ms. HU received her bachelor's degree in international economics and trade from Jiangxi University of Finance and Economics (江西財經大學) in China in July 2006.

Mr. CHU Jianing (褚佳寧), aged 42, has been in charge of our internal audit department overseeing our risk management and internal controls system since he joined our Group in June 2014, during which he has consecutively served as our internal audit manager, internal audit deputy director and internal audit director. From July 2020 to July 2021, he also served as our war room director. Mr. CHU Jianing has served concurrently as our internal audit director and strategic intelligence officer since July 2021.

Prior to joining our Group, Mr. CHU served as (i) an internal audit manager of Hi-P (Shanghai) Housing Appliance Co., Ltd (赫比(上海)家用電器產品有限公司), a subsidiary of Hi-P International Limited (赫比(國際)有限公司) (SGX: H17) from January 2010 to May 2014, and (ii) a risk management deputy manager of Shanghai Lotus Supermarket Chain Store Co., Ltd. (上海易初蓮花連鎖超市有限公司) from December 2002 to December 2009.

Mr. CHU received his bachelor's degree in finance from Shanghai University (上海大學) in China in July 2002. Mr. CHU was accredited as a certified internal auditor by China Institute of Internal Audit in November 2009.

Ms. LI Dan (李單), aged 44, has served as our national quality director since April 2019. Ms. LI also held various positions at Hangzhou Adicon, including as a national quality deputy director from November 2016 to April 2019, a national quality manager from June 2013 to November 2016, a laboratory manager from May 2008 to June 2013 and a laboratory supervisor from March 2006 to May 2008.

Prior to joining our Group, she served in technical support for the international sales department of ACON from July 2002 to May 2003.

Ms. LI received her bachelor's degree in clinical medicine from Qiqihar Medical University (齊齊哈爾醫學院) in China in July 2002.

GENERAL

None of our Directors and senior management members are related to other Directors or members of our senior management. Save as disclosed above, none of our Directors and senior management members held any directorship in public companies, whose securities were listed on any securities market in Hong Kong or overseas in the three years immediately preceding the date of this document. Save as disclosed above, to the best knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters in respect of our Directors that are required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules, and there is no other material matter relating to our Directors that needs to be brought to the attention of our Shareholders.

JOINT COMPANY SECRETARIES

Mr. WANG Lawrence Allen (王之翰) is one of our joint company secretaries and has been appointed with effect from April 15, 2021. Mr. WANG is also one of our authorized representatives. For details of his biography, please refer to the paragraph headed "– Senior Management" in this section.

Ms. SO Ka Man (蘇嘉敏) is one of our joint company secretaries and has been appointed with effect from November 5, 2021.

Ms. SO is a director of the corporate services division of Tricor Services Limited and has been providing professional corporate services to Hong Kong listed companies as well as multi-national, private and offshore companies. Ms. SO has over 20 years of experience in the corporate secretarial and compliance service field. Ms. SO is currently acting as the company secretary or joint company secretary of a few listed companies on the Stock Exchange.

Ms. SO graduated from The Hong Kong Polytechnic University in November 1996 with a bachelor's degree of Arts in Accountancy. Ms. SO is a Chartered Secretary, a Chartered Governance Professional and a fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

BOARD COMMITTEES

Audit Committee

We have established an audit committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group, review and approve connected transactions and provide advice and comments to the board of Directors. The audit committee consists of three members, namely Mr. YEH Richard (葉霖), Mr. ZHANG Wei (張煒) and Mr. MI Brian Zihou (宓子厚). Mr. YEH Richard (葉霖) (being an independent non-executive Director with the appropriate professional qualification) has been appointed as the chairman of the audit committee.

Remuneration Committee

We have established a remuneration committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The primary duties of the remuneration committee are to review and make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management. The remuneration committee consists of three members, namely Mr. MI Brian Zihou (宓子厚), Ms. YANG Ling (楊凌) and Mr. ZHANG Wei (張煒). Mr. MI Brian Zihou (宓子厚) has been appointed as the chairman of the remuneration committee.

Nomination Committee

We have established a nomination committee with written terms of reference with reference to the Corporate Governance Code. The primary duties of the nomination committee are to make recommendations to our Board on the appointment of Directors and management of Board succession. The nomination committee consists of three members, namely Ms. YANG Ling (楊凌), Mr. ZHANG Wei (張煒) and Mr. YEH Richard (葉霖). Ms. YANG Ling (楊凌) has been appointed as the chairwoman of the nomination committee.

Strategy Committee

We have established a strategy committee with written terms of reference. The primary duties of the strategy committee is to formulate and evaluate the business development strategy of our Group and to facilitate and monitor the implementation of the business development and the strategy planning of our Group. The strategy committee consists of three members, namely Ms. YANG Ling (楊凌), Mr. GAO Song (高嵩) and Mr. MI Brian Zihou (宓子厚). Ms. YANG Ling (楊凌) has been appointed as the chairwoman of the strategy committee.

FORMER EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

On January 20, 2021, we appointed Mr. XU Ke as our executive Director and chief executive officer. Due to family reasons, Mr. XU Ke subsequently resigned on 24 November 2021, and we appointed Mr. GAO Song as our executive Director and chief executive officer. After the resignation, Mr. Xu ceased to hold any position or title in our Company. Mr. Xu has confirmed that he has no disputes or disagreements with our Company, our Board or the senior management of our Company and no other matters in relation to his resignation that need to be brought to the attention of our Shareholders or the Stock Exchange.

Prior to joining our Group in January 2021, Mr. XU served at Meinian Onehealth Healthcare Holdings Co., Ltd. (美年大健康產業控股股份有限公司) (SZSE: 002044) ("**Meinian Onehealth**") as president from November 2011 to January 2021 and as director from November 2011 to October 2021, and was primarily responsible for the overall management and strategy planning of Meinian Onehealth. During Mr. XU Ke's tenure at Meinian Onehealth, he was primarily responsible for the overall management and strategy planning of Meinian Onehealth through making decisions in board and management meetings based on the business and financial reporting from different departments and responsible officers of Meinian Onehealth. Mr. XU ceased to hold any position or title in Meinian Onehealth since October 2021.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

Our Directors and senior management receive remuneration, including salaries, allowances and benefits in kind, equity-settled share-based payment expense and pension scheme contributions. The aggregate amount of remuneration for the five highest paid individuals of our Group, excluding our Directors, for the years ended December 31, 2020, 2021 and 2022 was approximately RMB14.2 million, RMB25.5 million and RMB16.1 million, respectively.

The aggregate amount of remuneration for our Directors for the years ended December 31, 2020, 2021 and 2022 was approximately RMB36.0 million, RMB14.6 million and RMB6.1 million, respectively.

Save as disclosed above, no other payments have been paid or are payable, in respect of the years ended December 31, 2020, 2021 and 2022 by our Company to our Directors or senior management.

Under the arrangements currently in force as of the date of this Document, it is estimated that the aggregate amount of remuneration to our Directors for the year ending December 31, 2023 is estimated to be no more than approximately US$1,100,000.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors or past directors for the Track Record Period for the loss of office as director or any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period.

COMPLIANCE ADVISOR

We have appointed Somerley Capital Limited as our compliance advisor pursuant to Rule 3A.19 of the Listing Rules. The compliance advisor will provide us with guidance and advice as to compliance with the requirements under the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, the compliance advisor will advise our Company, among others, in the following circumstances:

(a) before the publication of any regulatory announcement, circular, or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to [**REDACTED**] of the [**REDACTED**] in a manner different from that detailed in this document or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this document; and

(d) where the Stock Exchange makes an inquiry to the Company regarding unusual movements in the price or trading volume of its [**REDACTED**] or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of the compliance advisor shall commence on the [**REDACTED**] and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the [**REDACTED**].

COMPETITION

Each of our Directors confirms that as of the Latest Practicable Date, he/she did not have any interest in a business which competes or is likely to compete, directly or indirectly, with our business and requires disclosure under Rule 8.10 of the Listing Rules.

CORPORATE GOVERNANCE CODE

We aim to achieve high standards of corporate governance because these are crucial to our development and safeguard the interests of our Shareholders. In order to accomplish this, we expect to comply with the Corporate Governance Code set out in Appendix 14 to the Listing Rules after the [**REDACTED**].

MANAGEMENT PRESENCE

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong. We do not have sufficient management presence in Hong Kong for the purpose of Rule 8.12 of the Listing Rules.

Accordingly, we have applied for, and the Stock Exchange [has granted], a waiver from strict compliance with Rule 8.12 of the Listing Rules. Please refer to the section headed "Waivers and Exemptions" in this document for further details.

BOARD DIVERSITY POLICY

We recognize and embrace the benefits of having a diverse Board and see increasing diversity at the Board level as an essential element in maintaining our competitive advantage. The Nomination Committee will review annually the structure, size and composition of our Board and where appropriate, make recommendations on changes to our Board to complement our corporate strategy.

In relation to reviewing and assessing our Board composition, our nomination committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional qualifications, skills, knowledge, length of service and industry and regional experience. Meanwhile, our Company will consider the above factors based on our business mode and our specific needs, and the ultimate decision will be based on merit and contribution that the selected candidates will bring to our Board.

Our Nomination Committee will discuss and where necessary, agree on the measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. We aim to maintain an appropriate balance of diversity perspectives of our Board that are relevant to our business growth.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised) the following persons will have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 5% or more of the issued voting shares of our Company or any other member of our Group:

Name	Capacity/Nature of interest	Number of Shares[(1)]	Approximate ownership percentage in our Company after the [REDACTED][(2)]
Carlyle[(3)]	Interest in a controlled corporation	281,541,805	[**REDACTED**]%
CAP V, L.L.C.[(3)]	Interest in a controlled corporation	281,541,805	[**REDACTED**]%
CAP V General Partner, L.P.[(3)]	Interest in a controlled corporation	281,541,805	[**REDACTED**]%
Carlyle Asia Partners V, L.P.[(3)]	Interest in a controlled corporation	281,541,805	[**REDACTED**]%
Pearl Group Limited[(3)]	Beneficial owner	281,541,805	[**REDACTED**]%
Mr. LIN Jixun[(4)]	Interest in a controlled corporation	87,909,994	[**REDACTED**]%
Corelink[(4)]	Beneficial owner	87,909,994	[**REDACTED**]%
Mr. LIN Feng[(5)]	Interest in a controlled corporation	75,909,994	[**REDACTED**]%
Mega Stream[(5)]	Beneficial owner	75,909,994	[**REDACTED**]%

Notes:

(1) The number of Shares held following conversion of Preferred Shares.

(2) It is assumed that the [**REDACTED**] is not exercised.

(3) Pearl Group Limited is 94.57% owned by Carlyle Asia Partners V, L.P. and 5.43% owned by CAP V Co-Investment, L.P.. The general partner of Carlyle Asia Partners V, L.P. and CAP V Co-Investment, L.P. is CAP V General Partner, L.P.. The general partner of CAP V General Partner, L.P. is CAP V, L.L.C., a subsidiary of Carlyle. As such, under the SFO, each of Carlyle Asia Partners V, L.P., CAP V General Partner, L.P., CAP V L.L.C., and Carlyle is deemed to be interested in the equity interests held by Pearl Group Limited.

(4) Corelink is wholly-owned by Mr. LIN Jixun, one of our Founders and a non-executive Director. Mr. LIN Jixun is the brother of Mr. LIN Feng.

(5) Mega Stream is wholly-owned by Mr. LIN Feng, one of our Founders. Mr. LIN Feng is the brother of Mr. LIN Jixun.

Except as disclosed above, our Directors are not aware of any other person who will, immediately following completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, will be, directly or indirectly, interested in 10% or more of the issued voting shares of our Company or any other member of our Group.

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of our authorized share capital and the amount in issue and to be issued as fully paid or credited as fully paid immediately prior to and following completion of the [**REDACTED**] assuming that all Preferred Shares are converted into Shares based on their respective conversion terms as disclosed in this Document:

	Number of Shares	Aggregate nominal value
Authorized share capital as of the date of this Document	2,500,000,000	US$50,000.00
– Shares in issue as of the date of this Document and immediately prior to the [**REDACTED**]	706,163,791	US$14,123.28
– Shares to be issued under the [**REDACTED**]	[**REDACTED**]	US$[**REDACTED**]
Shares in issue immediately following the [**REDACTED**]	[**REDACTED**]	US$[**REDACTED**]

Assumptions

The above table (i) assumes that the [**REDACTED**] becomes unconditional and Shares are issued pursuant to the [**REDACTED**], (ii) does not take into account any Shares that may be issued or canceled or any other potential change to the share capital as described in "– Potential changes to share capital" below, (iii) assumes the [**REDACTED**] is not exercised.

Ranking

The [**REDACTED**] are ordinary shares in our share capital and rank equally with all Shares currently in issue and, in particular, will rank equally for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this Document.

POTENTIAL CHANGES TO SHARE CAPITAL

Circumstances under which general meeting and class meeting are required

Pursuant to the Cayman Companies Act and the terms of the Memorandum and Articles, the Company may from time to time by ordinary resolution in a general meeting: (a) increase its capital; (b) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares; (c) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so canceled subject to the provisions of the Cayman Companies Act; (d) divide its share into several classes; and (e) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum.

For details, please refer to the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law and Taxation – 2. Articles of Association – 2.1(c). Alteration of capital" in Appendix III to this Document.

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Cayman Companies Act and the terms of the Memorandum and Articles, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths of the voting rights of the holders of the shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class.

For details, please refer to the section headed "Summary of the Constitution of the Company and Cayman Islands Company Law and Taxation – 2. Articles of Association – 2.1(b). Variation of rights of existing shares or classes of shares" in Appendix III to this Document for details.

General mandate to issue Shares

Subject to the [**REDACTED**] becoming unconditional, our Directors were granted a general mandate to allot, issue and deal with any Shares or securities convertible into Shares of not more than the sum of:

- 20% of the total number of Shares in issue immediately following completion of the [**REDACTED**] (but excluding any Shares which may be issued pursuant to the exercise of the [**REDACTED**]); and
- the total number of Shares repurchased by our Company pursuant to the authority referred to in "– General mandate to repurchase Shares" below.

This general mandate to issue Shares will remain in effect until the earliest of:

- the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;
- the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the Memorandum and Articles of our Company; and
- the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority.

General mandate to repurchase Shares

Subject to the [**REDACTED**] becoming unconditional, our Directors were granted a general mandate to repurchase our own Shares up to 10% of the total number of Shares in issue immediately following completion of the [**REDACTED**] (but excluding any Shares which may be issued pursuant to the exercise of the [**REDACTED**]).

This mandate only relates to repurchases on the Stock Exchange or on any other stock exchange on which the securities of our Company may be [**REDACTED**] and which is recognized by the SFC and the Stock Exchange for this purpose, and in accordance with all applicable laws and the requirements under the Listing Rules or equivalent rules or regulations of any other stock exchange as amended from time to time.

This general mandate to repurchase Shares will remain in effect until the earliest of:

- the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;
- the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the Memorandum and Articles of our Company; and
- the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority.

See "Statutory and general information – A. Further Information About Our Company and our Subsidiaries – 5. Explanatory Statement on Repurchase of our Own Securities" in Appendix IV to this Document for further details of this general mandate to repurchase Shares.

You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, included in the Accountant's Report in Appendix I to this Document. Our consolidated financial information has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States.

The following discussion and analysis contains forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in this document, including the sections headed "Risk Factors" and "Business".

OVERVIEW

We are one of the top three ICL service providers in China in terms of total revenues during the Track Record Period, according to Frost & Sullivan. Our business has demonstrated strong growth during the Track Record Period, with our total revenues increasing at a CAGR of 33.1% from RMB2,741.7 million in 2020 to RMB4,860.6 million in 2022. We offer comprehensive and best-in-class testing services primarily to hospitals and health check centers through an integrated network of 32 self-operated laboratories across China. The high quality of our services is backed by our strong performance in terms of international accreditation and comprehensive testing menu. As of December 31, 2022, 18 of our laboratories were accredited by ISO15189, which enabled us to provide customers with the quality assurance that comes with this rigorous international standard. Our testing portfolio consists of over 4,000 medical diagnostic tests, including over 1,700 routine tests and over 2,300 esoteric tests, as of December 31, 2022. Our testing volume increased by 33.9% from 60.1 million in 2020 to 80.5 million in 2021, and further increased by 104.8% to 164.9 million in 2022. We are committed to continuously serving patients and the general public with our high-quality testing services as a leading ICL service provider in China, and becoming a trusted and reliable partner for medical professionals and the general public.

Aided by the changes implemented by our Controlling Shareholders since 2018, we have experienced rapid growth and strong financial performance during the Track Record Period. Our total revenues grew at a CAGR of 33.1% from RMB2,741.7 million in 2020 to RMB4,860.6 million in 2022. Our net profit increased at a CAGR of 53.8% from RMB289.5 million in 2020 to RMB684.9 million in 2022. Our adjusted EBITDA (non-IFRS measure) grew at a CAGR of 32.6% from RMB567.6 million in 2020 to RMB998.7 million in 2022. Our adjusted EBITDA margin (non-IFRS measure) decreased from 20.7% in 2020 and 2021 to 20.5% in 2022. Our adjusted net profit (non-IFRS measure) grew at a CAGR of 27.8% from RMB367.0 million in 2020 to RMB599.9 million in 2022. Our adjusted net profit margin (non-IFRS measure) decreased from 13.4% in 2020 and 2021 to 12.3% in 2022. See "– Non-IFRS Measures".

BASIS OF PRESENTATION

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows, and the consolidated statements of financial position and a summary of significant accounting policies and other explanatory information of our Group for the Track Record Period (together, 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**"). During the Track Record Period, our subsidiaries were principally engaged in providing clinical testing services in the PRC. Pursuant to the Reorganization, as more fully

explained in the paragraph headed "Reorganization" in the section headed "History, Development and Reorganization" 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 business operations 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 business operations under the Historical Financial Information of Hangzhou Adicon for all periods presented.

Hangzhou Adicon and its subsidiaries (collectively, the "**PRC Operating Entities**") are engaged in the medical diagnostic testing services. 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 December 26, 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 October 12, 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.

All IFRSs effective for the accounting period commencing on/or before January 1, 2020, including IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers, IFRS 16 Leases and IFRS 16 Amendments on COVID-19 Related Rent Concession, together with the relevant transitional provisions, have been early adopted in the preparation of the Historical Financial Information throughout the Track Record Period.

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.

MAJOR FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, some of which are outside of our control, including the following:

Our ability to capture the growth of ICL market and strengthen our testing capabilities

We believe that our ability to capture the growth of the ICL market is crucial to drive our future growth. According to Frost & Sullivan, the ICL market size in China has been growing rapidly in recent years, reaching RMB22.3 billion in 2021 with a 10.9% CAGR from RMB14.7 billion in 2017, and it is expected to reach up to RMB51.3 billion in 2026, representing a CAGR of 18.2%. During the Track Record Period, we have broadened our test offerings and increased

testing volume. Our testing portfolio expanded from approximately 2,400 items in 2020 to 3,100 items in 2021, and further to over 4,000 items in 2022. Our testing volume based on the number of samples tested increased by 33.9% from 60.1 million in 2020 to 80.5 million in 2021, and further by 104.8% to 164.9 million in 2022. For details, see "Business – Our ICL Business" and "Business – Our Tests and Service Offerings" in this document.

We strive to enhance our testing capabilities to further drive our business growth. To this end, we will continue to place a high priority on the development of the latest cutting-edge esoteric tests. We will also continue to increase the number of our ISO15189 accredited laboratories. Our continued ability to capture the growth of the ICL market and strengthen our testing capabilities to drive our business growth directly affect our revenues and results of operations.

Our ability to enhance the breadth and depth of our service network to strengthen our customer base

Revenues generated from our medical diagnostic testing services contributed a substantial majority of our total revenues during the Track Record Period, accounting for 91.7%, 93.1% and 90.5% of our total revenues in 2020, 2021 and 2022, respectively. Accordingly, the breadth and depth of our coverage of medical institutions can greatly affect our revenues. Leveraging our national laboratory network, we provided services to approximately 19,000, 20,000 and 19,000 customers in 2020, 2021 and 2022, respectively.

Our ability to successfully expand into new markets affects our ability to increase our revenues. We plan to develop our infrastructure in additional geographic markets to further broaden our customer base. In particular, we have built laboratories, sales force, and logistics coverage in provincial capitals as well as lower-tier cities with strong growth potential. We also collaborate with regional market participants to fulfill testing demand in lower-tier cities and rural areas.

Our ability to engage in new technologies and develop new testing methods

Our ability to leverage new technologies and develop new testing methods for our customers impacts our ability to increase revenues. R&D serves as the backbone of our business. To this end, we are dedicated to continuously developing and refining our technologies and testing methods. We have invested RMB102.0 million, RMB125.4 million and RMB162.7 million in our research and development initiatives in 2020, 2021 and 2022, respectively. As of December 31, 2022, we had nine high-tech R&D laboratories, including two industry leading central R&D laboratories in Shanghai and Hangzhou, as well as seven high-tech R&D laboratories in Hefei, Jinan, Beijing, Nanchang, Fuzhou, Wuhan and Nanjing.

Going forward and in line with our plan to continue to upgrade our offerings, we expect to further increase our R&D investment to fuel the business growth.

Our capabilities to increase operating efficiency and cost management for sustainable growth and profitability

Enhanced operating efficiency is critical to our success. During the Track Record Period, we have carried out a series of operational initiatives to monitor and measure our laboratory productivity, and improve our overall operating efficiencies, which primarily focuses on employee productivity, and reagents and consumables usage. Our employee productivity, measured by testing volume performed per laboratory employee, grew by 12.4% from 2020 to 2021, and further by 53.5% from 2021 to 2022. As a result, during the Track Record Period, our gross profit grew at a CAGR of 30.3% from RMB1,116.7 million in 2020 to RMB1,896.2 million in 2022. Our gross profit margin decreased from 40.7% in 2020 to 39.0% in 2022. Our adjusted EBITDA (non-IFRS measure) grew at a CAGR of 32.6% from RMB567.6 million in 2020 to RMB998.7 million in 2022. Our adjusted EBITDA margin (non-IFRS measure) decreased from 20.7% in 2020 and 2021 to 20.5% in 2022. See "– Non-IFRS Measures".

To sustain our profitability, we will continue to control costs and operating expenses. Additionally, we intend to further enhance laboratory automation, and will closely monitor the efficiency of our laboratories through various benchmarks and indicators.

Our ability to capture emerging growth opportunities

As one of the top ICL service providers in China, we closely monitor market trends, in order to capture growth opportunities when they emerge.

According to Frost & Sullivan, the value of detection, prevention, wellness and personalized care has been increasingly recognized in China, as evidenced by the growth of the health check industry. As of December 31, 2022, we have grown our footprint to span over 930 health check centers.

During the Track Record Period, we have also offered testing services to globally and domestically reputable biopharmaceutical companies and CROs assisting them in streamlining drug development processes, and accelerating clinical trials. We believe that active collaboration with our biopharmaceutical and CRO partners will position us to be a leading participant in future early screening, companion diagnostic and minimal residual disease monitoring diagnostic markets in both a central laboratory capacity and clinical diagnostic capacity.

CRITICAL ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

We have identified certain accounting policies and estimates that we believe are most significant to the preparation of our consolidated financial statements. See Note 2.3 and Note 3 to the Accountants' Report included in Appendix I to this Document for details of these accounting policies and estimates.

Critical Accounting Policies

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 we expect 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 we 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 us and the customer at contract inception. When the contract contains a financing component which provides us 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 as allowed in IFRS 15.

(a) Medical diagnostic testing services

We earn revenue by providing specialized diagnostic testing to hospitals or individual customers based on a written test requisition form. The service 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 medical 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

We generally enter into contracts with CROs 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 we have 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 we 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 costs 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.

Fair Value Measurement

We measure certain financial instruments at fair value at the end of each period. 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 us. 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.

We use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized 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, we determine whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each period.

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, we recognize 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 as 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 is ready for use.

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, and 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.

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 statement of 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 Track Record 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 the statement of profit or loss in the period in which it arises.

Impairment assessment for goodwill

We record goodwill from the acquisition of Shangrao Adicon and Jiangxi Jince on February 28, 2021, and Henan Adicon on May 31, 2022. The cash flows generated from Shangrao Adicon and Jiangxi Jince acquired are expected to benefit from the synergies of each other for impairment testing, but are independent from those of our other subsidiaries. Therefore, Goodwill is monitored by our management 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 our management covering a five-year period.

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

	Henan Adicon CGU
	As of December 31, 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 of December 31, 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 of December 31, 2022.

Our management 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 of December 31,	
	2021	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)

	Shangrao Adicon and Jiangxi Jince CGU
	As of December 31, 2022
	RMB'000
Headroom	24,903
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, our management 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.

Critical Accounting Estimates

Provision for Expected Credit Losses of Trade and Bills Receivables

We use a provision matrix to calculate Expected Credit Losses ("**ECLs**") for trade and bills 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 our historical observed default rates. We 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. Our 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 our trade and bills receivables is disclosed in notes 22 and 39 to the Accountants' Report included in Appendix I to this Document, 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 as of December 31, 2020, 2021 and 2022 were RMB6.4 million, RMB16.9 million and RMB29.3 million, respectively. Further details are given in note 20 to the Accountants' Report included in Appendix I to this Document.

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 as of December 31, 2022 were RMB589,179,000. Further details are set out in note 30 to the Accountants' Report included in Appendix I to this Document.

CONSOLIDATED INCOME STATEMENTS

The following table presents items of our consolidated income statements as well as their percentage of our total revenues during the Track Record Period.

	For the Year Ended December 31,					
	2020		2021		2022	
	RMB	%	RMB	%	RMB	%
	(RMB in thousands, except for percentages)					
Revenues	**2,741,731**	**100.0**	**3,379,515**	**100.0**	**4,860,613**	**100.0**
Costs of sales	(1,625,071)	(59.3)	(1,937,126)	(57.3)	(2,964,448)	(61.0)
Gross profit	**1,116,660**	**40.7**	**1,442,389**	**42.7**	**1,896,165**	**39.0**
Other income and gains	12,686	0.5	14,763	0.4	50,811	1.0
Selling and marketing expenses	(359,051)	(13.1)	(489,783)	(14.5)	(553,272)	(11.4)
Administrative expenses	(236,566)	(8.6)	(263,003)	(7.8)	(282,262)	(5.8)
Research and development expenses	(102,009)	(3.7)	(125,446)	(3.7)	(162,746)	(3.3)
Other expenses	(37,712)	(1.4)	(48,530)	(1.4)	(128,440)	(2.6)
[**REDACTED**]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Finance costs	(19,644)	(0.7)	(16,326)	(0.5)	(76,824)	(1.6)
Fair value (loss)/gain on financial liabilities at FVTPL	–	–	(61,531)	(1.8)	87,044	1.8
Profit before tax	**358,185**	**13.1**	**417,243**	**12.3**	**820,812**	**16.9**
Income tax expense	(68,732)	(2.5)	(94,948)	(2.8)	(135,928)	(2.8)
Profit for the year	**289,453**	**10.6**	**322,295**	**9.5**	**684,884**	**14.1**
Attributable to:						
Owners of the parent	284,121	10.4	315,540	9.3	680,793	14.0
Non-controlling interests	5,332	0.2	6,755	0.2	4,091	0.1

NON-IFRS MEASURES

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use non-IFRS measures, namely EBITDA, adjusted EBITDA, and adjusted net profit as additional financial measures, which are not required by or presented in accordance with IFRS. We believe that such non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of certain items. We exclude [**REDACTED**] and fair value loss/(gain) on financial instruments at FVTPL when presenting non-IFRS measures, because they are not expected to result in future cash payments. We also exclude share-based compensation expenses when presenting non-IFRS measures. We account for the compensation cost from share-based payment transactions with employees based on the grant date fair value of the equity instrument issued by the Company. The grant date fair value of the award is recognized as compensation expenses, net of forfeitures, over the period during which an employee is required to provide service in exchange for the award, which is generally the vesting period. Share-based payments are non-cash in nature and do not result in cash outflow, and the adjustment has been consistently made during the Track Record Period, which complies with GL103-19. In particular, because of varying valuation methodologies and assumptions and the variety of award types that different companies can use, we believe that excluding share-based payments allows investors to make more meaningful comparisons between our operating results and those of other companies. In addition, fair value loss on convertible redeemable preferred shares at

FTVPL will be converted into equity upon [**REDACTED**], and it represents fair value changes of the convertible redeemable preferred shares issued by our Company and relates to changes in the valuation of our Company. The reconciling item is non-cash and does not result in cash outflow.

We believe that such measures provide useful information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as it helps our management. However, our presentation of EBITDA, adjusted EBITDA and adjusted net profit may not be comparable to similarly titled measures presented by other companies. The use of such non-IFRS measures has limitations as an analytical tool, and you should not consider it in isolation from, or as substitute for analysis of, our results of operations or financial condition as reported under IFRS.

We define EBITDA as profit before tax plus depreciation and amortization expenses and finance costs, minus bank interest income. We define adjusted EBITDA as EBITDA for the period adjusted by adding back share-based compensation expenses, [**REDACTED**] and fair value loss/(gain) on financial instruments at FVTPL.

	For the Year Ended December 31,		
	2020	2021	2022
	(RMB in thousands)		
Profit for the year	289,453	322,295	684,884
Add:			
Income tax expenses:	68,732	94,948	135,928
Profit before tax	358,185	417,243	820,812
Add:			
Depreciation	113,118	136,235	188,565
Amortization	662	1,617	4,853
Finance costs	19,644	16,326	76,824
Less:			
Bank interest income	3,765	6,289	8,874
EBITDA	**487,844**	**565,132**	**1,082,180**
Add:			
Share-based compensation expenses	63,598	37,325	15,049
[**REDACTED**]	[REDACTED]	[REDACTED]	[REDACTED]
Fair value loss/(gain) on financial instruments at FVTPL	–	61,531	(108,027)
Adjusted EBITDA	**567,621**	**699,278**	**998,686**

We define adjusted net profit as profit for the year adjusted by adding back, net of tax, share-based compensation expenses, [**REDACTED**] and fair value loss/(gain) on financial instruments at FVTPL.

	For the Year Ended December 31,		
	2020	2021	2022
	(RMB in thousands)		
Profit for the year	289,453	322,295	684,884
Add:			
Share-based compensation expenses	63,598	37,325	15,049
[**REDACTED**]	[REDACTED]	[REDACTED]	[REDACTED]
Fair value loss/(gain) on financial instruments at FVTPL	–	61,531	(180,027)
Less:			
Tax shield adjustment	2,195	5,203	1,460
Adjusted net profit	**367,035**	**451,238**	**599,930**

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenues

During the Track Record Period, we generated revenues primarily from our medical diagnostic testing services, and to a lesser extent, from sales of medical products. The following table sets forth our revenues from each source for the years indicated:

	For the Year Ended December 31,					
	2020		2021		2022	
	RMB	%	RMB	%	RMB	%
	(RMB in thousands, except for percentages)					
Medical diagnostic testing services	2,513,184	91.7	3,144,832	93.1	4,400,748	90.5
Sales of medical products	228,547	8.3	234,683	6.9	459,865	9.5
Total	**2,741,731**	**100.0**	**3,379,515**	**100.0**	**4,860,613**	**100.0**

Revenues from Medical Diagnostic Testing Services

Revenues generated from our medical diagnostic testing services contributed a substantial majority of our total revenues during the Track Record Period, accounting for 91.7%, 93.1% and 90.5% of our total revenues in 2020, 2021 and 2022, respectively.

The following table sets forth a breakdown of revenues generated from medical diagnostic testing services by specialty group during the Track Record Period:

	For the Year Ended December 31,					
	2020		2021		2022	
	RMB	%	RMB	%	RMB	%
	(RMB in thousands, except for percentages)					
Specialty Group						
Clinical Immunologic Testing	698,817	27.8	770,724	24.5	808,785	18.4
Clinical Chemistry Testing	160,424	6.4	193,490	6.2	218,499	5.0
Clinical Molecular Biology Testing	1,198,891	47.7	1,629,928	51.8	2,707,682	61.5
Pathology Testing	256,783	10.2	296,910	9.4	305,919	6.9
Other Comprehensive Inspections	198,269	7.9	253,780	8.1	359,863	8.2
Total[(1)]	**2,513,184**	**100.0**	**3,144,832**	**100.0**	**4,400,748**	**100.0**

Note:

(1) COVID-19 testing services contributed RMB924.5 million, RMB1,232.4 million and RMB2,284.6 million of our total revenues in 2020, 2021 and 2022, respectively.

The following table sets forth a breakdown of the sample volume and average price of our medical diagnostic testing services by specialty groups during the Track Record Period:

	For the Year Ended December 31,					
	2020		2021		2022	
	Sample Volume	Average Price[1]	Sample Volume	Average Price[1]	Sample Volume	Average Price[1]
	('000)	(RMB)	('000)	(RMB)	('000)	(RMB)
Clinical Immunologic Testing	17,408	40.1	17,641	43.7	17,450	46.4
Clinical Chemistry Testing	10,405	15.4	12,350	15.7	14,206	15.4
Clinical Molecular Biology Testing	15,611	76.8	29,564	55.1	107,790	25.1
Pathology Testing	10,794	23.8	12,140	24.5	11,855	25.8
Other Comprehensive Inspections	5,880	33.7	8,767	28.9	13,631	26.4
Total	**60,098**	**41.8**	**80,462**	**39.1**	**164,932**	**26.7**

Note:

(1) Average price equals revenues of medical diagnostic testing services for the year divided by the total sample volume during the same year.

We experienced strong revenue growth during the Track Record Period, primarily driven by (i) an increasing demand for testing services, (ii) an expanding customer base, and (iii) our offering of COVID-19 tests following the outbreak of pandemic. Alongside with our business expansion, our sample volume increased steadily over the Track Record Period, from 60.1 million in 2020 to 80.5 million in 2021, and further to 164.9 million in 2022. Testing volume in 2020 was adversely affected by the outbreak of COVID-19 pandemic, which resulted in a decline in hospital patient flow, leading to reduced demand of our testing services. Such impact was gradually eased due to the recovery from the COVID-19 impact starting from 2021, when we witnessed steady growth of testing volumes. The substantial increase of testing volume in 2022 was primarily attributable to the more frequent COVID-19 tests taken by individuals and mass testings organized by local governments to contain the spread of Omicron variant across the country.

During the Track Record Period, our average price per sample decreased by 6.5% from RMB41.8 in 2020 to RMB39.1 in 2021 and further decreased by 31.7% to RMB26.7 in 2022, especially in clinical molecular biology testing, which was primarily due to a decline in average price per COVID-19 test, during the Track Record Period.

Revenues from Sales of Medical Products

As a supplement to our core business, we also sell equipment, reagents and consumables used in connection with clinical testing to our customers. Revenues generated from sales of medical products contributed 8.3%, 6.9% and 9.5% of our total revenues in 2020, 2021 and 2022, respectively. For details of our sales of medical products, see "Business – Sales of Medical Products".

The following table sets forth a breakdown of revenues generated from our sales of medical products by major product types during the Track Record Period:

	For the Year Ended December 31,					
	2020		2021		2022	
	RMB	%	RMB	%	RMB	%
	(RMB in thousands, except for percentages)					
Equipment	133,146	58.3	66,430	28.3	225,243	49.0
Reagents and consumables	95,401	41.7	168,253	71.7	234,622	51.0
Total	**228,547**	**100.0**	**234,683**	**100.0**	**459,865**	**100.0**

The following table sets forth a breakdown of the sales volume and average price of our medical products by major product type during the Track Record Period:

	For the Year Ended December 31,					
	2020		2021		2022	
	Sales Volume	Average Price[(1)]	Sales Volume	Average Price[(1)]	Sales Volume	Average Price[(1)]
		(RMB)		(RMB)		(RMB)
Equipment	697	191,027.3	420	158,166.7	4,646	48,481.0
Reagents and consumables	497,421	191.8	2,461,781	68.4	10,765,858	21.8

Note:

(1) Average price equals revenues generated from sales of medical products for the year divided by sales volume during the same year.

Sales volume and average price for equipment declined by 39.7% and 17.2% from 2020 to 2021, respectively, primarily due to an increase of sales of equipment with relatively lower unit prices in 2021. As compared to 2021, sales volume for equipment had a significant increase in 2022 whereas the average price for equipment decreased by 69.3%, primarily attributable to an increasing sales of an equipment needed for COVID-19 tests with relatively lower unit prices.

Our sales volume of reagents and consumables increased by 394.9% from 2020 to 2021, whereas the average prices declined by 64.3% during the same period, primarily because we introduced a blood sample collection container with lower unit prices in late 2020 which had strong demand throughout 2021. As compared to 2021, sales volume of reagents and consumables increased by over four-fold in 2022, whereas the average prices declined by 68.1%, primarily due to an increase of sales of reagents and consumables with lower unit prices.

Costs of Sales

Our costs of sales consists of (i) reagents and consumables costs utilized during the course of processing our test samples, or our purchase costs for our sale of products, (ii) staff costs relating to employee salaries, benefits, social insurance and share based compensation, (iii) laboratory operating costs associated with operation of our laboratory equipment and logistics, (iv) depreciation and amortization, and (v) tax surcharges. The following table sets forth a breakdown of our costs of sales by nature during the Track Record Period:

	For the Year Ended December 31,					
	2020		2021		2022	
	RMB	%	RMB	%	RMB	%
	(RMB in thousands, except for percentages)					
Reagents and consumables	1,073,649	66.1	1,193,148	61.7	1,821,220	61.5
Staff costs	314,708	19.4	408,443	21.1	593,946	21.0
Laboratory operating costs	156,465	9.6	225,625	11.6	394,939	13.3
Depreciation and amortization	78,612	4.8	108,081	5.6	151,062	5.1
Tax surcharges	1,637	0.1	1,829	0.1	3,281	0.1
Total	**1,625,071**	**100.0**	**1,937,126**	**100.0**	**2,964,448**	**100.0**

Gross Profit and Gross Profit Margin

The following table sets forth a breakdown of our gross profit and gross profit margin by business lines during the Track Record Period:

	For the Year Ended December 31,		
	2020	2021	2022
	(RMB in thousands, except for percentages)		
Gross Profit			
Medical diagnostic testing services	1,067,662	1,369,703	1,801,912
Sales of medical products	48,998	72,687	94,253
Total	**1,116,660**	**1,442,390**	**1,896,165**
Gross Profit Margin			
Medical diagnostic testing services	42.5%	43.6%	40.9%
Sales of medical products	21.4%	31.0%	20.5%
Total	**40.7%**	**42.7%**	**39.0%**

Selling and Marketing Expenses

Our selling and marketing expenses primarily consist of (i) staff costs in relation to our selling and marketing personnel, (ii) marketing and business development expenses, which refers to expenses associated with various marketing and business development activities, such as business travels for marketing purposes and participation in conferences, and (iii) office expenses, including rental, depreciation and amortization. The following table sets forth a breakdown of our total selling and marketing expenses during the Track Record Period:

	For the Year Ended December 31,					
	2020		2021		2022	
	RMB	%	RMB	%	RMB	%
	(RMB in thousands, except for percentages)					
Staff costs	223,978	62.4	299,443	61.2	345,261	62.4
Marketing and business development expenses	91,747	25.6	112,830	23.0	118,735	21.5
Office expenses	12,717	3.5	18,332	3.7	23,446	4.2
Others[(1)]	30,609	8.5	59,178	12.1	65,830	11.9
Total	**359,051**	**100.0**	**489,783**	**100.0**	**553,272**	**100.0**

Note:

(1) Others include professional service fees, communication expenses, shipping expenses, and utilities expenses.

Administrative Expenses

Our administrative expenses primarily consist of (i) staff costs in relation to our administrative personnel, (ii) office expenses, including rental, depreciation and amortization, and (iii) consulting and professional service fees. The following table sets forth a breakdown of our total administrative expenses during the Track Record Period:

	For the Year Ended December 31,					
	2020		2021		2022	
	RMB	%	RMB	%	RMB	%
	(RMB in thousands, except for percentages)					
Staff costs	147,343	62.3	168,411	64.0	174,536	61.8
Consulting and professional service fees	44,295	18.7	31,886	12.1	27,299	9.7
Office expenses	23,549	10.0	32,954	12.6	42,383	15.0
Others[(1)]	21,379	9.0	29,752	11.3	38,043	13.5
Total	**236,566**	**100.0**	**263,003**	**100.0**	**282,261**	**100.0**

Note:

(1) Others include conference, travel, maintenance and utilities expenses.

Research and Development Expenses

Our research and development expenses primarily consist of (i) staff costs in relation to our research and development personnel, (ii) laboratory expenses, including rental, depreciation and amortization, and (iii) costs of reagent and consumables used in our research and development processes. The following table sets forth a breakdown of our total research and development expenses during the Track Record Period:

	For the Year Ended December 31,					
	2020		2021		2022	
	RMB	%	RMB	%	RMB	%
	(RMB in thousands, except for percentages)					
Staff costs	43,058	42.2	67,943	54.2	84,982	52.2
Laboratory expenses	11,916	11.7	6,906	5.5	8,031	4.9
Reagent consumables	44,851	44.0	47,430	37.8	63,296	38.9
Others[(1)]	2,183	2.1	3,167	2.5	6,526	4.0
Total	**102,009**	**100.0**	**125,446**	**100.0**	**162,745**	**100.0**

Note:
(1) Others include utilities expenses and maintenance expenses.

Other Expenses

Our other expenses primarily consist of impairment losses, net of reversal on financial assets under ECL model, bank charges, foreign exchange losses or gains, losses on disposal of property and equipment and other intangible assets and losses on disposal of items of right-of-use assets. The following table sets forth a breakdown of our other expenses during the Track Record Period:

	For the Year Ended December 31,					
	2020		2021		2022	
	RMB	%	RMB	%	RMB	%
	(RMB in thousands, except for percentages)					
Impairment losses, net of reversal						
– Inventories	–	–	–	–	1,421	1.1
– Financial assets under ECL model	32,556	86.3	39,704	81.8	111,653	86.9
Bank charges	2,785	7.4	777	1.6	1,580	1.2
Foreign exchange losses/(gains), net	(1,427)	(3.8)	50	0.1	6,743	5.3
Losses on disposal of property and equipment and other intangible assets	1,684	4.5	3,713	7.7	2,408	1.9
Loss on disposal of items of right-of-use assets	312	0.8	–	–	–	–
Donation	–	–	2,582	5.3	3,523	2.7
Others	1,802	4.8	1,704	3.5	1,112	0.9
Total	**37,712**	**100.0**	**48,530**	**100.0**	**128,440**	**100.0**

Other Income and Gains

Other income and gains primarily consist of (i) discretionary government grants income, including various one-off government grants to support our employment, innovation and technology efforts, as well as grants related to COVID-19, (ii) bank interest income, (iii) gain on contingent consideration, and (iv) gain on derivative financial instruments. The following table sets forth a breakdown of our total other income and gains during the Track Record Period:

	For the Year Ended December 31,					
	2020		2021		2022	
	RMB	%	RMB	%	RMB	%
	(RMB in thousands, except for percentages)					
Bank interest income	3,765	29.7	6,289	42.6	8,874	17.5
Government grants income	5,651	44.5	5,547	37.6	15,916	31.3
Gain on disposal of property, plant and equipment and other intangible assets	267	2.1	379	2.6	650	1.3
Gain on disposal of items of right-of-use assets	–	–	419	2.8	6	0.0
COVID-19 related rent concessions	2,439	19.2	–	–	–	–
Gain on derivative financial instruments	–	–	–	–	7,827	15.4
Gain on contingent consideration	–	–	–	–	13,337	26.2
Others	564	4.5	2,129	14.4	4,201	8.3
Total	**12,686**	**100.0**	**14,763**	**100.0**	**50,811**	**100.0**

Finance Costs

Finance costs consist of (i) interest expenses on bank borrowings, and lease liabilities and (ii) loans from shareholders. The following table sets forth the breakdown of our finance costs during the Track Record Period:

	For the Year Ended December 31,					
	2020		2021		2022	
	RMB	%	RMB	%	RMB	%
	(RMB in thousands, except for percentages)					
Interest expenses on:						
Bank borrowings	6,613	33.7	5,702	34.9	49,667	64.7
Lease liabilities	10,833	55.1	10,624	65.1	13,705	17.8
Loans from shareholders	2,198	11.2	–	–	–	–
Transaction costs for derivative financial instruments	–	–	–	–	13,452	17.5
Total	**19,644**	**100.0**	**16,326**	**100.0**	**76,824**	**100.0**

Income Tax Expenses

Income tax expenses consist of current income tax and deferred income tax. The following table sets forth the breakdown of our income tax expenses during the Track Record Period:

	For the Year Ended December 31,		
	2020	2021	2022
	(RMB in thousands)		
Current income tax	82,613	113,302	175,122
Deferred income tax	(13,881)	(18,354)	(39,194)
Total	**68,732**	**94,948**	**135,928**

Our effective income tax rate, calculated by dividing total income tax expenses by profit before tax, was 19.2%, 22.8% and 16.6% in 2020, 2021 and 2022, respectively. Our effective income tax rate increased slightly in 2021 as compared to 2020, primarily because certain of our subsidiaries turned profitable in 2021 whose enterprise income tax rates were 25%, resulting in an increase in our overall effective tax rate. Our effective income tax rate decreased from 22.8% in 2021 to 16.6% in 2022, primarily because the Company recognized RMB87.0 million gains of changes in fair value of convertible redeemable preferred shares, which was subject to zero tax rate in its offshore jurisdiction. During the Track Record Period and up to the Latest Practicable Date, we paid all relevant taxes that were due and applicable to us and had no disputes or unresolved tax issues with relevant tax authorities.

We are 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, we are 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 the PRC. The requirement is effective from January 1, 2008 and applies to earnings after December 31, 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC 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 the PRC in respect of earnings generated from January 1, 2008.

PRC

Pursuant to the Enterprise Income Tax Law of the PRC and the respective regulations (the "EIT Law"), the subsidiaries which operate in the PRC are subject to EIT at a rate of 25% on the taxable income, unless those subsidiaries are eligible for the following tax concessions (i) high and new technology enterprises which are entitled to a preferential EIT rate of 15%, (ii) qualified enterprises incorporated in western regions which are entitled to a preferential EIT rate of 15%, and (iii) small enterprises which are entitled to a preferential EIT rate of 20%. The following table sets forth applicable tax rates for our subsidiaries during the Track Record Period:

	For the Year Ended December 31,		
Entity	**2020**	**2021**	**2022**
Hangzhou Adicon	15%	15%	15%
Hefei Adicon	15%	15%	15%
Shanghai Adicon	15%	15%	15%
Jinan Adicon	15%	15%	15%
Beijing Adicon	15%	15%	15%
Nanchang Adicon	15%	15%	15%
Fuzhou Adicon	15%	15%	15%
Nanjing Adicon	15%	15%	15%
Wuhan Adicon	15%	15%	15%
Chengdu Adicon	15%	15%	15%
Xi'an Adicon	15%	15%	15%
Chongqing Adicon	15%	15%	15%
Yunnan Adicon	15%	15%	15%
Hangzhou Huitu	25%	25%	25%
Shanghai Lv'angjie	20%	25%	25%
Guizhou Adicon	N/A	15%	15%
Xiamen Adicon	N/A	20%	25%
Nanning Adicon	N/A	20%	20%
Qingdao Adicon	N/A	20%	25%
Quzhou Adicon	N/A	20%	20%

Profit for the Year/Period

As a result of the foregoing, our profit amounted to RMB289.5 million, RMB322.3 million and RMB684.9 million in 2020, 2021 and 2022, respectively.

YEAR-TO-YEAR COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2021 Compared to Year Ended December 31, 2022

Revenues

Our revenues increased by 43.8% from RMB3,379.5 million in 2021 to RMB4,860.6 million in 2022, primarily attributable to the growth in our clinical molecular biology, clinical immunology and other comprehensive inspections.

Revenues generated from our medical diagnostic testing services increased by 39.9% from RMB3,144.8 million in 2021 to RMB4,400.7 million in 2022, primarily due to (i) an increase of sample volume driven by our newly opened laboratories, and (ii) continued growth in clinical molecular biology testing group, as a result of increased amount of COVID-19 mass testing during 2022 in response to the Omicron variant spread across the country.

Revenues generated from our sales of medical products increased by 96.0% from RMB234.7 million in 2021 to RMB459.9 million in 2022, primarily due to (i) significant growth in sales volume of reagents and consumables, which increased by over four-fold from 2.5 million to 10.8 million, and (ii) an increase in sales volume of molecular biology equipment.

Cost of Sales

Our cost of revenues increased by 53.0% from RMB1,937.1 million in 2021 to RMB2,964.4 million in 2022, primarily attributable to (i) an increase of RMB628.1 million in reagents and consumables costs in line with our increased testing volume, (ii) an increase of RMB185.5 million in staff costs due to the increased number of staff and the increased remuneration and compensation paid to our laboratory personnel, and (iii) an increase of RMB169.3 million in laboratory operating costs in connection with our increased testing volume.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 31.5% from RMB1,442.4 million in 2021 to RMB1,896.2 million in 2022, with that of (i) medical diagnostic testing services increased by 31.6% from RMB1,369.7 million to RMB1,801.9 million, and (ii) medical products increased by 29.7% from RMB72.7 million to RMB94.3 million. Our gross profit margin decreased from 42.7% to 39.0%, with that of (i) medical diagnostic testing services decreased from 43.6% to 40.9%, primarily due to an increased volume of COVID-19 mass tests that were subject to a continued decline in average price per test during the period, and (ii) medical products decreased from 31.0% to 20.5%, primarily attributable to the increased sales of molecular biology equipment in 2022 with relatively lower margin contribution.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 13.0% from RMB489.8 million in 2021 to RMB553.3 million in 2022, primarily due to an increase of RMB45.8 million in staff costs, primarily driven by the increase in sales and marketing personnel, particularly those focusing on esoteric tests.

Administrative Expenses

Our administrative expenses increased by 7.3% from RMB263.0 million in 2021 to RMB282.3 million in 2022, primarily due to the increase in our office expenses, staff cost and other expenses such as those related to the establishment of additional subsidiaries, as well as conference and travel expenses which is in line with our expansion.

Research and Development Expenses

Our research and development expenses increased by 29.7% from RMB125.4 million in 2021 to RMB162.7 million in 2022, primarily attributable to (i) an increase of RMB16.9 million in staff costs due to the increased number of R&D personnel, and (ii) an increase of RMB15.9 million in reagent and consumables costs as a result of our increased R&D efforts in strengthening our testing capabilities.

Other Expenses

Our other expenses increased from RMB48.5 million in 2021 to RMB128.4 million in 2022, primarily due to (i) an increase of RMB73.4 million in impairment losses, net of reversal, consisting of RMB71.9 million in financial assets under ECL model and (ii) an increase of RMB6.7 million in foreign exchange losses, net, resulting from currency fluctuations in 2022.

[**REDACTED**]

We incurred [**REDACTED**] of [**REDACTED**] in connection with this proposed [**REDACTED**] in 2022, as compared to [**REDACTED**] in 2021.

Other Income and Gains

Our other income and gains increased from RMB14.8 million in 2021 to RMB50.8 million in 2022, primarily due to (i) an additional RMB13.3 million of fair value gain on contingent consideration relating to our acquisition of Henan Adicon, and (ii) an increase of RMB10.4 million in government grants.

Finance Costs

Our finance costs increased from RMB16.3 million in 2021 to RMB76.8 million in 2022, primarily due to (i) an additional transaction costs of RMB13.5 million for derivative financial instruments, representing primarily arrangement fees charged by banks for credit facilities we entered in July 2022, as well as additional hedging products we purchased to manage the interest rate risk associated with such credit facilities, and (ii) an increase of RMB44.0 million in interest from bank borrowings.

Income Tax Expenses

Our income tax expenses increased by 43.2% from RMB94.9 million in 2021 to RMB135.9 million in 2022, primarily because our profit before tax increased by 96.7% from RMB417.2 million in 2021 to RMB820.8 million in 2022. Our effective income tax rate decreased from 22.8% in 2021 to 16.6% in 2022, primarily because we recognized RMB87.0 million of gains on changes in fair value of convertible redeemable preferred shares which was subject to zero tax rate.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 112.5% from RMB322.3 million in 2021 to RMB684.9 million in 2022, primarily attributable to our increased economies of scale, and the overall growth across all specialty testing groups.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2021

Revenues

Our revenues increased by 23.3% from RMB2,741.7 million in 2020 to RMB3,379.5 million in 2021, primarily attributable to the growth in our molecular biology, clinical immunology and other comprehensive inspections testing groups.

Revenues generated from our medical diagnostic testing services increased by 25.1% from RMB2,513.2 million in 2020 to RMB3,144.8 million in 2021. All of our specialty groups registered growth in both revenues and sample volume, in particular the molecular biology and other comprehensive inspections segments, which was due to the continued expansion of our overall business and focus on the growth of esoteric testing in 2021.

Revenues generated from our sales of medical products increased by 2.7% from RMB228.5 million in 2020 to RMB234.7 million in 2021, primarily due to significant growth in sales volume of our reagents and consumables because we put more efforts in expanding sales of reagents in 2021.

Cost of Sales

Our cost of sales increased by 19.2% from RMB1,625.1 million in 2020 to RMB1,937.1 million in 2021, primarily attributable to (i) an increase of RMB119.5 million in reagent and consumable costs in connection with our increased testing volume, (ii) an increase of RMB93.7 million in staff costs due to the increased number of staff and the increased remuneration and compensation paid to our laboratory personnel, and (iii) an increase of RMB69.2 million in laboratory operating costs in connection with our increased testing volume.

Gross Profit and Gross Profit Margin

As a result of the foregoing, our gross profit increased by 29.2% from RMB1,116.7 million in 2020 to RMB1,442.4 million in 2021, and our gross profit margin increased from 40.7% in 2020 to 42.7% in 2021. Specifically, gross profit for medical diagnostic testing services increased by 28.3% from RMB1,067.7 million in 2020 to RMB1,369.7 million in 2021, and the gross profit margin increased from 42.5% in 2020 to 43.6% in 2021. Gross profit for sales of medical products increased by 48.4% from RMB49.0 million in 2020 to RMB72.7 million in 2021, and the gross profit margin increased from 21.4% in 2020 to 31.0% in 2021. Such increases were primarily attributable to an improvement in our reagents and consumables margins resulting from our centralized procurement initiatives and localization of reagents as well as continuing improvements in operating scale.

Leveraging our nationwide laboratory network and strong purchasing power, we initiated centralized procurement for reagents and consumables to achieve cost savings. In general, our experienced procurement team in headquarters negotiates with and coordinates suppliers and vendors to aggregate purchase volume and thereby secure better terms for our subsidiaries. All of our suppliers and vendors are periodically tendered to ensure that we are able to take advantage of our operating scale effectively and ensure optimal and cost-effective reagents and consumables for delivering testing services. Moreover, our continued improvements in operating scale and business growth enabled us to gain stronger bargaining power with our suppliers, which further fueled increase of margins.

Since 2019, we have begun to systematically look for supplier alternatives that can replace the use of typically more costly imported reagents. In order to ensure that local suppliers can provide a comparable level of quality and consistency, we internally validate local suppliers' offerings, and only cooperate with those that meet our standards. For suppliers that meet our requirements, we will make an effort to transit our testing volume to lower cost local suppliers for these reagents. We are in a continuous process of assessing and validating new local supplier alternatives on a test-by-test or testing group-by-testing group basis and have been able to secure the benefits of lower costs while maintaining the same strict quality standards of imported equipment and reagents.

Selling and Marketing Expenses

Our selling and marketing expenses increased by 36.4% from RMB359.1 million in 2020 to RMB489.8 million in 2021, primarily due to an increase of RMB75.5 million in staff cost as a result of expansion of our sales and marketing team to further strengthen our esoteric sales capabilities.

Administrative Expenses

Our administrative expenses increased by 11.2% from RMB236.6 million in 2020 to RMB263.0 million in 2021, primarily due to an increase of RMB21.1 million in staff cost primarily as a result of the addition of certain management personnel.

Research and Development Expenses

Our research and development expenses increased by 23.0% from RMB102.0 million in 2020 to RMB125.4 million in 2021, primarily attributable to an increase of RMB24.9 million in staff costs as a result of our efforts in expanding our test offerings.

Other Expenses

Our other expenses increased by 28.7% from RMB37.7 million in 2020 to RMB48.5 million in 2021, primarily due to (i) an increase of RMB7.1 million in provisions for expected credit losses, net of reversal, and (ii) an increase of RMB2.6 million in charity donations and contributions for disaster relief.

[**REDACTED**]

Our [**REDACTED**] increased by [**REDACTED**]% from [**REDACTED**] in 2020 to [**REDACTED**] in 2021.

Other Income and Gains

Our other income and gains increased by 16.4% from RMB12.7 million in 2020 to RMB14.8 million in 2021, primarily due to an increase of RMB2.5 million in bank interest income, which is partially offset by the cessation of COVID-19 related rent concessions in 2021.

Finance Costs

Our finance costs decreased by 16.9% from RMB19.6 million in 2020 to RMB16.3 million in 2021, primarily due to a decrease in outstanding balance of interest-bearing bank borrowings and the repayment of shareholder loans.

Income Tax Expenses

Our income tax expenses increased by 38.1% from RMB68.7 million in 2020 to RMB94.9 million in 2021, primarily because our profit before tax increased by 16.5% from RMB358.2 million in 2020 to RMB417.2 million in 2021. Our effective income tax rate increased from 19.2% in 2020 to 22.8% in 2021, primarily because certain of our subsidiaries turned profitable in 2021 whose enterprise income tax rates were 25%, resulting in an increase in the overall effective tax rate.

Profit for the year

As a result of the foregoing, our profit for the year increased by 11.3% from RMB289.5 million in 2020 to RMB322.3 million in 2021, primarily attributable to the overall growth across all specialty groups and increased gross profit margin, which is partially offset by [**REDACTED**] and fair value losses.

DISCUSSION OF CERTAIN KEY CONSOLIDATED BALANCE SHEETS ITEMS

The table below sets forth selected information from our consolidated statements of financial position as of the dates indicated, which have been extracted from the Accountants' Report included in Appendix I to this Document:

	As of December 31,		
	2020	2021	2022
	(RMB in thousands)		
Total non-current assets	388,629	571,734	959,261
Total current assets	2,334,912	2,538,104	3,894,972
Total assets	**2,723,541**	**3,109,838**	**4,854,233**
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**
Total non-current liabilities	675,453	869,217	1,823,465
Total liabilities	**1,684,423**	**2,256,991**	**4,241,897**
Net assets	**1,039,118**	**852,847**	**612,336**
Share capital	77	86	86
Reserves	1,024,262	804,155	510,738
Non-controlling interests	14,779	48,606	101,512
Total equity	**1,039,118**	**852,847**	**612,336**

Net Current Assets/Liabilities

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of December 31,		
	2020	2021	2022
	(RMB in thousands)		
Current assets:			
Inventories	102,932	109,395	229,413
Trade and bills receivables	942,041	1,213,512	1,856,847
Prepayments, deposits and other receivables	61,120	105,716	127,860
Amounts due from related parties	199	270	227
Cash and bank balances	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	383,775	510,691	1,062,452
Other payables and accruals	365,428	689,136	985,104
Contract liabilities	11,665	20,683	21,060
Interest-bearing bank borrowings	120,178	49,141	112,792
Profit tax payable	44,078	50,303	124,553
Amounts due to related parties	55,430	36,167	61,071
Lease liabilities	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**

Our net current assets decreased from RMB1,325.9 million as of December 31, 2020 to RMB1,150.3 million as of December 31, 2021, primarily due to an increase of RMB323.7 million in other payables and accruals, an increase of RMB126.9 million in in trade and bill payables, and a decrease of RMB119.4 million in cash and bank balances. The decrease was partially offset by an increase of RMB271.5 million in trade and bill receivables.

Our net current assets increased from RMB1,150.3 million as of December 31, 2021 to RMB1,476.5 million as of December 31, 2022, primarily due to an increase of RMB643.3 million in trade and bills receivables and RMB571.4 million in cash and bank balances. The increase was partially offset by an increase of RMB551.8 million in trade payables and an increase of RMB296.0 million in other payables and accruals.

Inventories

Our inventories consist of reagents, finished goods and consumables. Finished goods refer to equipment and instruments we sell to our customers. The table below sets forth our inventory balances as of the dates indicated:

	As of December 31,		
	2020	2021	2022
	(RMB in thousands)		
Reagents	72,705	85,557	137,936
Finished goods	13,869	6,821	69,827
Consumables	16,358	17,017	21,650
Total	**102,932**	**109,395**	**229,413**

Our inventory balance increased by 6.3% from RMB102.9 million as of December 31, 2020 to RMB109.4 million as of December 31, 2021, primarily due to a continued increase in our reagents and consumables in line with our business growth during the Track Record Period. Our inventory balance increased by 109.7% from RMB109.4 million as of December 31, 2021 to RMB229.4 million as of December 31, 2022, primarily due to an earlier stock-up of reagents, equipment and instruments as a result of early Chinese New Year season in 2023.

Our inventory turnover days remained relatively stable during the Track Record Period. The table below sets forth our inventory turnover days during the Track Record Period:

	For the Year Ended December 31,		
	2020	2021	2022
Inventory turnover days [(1)]	21	20	21

Note:

(1) We calculate the inventory turnover days using the average balance of inventory for the year, divided by costs of sales for the same year, multiplied by 365 days for 2020, 2021 and 2022.

As of January 31, 2023, RMB122.6 million, or 50.5% of our inventories outstanding as of December 31, 2022 was sold or utilized. This was primarily due to an early Chinese New Year in 2023, which resulted in seasonal slowdown in January 2023.

Trade and Bills Receivables

Our trade and bills receivables primarily consist of: (i) trade receivables, (ii) bills receivable and (iii) allowance for expected credit losses. Trade receivables are amounts due from customers, in most cases for our business during the Track Record Period, for our medical diagnostic testing services and sales of medical products as agreed in pre-determined arrangements. Trade receivables are classified as current assets if they are expected to be collected in one year or less (or more than one year within the normal operating cycle of the applicable business). Otherwise, they are presented as non-current.

The following table sets forth our trade and other receivables as of the dates indicated:

	As of December 31,		
	2020	2021	2022
	(RMB in thousands)		
Trade receivables	988,040	1,285,447	2,043,901
Bills receivables[(1)]	–	3,140	3,253
Allowance for expected credit losses	(45,999)	(75,075)	(190,307)
Total	**942,041**	**1,213,512**	**1,856,847**

Note:

(1) Bills receivables are subject to impairment under the general approach and it is considered to be minimal.

Our trade and bills receivables increased by 28.8% from RMB942.0 million as of December 31, 2020 to RMB1,213.5 million as of December 31, 2021, and further by 53.0% to RMB1,856.8 million as of December 31, 2022, primarily due to an increase in trade receivables as a result of increases in our testing volume, in particular, COVID-19 tests. As compared to 2021, we recorded increased amount of allowance for expected credit losses in 2022 to recognize the risks relating to receivables of COVID-19 mass testing, which may have relatively longer payment periods.

The following table sets forth an aging analysis of our trade receivables based on invoice dates as of the dates indicated:

	As of December 31,		
	2020	2021	2022
	(RMB in thousands)		
Within 1 year	904,556	1,178,908	1,799,613
1 year to 2 years	65,061	87,890	196,608
Over 2 years	18,423	18,649	47,680
Total	**988,040**	**1,285,447**	**2,043,901**

Our trade receivables turnover ratio is affected by various factors, including the different settlement habits of our customers. The credit period we extend to our customers is normally 90 to 120 days. The following table sets forth the number of turnover days for our trade receivables for the years indicated:

	For the Year Ended December 31,		
	2020	2021	2022
Trade receivables turnover days[(1)]	115	123	125

Note:

(1) We calculate the trade receivables turnover days using the average balance of trade receivables for the year, divided by revenue for the relevant year, multiplied by 365 days for 2020, 2021 and 2022.

Our trade receivables turnover days increased from 115 days in 2020 to 123 days in 2021, and to 125 days in 2022. In line with industry practice, we generally extend a longer settlement period to institutional customers, such as public hospitals, considering their good credit standing. Furthermore, the settlement period of certain customers has been prolonged as a result of the COVID-19 pandemic. Our sales and business operation teams communicate with the customer constantly and regularly, monitor the progress on the recoverability of the trade receivables, and our finance team perform regular reviews on the ages of our trade receivables.

As of January 31, 2023, RMB136.8 million, or 6.7% of our trade and bills receivables outstanding as of December 31, 2022 had been subsequently settled.

We perform impairment analysis and make sufficient provision using a provision matrix to measure ECLs for trade and bills receivables related to each testing item. Starting from 2022, we participated in an increasing number of COVID-19 mass testing organized by local governments, which may have longer payment periods. To navigate the risks of these receivables, we have been, and will continue to put further focus on its collection efforts and will closely monitor these accounts to ensure proper and timely settlement in line with our historical experience. We have factored in our ECLs through ECL model which includes the historical loss experience of all our customers. The ECL model has been reviewed and validated by independent third-party valuation firm. See "– Critical Accounting Estimates – Provision for Expected Credit Losses of Trade and Bills Receivables" for details of of our provision matrix. As of January 31, 2023, the ECL on our unsettled amount of outstanding trade and bills receivables on December 31, 2022 was RMB183.0 million.

The following table sets forth an aging analysis of our trade and bills receivables outstanding on December 31, 2022 as of January 31, 2023 and the ECLs:

	Trade and bills receivables as of December 31, 2022	Amount unsettled as of January 31, 2023		ECLs
	(RMB in thousands, except for percentages)			
	(Unaudited)			
Within 1 year	1,802,866	1,675,624	92.9%	71,742
1 year to 2 years	196,608	189,386	96.3%	73,939
Over 2 years	47,680	45,389	95.2%	37,357
Total	**2,047,154**	**1,910,399**	**93.3%**	**183,038**

Having considered the foregoing, our Directors are of the view that the recoverability of trade receivables is reasonably assured, and the relevant impairment provision is adequate. For risk related to the recoverability of our trade receivables, please see "Risk Factors – Risks Relating to Our Business and Industry – We are subject to credit risks in relation to trade and bill receivables and customers could default on their obligations to pay our fees."

Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables primarily consist of: (i) prepayments, (ii) deposits, (iii) value-added tax, and (iv) advance lease payments for short-term leases.

	As of December 31,		
	2020	2021	2022
	(RMB in thousands)		
Deposits	13,486	18,597	20,920
Advanced payment for investment	–	30,000	18,200
Advance lease payments for short-term leases	7,804	4,968	10,610
Prepayments	30,335	35,788	54,613
Others	4,743	5,913	9,940
Value-added tax recoverable	9,037	8,566	14,300
[**REDACTED**]	[REDACTED]	[REDACTED]	[REDACTED]
	69,389	**115,784**	**141,265**
Less:			
Provision of impairment	522	423	566
Total:	**68,867**	**115,361**	**140,699**

Our prepayments, deposits and other receivables increased by 67.5% from RMB68.9 million as of December 31, 2020 to RMB115.4 million as of December 31, 2021, primarily due to (i) an increase of RMB30.0 million in advanced payments for a proposed acquisition in Henan, and (ii) an increase of [**REDACTED**] of [**REDACTED**].

Our prepayments, deposits and other receivables increased by 22.0% from RMB115.4 million as of December 31, 2021 to RMB140.7 million as of December 31, 2022, primarily due to an increase of RMB18.8 million in prepayments for equipments, reagents and consumables used for sales of medical products business.

As of January 31, 2023, RMB21.0 million, or 31.7% of our prepayments, deposits and other receivables outstanding as of December 31, 2022 had been subsequently settled.

Trade Payables

Trade payables are amounts due to suppliers, primarily for our purchase of equipment, reagents and consumables. The following table sets forth our trade payables as of the dates indicated:

	As of December 31,		
	2020	2021	2022
	(RMB in thousands)		
Trade payables	383,775	510,691	1,062,452

Our trade payables increased by 33.1% from RMB383.8 million as of December 31, 2020 to RMB510.7 million as of December 31, 2021, and further increased by 108.0% to RMB1,062.5 million as of December 31, 2022, primarily in line with our business growth. The trade payables are non-interest-bearing and are normally settled on terms of 60 to 120 days.

The following table sets forth the aging analysis of our trade payables based on invoice date as of the dates indicated:

	As of December 31,		
	2020	2021	2022
	(RMB in thousands)		
Within 1 year	377,594	506,444	1,010,329
1 to 2 years	3,573	2,126	50,484
Over 2 years	2,608	2,121	1,639
Total	**383,775**	**510,691**	**1,062,452**

The following table sets forth the number of turnover days for our trade payables for the years indicated:

	For the Year Ended December 31,		
	2020	2021	2022
Trade payables turnover days[(1)]	72	84	97

Note:
(1) We calculate the trade payables turnover days using the average balance of trade payables for the year, divided by costs of sales for the relevant year, multiplied by 365 days for 2020, 2021 and 2022.

The increase in average trade payables turnover days during the Track Record Period was primarily due to longer credit terms granted by our suppliers due to our stronger bargaining power resulting from increased purchase amounts.

As of January 31, 2023, RMB230.4 million, or 21.7% of our trade payables outstanding as of December 31, 2022 had been subsequently settled. Our Directors confirm that we had no material defaults in our trade and other payables during the Track Record Period and up to the Latest Practicable Date.

Other Payables and Accruals

The following table sets forth the breakdown of other payables and accruals as of the dates indicated:

	As of December 31,		
	2020	2021	2022
	(RMB in thousands)		
Payroll payables	207,625	340,319	438,351
Accruals	80,717	90,409	172,162
[**REDACTED**]	[REDACTED]	[REDACTED]	[REDACTED]
Other payables	31,935	76,992	83,938
Advance payments from non-controlling shareholders	450	–	–
Advance payments received for subscription of share options	27,918	70,510	97,036
Payables arising from acquisitions[(1)]	–	75,536	132,682
Amount due to non-controlling shareholders	–	–	49,884
Total	**365,428**	**689,136**	**985,104**

Note:
(1) Represents the acquisitions of 61% of the equity interests in each of the Shangrao Adicon and Jiangxi Jince in 2021, 51% of the equity interest in Henan Adicon in 2022. For acquisition of Shangrao Adicon and Jiangxi Jince, (i) RMB4.4 million remained in payables as of December 31, 2022, (ii) RMB13.7 million was recognized as contingent consideration as of December 31, 2022, and (iii) RMB57.5 million remained in payables estimated based on the present value of the put option's strike price over the non-controlling interests, as of December 31, 2021 and 2022. For acquisition of Henan Adicon, as of December 31, 2022 (i) RMB13.3 million was recognized as contingent consideration, and (ii) RMB43.8 million remained in payables estimated based on the present value of the put option's strike price over the non-controlling interests. For details of the acquisitions, see Note 27 in Appendix I to this Document.

Our other payables and accruals increased from RMB365.4 million as of December 31, 2020 to RMB689.1 million as of December 31, 2021, primarily due to (i) an increase of RMB132.7 million in payroll payables, resulting from the change in our payroll cycle, (ii) payables arising from acquisitions of two subsidiaries of RMB75.5 million, and (iii) an increase of RMB45.1 million in other payables, mainly consisting of payables for the acquisition of testing equipment.

Our other payables and accruals increased from RMB689.1 million as of December 31, 2021 to RMB985.1 million as of December 31, 2022, primarily due to (i) an increase of RMB107.3 million in payables arising from acquisitions of subsidiaries, (ii) an increase of RMB98.0 million in payroll payables, mainly comprising increases in employee bonus and social insurance, and (iii) an increase of RMB81.8 million in accruals.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we have funded our cash requirements principally from cash generated from our operating activities and bank loans. As of December 31, 2020, 2021 and 2022, we had cash and cash equivalents of RMB1,226.8 million, RMB1,109.2 million and RMB1,680.6 million, respectively.

The following table sets forth a summary of our cash flows for the years indicated:

	For the Year Ended December 31,		
	2020	2021	2022
	(RMB in thousands)		
Operating cash flows before movements in working capital	582,128	707,036	1,111,891
Net cash generated from operating activities	481,989	564,262	892,938
Net cash used in investing activities	(100,913)	(197,329)	(333,301)
Net cash generated from/(used in) financing activities	537,722	(476,193)	3,722
Interest paid and/or tax paid	(55,696)	(112,983)	(138,588)
Net increase/(decrease) in cash and cash equivalents	918,798	(109,260)	563,359
Cash and cash equivalents at the beginning of the year	304,523	1,226,819	1,109,211
Effects of foreign exchange rate	3,498	(8,348)	8,055
Cash and cash equivalents at end of the year	**1,226,819**	**1,109,211**	**1,680,625**

Net cash generated from operating activities

For the year ended December 31, 2022, net cash generated from operating activities was RMB892.9 million. This net cash inflow was attributable to (i) our profit before tax of RMB820.8 million, as adjusted by non-cash items, principally comprising depreciation of property and equipment of RMB129.4 million, and impairment losses on financial assets under expected credit losses model of RMB111.7 million, and (ii) changes in operating assets and liabilities, which primarily results from (a) an increase of RMB511.9 million in trade payables, which is primarily in line with our business growth. line with our business growth, and (b) an increase of RMB167.0 million in other payables and accruals, partially offset by (i) an increase of RMB649.7 million in trade and bills receivables which is in line with our business growth, and (ii) an increase of RMB115.2 million in inventories.

For the year ended December 31, 2021, net cash generated from operating activities was RMB564.3 million. This net cash inflow was attributable to (i) our profit before tax of RMB417.2 million, as adjusted primarily by non-cash items, principally comprising loss on fair value adjustment of RMB61.5 million, depreciation of property and equipment of RMB85.1 million and depreciation of right-of-use assets of RMB51.2 million with respect to the lease arrangements for properties and equipment, and (ii) changes in operating assets and liabilities, which was primarily the result of (a) an increase of RMB183.9 million in other payables and accruals attributable to an increased amount of (x) payroll payables mainly due to the change in our payroll cycle, and (y) other payables, mainly consisting payables for the acquisition of testing equipment and (b) an increase of RMB104.9 million in trade payables in line with our business growth, partially offset by (c) an increase of RMB304.9 million in trade and bills receivables attributable to an increase in our testing volume and number of customers and (d) an increase of RMB15.0 million in prepayments, deposits and other receivables.

For the year ended December 31, 2020, net cash generated from operating activities was RMB482.0 million. This net cash inflow was attributable to (i) our profit before tax of RMB358.2 million, as adjusted by non-cash items, principally comprising depreciation of property and equipment of RMB64.9 million and depreciation of right-of-use assets of RMB48.2 million with respect to the lease arrangements for properties and equipment, and (ii) changes in operating assets and liabilities, which was primarily the result of (a) an increase of RMB160.6 million in other payables and accruals attributable to an increased amount of (x) employee bonus, (y) COVID-19 related service fees, and (z) [**REDACTED**] and (b) an increase of RMB121.3 million in trade payables in line with our business growth, partially offset by (c) an increase of RMB285.2 million in trade and bills receivables attributable to an increase in our testing volume and number of customers and (d) an increase of RMB22.2 million in inventories primarily due to the continued increase in our reagent and consumables in line with our business growth.

Net cash used in investing activities

For the year ended December 31, 2022, net cash used in investing activities was RMB333.3 million, primarily attributable to (i) purchases of property and equipment of RMB228.3 million, (ii) purchases of other intangible assets of RMB69.1 million in license acquisitions, and (iii) acquisitions of subsidiaries of RMB48.7 million, which is partially offset by RMB8.9 million of interest income.

For the year ended December 31, 2021, net cash used in investing activities was RMB197.3 million, primarily attributable to (i) purchases of property and equipment of RMB155.0 million, (ii) advance payments of RMB30 million for the equity investment in an ICL in Henan, and (iii) acquisition of subsidiaries of RMB21.1 million, partially offset by RMB6.3 million of interest income.

For the year ended December 31, 2020, net cash used in investing activities was RMB100.9 million, primarily attributable to purchases of property and equipment of RMB106.1 million, partially offset by (i) RMB3.8 million of interest income and (ii) proceeds from disposal of property and equipment of RMB3.8 million.

Net cash generated from/(used in) financing activities

For the year ended December 31, 2022, net cash generated from financing activities was RMB3.7 million, primarily attributable to (i) new bank loans of RMB1,098.4 million and (ii) advance payments received for subscription of share options of RMB26.5 million, partially offset by (i) payment of dividends of RMB865.0 million, (ii) repayment of bank loans of RMB155.3 million and (iii) lease payments of RMB62.5 million.

For the year ended December 31, 2021, net cash used in financing activities was RMB476.2 million, primarily attributable to (i) payments of dividends of RMB452.6 million, (ii) repayment of share interest consideration of RMB138.8 million to shareholders, and (iii) repayment of bank loans of RMB120.1 million, partially offset by proceeds from issuance of convertible redeemable preferred shares of RMB129.2 million.

For the year ended December 31, 2020, net cash generated from financing activities was RMB537.7 million, primarily attributable to proceeds from (i) our issuance of convertible redeemable preferred shares with a fair value of RMB443.9 million, and (ii) new bank loans and other borrowings of RMB230.5 million, partially offset by repayment of bank loans and other borrowings of RMB181.0 million.

WORKING CAPITAL

We intend to finance our working capital with our cash and bank balances, cash generated from our operations, bank and other loans, the [**REDACTED**] from the [**REDACTED**] and other funds raised from capital markets from time to time. We will closely monitor the level of our working capital, and diligently review future cash flow requirements and, particularly in view of our strategy to continue enhancing our service capabilities and expanding our service network, adjust our operation and expansion plans, if necessary, to ensure that we maintain sufficient working capital to support our business operations.

During the Track Record Period and up to the Latest Practicable Date, we have financed our operations primarily through our cash and bank balances, cash generated from our operations and bank and other loans. We have obtained two banking facilities in a sum of RMB180.0 million from two licensed commercial banks in 2021 and 2022, of which RMB46.2 million was utilized as of December 31, 2022. As of December 31, 2022, we had RMB1,680.6 million in cash and bank balances. Our Directors are of the view that, taking into account the [**REDACTED**] of the [**REDACTED**], our current cash and bank balances, our anticipated cash flows from operations, the available bank facilities, and the special dividend to be paid by us, we have sufficient working capital for our present requirements, that is, for at least 12 months following the date of this Document.

INDEBTEDNESS

During the Track Record Period, we incurred borrowings to finance our capital expenditure and working capital requirements, which were primarily denominated in RMB. The following table sets forth a breakdown of our outstanding borrowings as of the dates indicated:

	As of December 31,			As of January 31,
	2020	2021	2022	2023
	(RMB in thousands)			
Current liabilities:				
Interest-bearing bank borrowings[(1)]	120,178	49,141	112,792	100,165
Lease liabilities	28,416	31,653	51,400	32,633
Non-current liabilities:				
Interest-bearing bank borrowings[(1)]	100,276	90,790	1,023,329	993,418
Lease liabilities	129,710	146,297	182,455	180,043
Financial liabilities at FVTPL	443,931	621,870	589,179	574,082
Total	**822,511**	**939,751**	**1,959,155**	**1,880,341**

Note:

(1) For details of our interest-bearing bank borrowings, see Note 29 in Appendix I to this Document.

Interest-Bearing Bank Borrowings

The following table sets forth the maturity profile of our interest-bearing bank borrowings, as of the dates indicated:

	As of December 31,		
	2020	2021	2022
	(RMB in thousands)		
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
Total	**220,454**	**139,931**	**1,136,121**

All the interest-bearing bank loans in 2020, 2021 and 2022 were unsecured loans with effective annual interest rates ranging from 2.85% to 6.76% as of December 31, 2022.

Lease liabilities

As of December 31, 2020, 2021 and 2022, we had total lease liabilities of RMB158.1 million, RMB178.0 million and RMB233.9 million, respectively.

The following table sets forth a maturity analysis of the lease liabilities as of the dates indicated:

	As of December 31,		
	2020	2021	2022
	(RMB in thousands)		
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
Total	**158,126**	**177,950**	**233,855**

Convertible Redeemable Preferred Shares

Convertible redeemable preferred shares was designated as whole as financial liabilities carried at FVTPL. As of December 31, 2020 and 2021 and 2022, financial liabilities at FVTPL relating to our convertible redeemable preferred shares had fair value of RMB443.9 million, RMB621.9 million and RMB589.2 million respectively. We recognized fair value gain on financial liabilities at FVTPL for 2022, primarily due to the decrease in the fair value of the convertible redeemable preferred shares.

CONTINGENT LIABILITIES

As of December 31, 2020, 2021 and 2022, we were not involved in any material legal, arbitration or administrative proceedings that, if adversely determined, we expect would materially adversely affect our financial position or result of operations.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of December 31, 2022, we had not entered into any off-balance sheet transactions.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period primarily consisted of expenditures on (i) property and equipment, and (ii) intangible assets.

The following table sets forth our capital expenditures during the Track Record Period:

	For the Year Ended December 31,		
	2020	2021	2022
	(RMB in thousands)		
Purchases of property and equipment	106,075	155,005	228,297
Purchase of other intangible assets	590	1,115	69,058
Total	**106,665**	**156,120**	**297,355**

We intend to fund our planned capital expenditures through a combination of the [**REDACTED**] from the [**REDACTED**] as well as cash generated from operations. See "Future Plans and [**REDACTED**]" for further details. Our current capital expenditure plans for any future period are subject to change, and we may adjust our capital expenditures according to our future cash flows, results of operations and financial condition, our business plans, market conditions and various other factors.

COMMITMENTS

Capital Commitments

Our capital commitments are related to our purchase of property and equipment for the construction, expansion and enhancement of our facilities. We expect to satisfy our capital commitments using cash from operations, [**REDACTED**] to be received from the [**REDACTED**] and bank borrowings available to us.

The following table sets forth our capital commitments as of the dates indicated:

	As of December 31,		
	2020	2021	2022
	(RMB in thousands)		
Contracted, but not provided for acquisition of property and equipment	13,449	37,549	15,418

MATERIAL RELATED PARTY TRANSACTIONS

Related party transactions are set out in note 37 to "Appendix I – Accountants' Report." Our Directors confirm that these transactions were conducted in the ordinary and usual course of business and on an arm's length basis and would not distort our results of operations or make our historical results not reflective of our future performance. Our Directors further confirm that save for the lease deposit of approximately RMB4.2 million we paid to AJON Medical Device (Hangzhou) Company Limited, all of our non-trade related party transactions have been settled as of December 31, 2022.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates or for the years indicated:

	For the Year Ended December 31,		
	2020	2021	2022
Profitability ratios			
Gross profit margin[(1)]	40.7%	42.7%	39.0%
Net profit margin[(2)]	10.6%	9.5%	14.1%
Adjusted net profit margin[(3)]	13.4%	13.4%	12.3%
EBITDA margin[(4)]	17.8%	16.7%	22.3%
Adjusted EBITDA margin[(5)]	20.7%	20.7%	20.5%
Return on equity[(6)]	35.4%	34.1%	93.5%
Return on assets[(7)]	13.8%	11.1%	17.2%

	As of December 31,		
	2020	2021	2022
Liquidity ratios			
Current ratio[(8)]	2.31	1.83	1.61
Quick ratio[(9)]	2.21	1.75	1.52
Capital adequacy ratios			
Gearing ratio[(10)]	0.21	0.16	1.86

Notes:

(1) Gross profit for the year divided by revenue for the same year and multiplied by 100.0%.

(2) Profit for the year divided by revenue for the same year and multiplied by 100.0%.

(3) Adjusted net profit margin is a non-IFRS measure. It equals adjusted net profit for a year (non-IFRS measure) divided by revenue for the same year and multiplied by 100.0%. For a reconciliation of adjusted net profit to net profit, see "– Non-IFRS Measures".

(4) EBITDA margin is a non-IFRS measure. It equals EBITDA for the year divided by revenue for the same year and multiplied by 100.0%. For reconciliation of EBITDA from profit before tax, see "– Non-IFRS Measures".

(5) Adjusted EBITDA margin is a non-IFRS measure. It equals adjusted EBITDA for the year (non-IFRS measure) divided by revenue for the same year and multiplied by 100.0%. For reconciliation of adjusted EBITDA from profit before tax, see "– Non-IFRS Measures".

(6) Net profit for the year divided by average total equity as of the beginning and the end of such year and multiplied by 100.0%.

(7) Net profit for the year divided by average total assets as of the beginning and the end of such year and multiplied by 100.0%.

(8) Current assets divided by current liabilities as of the end of the year.

(9) Current assets less inventories divided by current liabilities as of the end of the year.

(10) Total borrowings divided by total equity as of the end of the year.

See "– Year-to-Year Comparison of Results of Operations" in this document for a discussion of the factors affecting our gross profit margin and net profit margin during the respective years.

FINANCIAL RISK DISCLOSURE

We are exposed to a variety of financial risks, including credit risk, liquidity risk, interest rate risk and currency risk. We regularly monitor our exposure to these risks. Risk management is carried out by our senior management.

Credit risk

Credit risk arises from cash and cash equivalents, restricted cash and trade and other receivables. The carrying amount of each class of the above financial assets represents our maximum exposure to credit risk in relation to the corresponding class of financial assets. We have a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

To manage this risk, deposits are mainly placed with state-owned financial institutions in the PRC and reputable international financial institutions outside of the PRC. There has been no recent history of default in relation to these financial institutions.

Our trade and other receivables primarily comprise of amounts receivable from customers with no recent history of material defaults. Our exposure to credit risk is influenced mainly by the individual characteristics of each customer. We perform credit evaluations that focus on the customer's past history of making payments and current ability to pay. We do not obtain collateral from customers.

We do not provide any other guarantees which would expose the Group to credit risk.

Liquidity risk

Our individual operating entities are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the management and directors when the borrowings exceed certain predetermined levels of authority. Our policy is to regularly monitor our liquidity requirements to ensure that we maintain sufficient reserves of cash to meet our liquidity requirements in the short and longer term.

Interest rate risk

Our interest rate risk arises primarily from variable rates bank loans, which expose us to cash flow interest rate risk.

Currency risk

We are exposed to currency risk primarily through sales and purchases giving rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate.

DIVIDENDS

On June 23, 2021, our Board declared a dividend of US$69.9 million out of our share premium, and which will be paid before the [**REDACTED**] with our internal resources. On May 18, 2022, we declared a special dividend of RMB865 million, representing 100% of retained earnings as of March 31, 2022 to the shareholders of the Company whose names appear on the register of members of the Company at the time of such dividend declaration. All the dividend declared had been paid by the end of 2022.

We entered into a credit facility agreement of US$150 million on July 20, 2022, for the purposes of paying the special dividend we declared on May 18, 2022 and other general corporate purposes, so as to avoid uncertainties in the timing to settle the special dividend. The debt facilities were subject to a number of customary covenants. We have fully drawn the credit facilities in July 2022 and will have sufficient cash from existing cash balances and from future cash from operations to meet the repayment terms of this loan.

We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will also depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRS. PRC laws also require a foreign-invested enterprise to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves, which are not available for distribution as cash dividends. Distributions from us and our subsidiaries may also become subject to any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries may enter into in the future. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

The amount of dividend actually distributed to our shareholders will depend upon our earnings and financial condition, operating requirements, capital requirements and any other conditions that our Directors may deem relevant and will be subject to approval of our shareholders. Our Board has the absolute discretion to recommend any dividend. We currently intend to retain most, if not all, of our available funds and any future earnings after the [**REDACTED**] to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future.

[**REDACTED**]

[**REDACTED**] are estimated to be approximately [**REDACTED**] (assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of the indicative [**REDACTED**] range stated in this document, and assuming that the [**REDACTED**] is not exercised), accounting for approximately of [**REDACTED**]% of our [**REDACTED**]. [**REDACTED**] primarily consist of (i) [**REDACTED**] of [**REDACTED**], and (ii) [**REDACTED**] of non-[**REDACTED**] related expenses, including (x) [**REDACTED**] of fees and expenses of legal advisors and accountants, and (y) [**REDACTED**] of other fees and expenses. An estimated amount of [**REDACTED**] for our [**REDACTED**], accounting for [**REDACTED**]% of our [**REDACTED**], is expected to be charged to our consolidated income statements and the remaining amount of [**REDACTED**] is expected to be recognized directly as a deduction from equity upon the [**REDACTED**]. [**REDACTED**] of [**REDACTED**] were incurred on or before December 31, 2022, of which [**REDACTED**] was charged to our consolidated income statements, while the remaining amount of [**REDACTED**] was recorded as a prepayment and will be subsequently charged to equity upon completion of the [**REDACTED**]. We estimate we will further incur [**REDACTED**] and other [**REDACTED**] of [**REDACTED**] after December 31, 2022, of which [**REDACTED**] will be charged to our consolidated income statements, and [**REDACTED**] is expected to be accounted for as a deduction from equity upon the completion of [**REDACTED**].

The [**REDACTED**] is responsible for the [**REDACTED**] of [**REDACTED**]%, and a discretionary [**REDACTED**] of up to [**REDACTED**]%, of the aggregate [**REDACTED**] of the [**REDACTED**] which equals to an aggregate amount of [**REDACTED**] (calculated based on the mid-point of the indicative price range for the [**REDACTED**]). Such [**REDACTED**] and [**REDACTED**] will be solely borne by the [**REDACTED**] and are not included in the [**REDACTED**] of the Group.

NON-RECURRING LONG-TERM CASH INCENTIVE PLAN

In October 2018, we granted a non-recurring long-term cash incentive plan, which is fully cash-based, to our employees in connection with the investments of Pearl Group Limited in our Group (details of the investments are set out in "History, Reorganization and Corporate Structure – Round A [**REDACTED**]") for long-term retention purposes. The cost of the cash incentive plan will be recognized as expenses once incurred. The total incentives of RMB9.9 million were fully paid from 2020 to 2022 in cash to qualified management and employees in three installments in 2020, 2021 and 2022, respectively, resulting in RMB9.9 million, nil and nil debit in operating expenses and credit in cash in the Group's financial statements for the respective years.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules are set out below to illustrate the effect of the [**REDACTED**] on the consolidated net tangible assets attributable to the equity holders of the Company as of December 31, 2022 as if the [**REDACTED**] had taken place on that date.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of the consolidated net tangible assets attributable to owners of the Company had the [**REDACTED**] been completed as of December 31, 2022 or at any future date.

It is prepared based on the consolidated net tangible assets of the Group attributable to the owners of the Company as of December 31, 2022 as set out in the Accountants' Report in Appendix I to the Document, and adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets does not form part of the Accountants' Report as set out in Appendix I to the Document.

	Consolidated net tangible assets attributable to owners of the Company as of December 31, 2022	Estimated impact to the consolidated net tangible assets upon conversion of Preferred Shares	Estimated [REDACTED] from the [REDACTED]	Unaudited Pro forma adjusted consolidated net tangible assets attributable to owners of the Company as of December 31, 2022	Unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share as of December 31, 2022	
	RMB'000	RMB'000	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
	(Note 1)	(Note 2)	(Note 3)		(Note 4)	(Note 5)
Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]	287,313	589,179	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]	287,313	589,179	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Based on an [REDACTED] of HK$[REDACTED] per [REDACTED]	287,313	589,179	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

Notes:

(1) The consolidated net tangible assets of the Group attributable to owners of the Company as of December 31, 2022 was equal to the audited net assets attributable to owners of the Company as of December 31, 2022 of RMB510,824,000 after deducting of other intangible assets of RMB143,709,000 and goodwill of RMB79,802,000 as of December 31, 2022 set out in the Accountants' Report in Appendix I to this Document.

(2) The Preferred Shares would have been converted into ordinary shares upon completion of [**REDACTED**]. The conversion of Preferred Shares would have been reclassified such preferred shares amounting to RMB589,179,000 from liabilities to equity and accordingly increased the unaudited pro forma adjusted consolidated net tangible assets of the Group as of December 31, 2022 by RMB589,179,000.

(3) The estimated [**REDACTED**] from the [**REDACTED**] are based on an estimated [**REDACTED**] of HK$[**REDACTED**], HK$[**REDACTED**] and HK$[**REDACTED**] per share, after deduction of the [**REDACTED**] fees and other related expenses payable by the Company and do not take into account any Shares which may be issued upon the exercise of the [**REDACTED**].

(4) The unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company per Share is arrived at after adjustments referred in note 2 above and on the basis of [**REDACTED**] Shares are in issue, assuming that the Share Consolidation and the [**REDACTED**] has been completed on December 31, 2022 but does not take into account any Shares which may be sold pursuant to the exercise of the [**REDACTED**].

(5) For the purpose of this unaudited pro forma statement of adjusted net tangible assets attributable to owners of the Company, the balances stated in RMB are converted into HK$ at the rate of RMB1.00 to 1.1381.

(6) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to December 31, 2022.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position since December 31, 2022 (being the date on which the latest audited consolidated financial information of our Group was prepared) and there is no event since December 31, 2022 which would materially affect the information shown in our consolidated financial statements included in the Accountant's Report in Appendix I to this Document.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this document, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS

For further details of our future plans, see "Business – Our Strategies" in this Document.

[REDACTED]

The table below sets forth the estimated aggregate [**REDACTED**] which we will receive after deduction of [**REDACTED**] and [**REDACTED**] and [**REDACTED**] payable by us in connection with the [**REDACTED**]

Assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the mid-point of the [**REDACTED**] range stated in this Document)	HK$[**REDACTED**]
Assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the high end of the [**REDACTED**] range stated in this Document)	HK$[**REDACTED**]
Assuming an [**REDACTED**] of HK$[**REDACTED**] per [**REDACTED**] (being the low end of the [**REDACTED**] range stated in this Document)	HK$[**REDACTED**]

We intend to use the [**REDACTED**] from the [**REDACTED**] over the next three years as follows, assuming the [**REDACTED**] is not exercised and assuming an [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of the [**REDACTED**] range stated in this document:

- approximately HK$[**REDACTED**] (representing [**REDACTED**]% of the [**REDACTED**]) for strengthening our routine and esoteric testing capabilities, including research and development and sales and marketing capabilities. We intend to (i) enhance our in-house R&D capabilities and external R&D collaboration in routine and esoteric testing in various disciplines, primarily focusing on OB-GYN/infertility, solid tumor, hematology, infectious disease and other related categories, and will recruit and expand R&D teams and relevant supporting staff. These identified areas, we believe, present strong growth opportunities in the near future, and are areas over which we have competitive advantage in the ICL market; (ii) purchase new and advanced esoteric technologies in areas such as NGS testing modalities, mass spectrometry, and flow cytometry and enhance our laboratory capacity; and (iii) expand our sales and marketing team and strengthen our sales and marketing initiatives, including building more extensive network, hosting and participating in academic forums and seminars;
- approximately HK$[**REDACTED**] (representing [**REDACTED**]% of the [**REDACTED**]) for network expansion through establishing new laboratories, partnership investments and development of new channels. We intend to (i) establish new laboratories on our own or through collaborating with local partners in untapped provincial capitals and lower-tier cities; and (ii) enhance technical cooperation with Class I and Class II medical institutions to capture the patient flow and address demand from lower-tier cities and rural areas. Specifically, we plan to more than double our laboratory count over the next five years and will include approximately one third of these new laboratories to be provincial level laboratories to provide primary coverage across China, and approximately two thirds of these new laboratories will be located in tier-two cities to deepen our service penetration within local geographic markets. The overall market penetration of the ICL industry in China was only approximately 6% in 2021, according to Frost & Sullivan, significantly less than 60% for Japan, 44% for Germany and 35% for the United States. By the end of 2021, there were over 2,100 ICLs in China, whereas there were over 7,500 ICLs in the United States according to Frost & Sullivan. China's ICL market is still in its infancy and has great growth potential, which is expected to grow at a CAGR of 18.2% by 2026, according to Frost & Sullivan. Our Directors believe that such growth momentum will support our laboratory expansion plans;
- approximately HK$[**REDACTED**] (representing [**REDACTED**]% of the [**REDACTED**]) for business development activities to form strategic collaborations with industry participants as well as strategic and bolt-on acquisitions. We intend to (i) enhance our industry resources and collaborations with In Vitro Diagnostic (IVD)

companies on reagents to enrich our testing modalities; (ii) further build up our CRO sales team to capture the opportunities in clinical studies driven by strong demand from biopharmaceutical companies and CROs; (iii) acquire established regional laboratories. According to Frost & Sullivan, there were over 2,100 ICLs in China by the end of 2021, however, less than 30% of these were chain network companies. The majority of these ICLs, according to Frost & Sullivan are single laboratory facilities, which could be a potential takeover target for us; and (iv) expand our business development team to actively pursue strategic collaborations and investment opportunities for inorganic growth. When selecting acquisition targets, we look into a multitude of factors, including the local market dynamics, competitive dynamics, competitive positioning, history and development of the target company, shareholder of the target company, valuation of the target company, potential synergies able to be realized under our ownership, ability to retain key employees, ability to maintain customer relationships, likelihood of achieving earn-out targets, if any, among others;

- approximately HK$[**REDACTED**] (representing [**REDACTED**]% of the [**REDACTED**]) for upgrade and expansion of our existing laboratories. We intend to (i) upgrade the equipment and strengthen the testing capabilities of our existing laboratories; (ii) expand the facilities of our existing laboratories; and (iii) expand our laboratory operation team;
- approximately HK$[**REDACTED**] (representing [**REDACTED**]% of the [**REDACTED**]) for investment in operating infrastructure including logistics facilities, artificial intelligence technologies and IT infrastructure. We intend to (i) invest in our cold-chain logistics infrastructure, in particular vehicles and storage and related technologies; (ii) invest in data-mining technologies and data infrastructure to help us discover new information from our existing database of anonymized test results to provide better diagnostic insights to our customers; (iii) invest in the development of proprietary artificial intelligence technologies that could further enhance our analytical capabilities and enable the digitalization of pathology framework, in particular, we plan to invest into AI technologies that will provide assisted diagnosis for our pathology tests, as pathology testing is an area that is ready for AI based assisted diagnosis. Pathology slides are generally two-dimensional images which allow for easier processing by AI based assisted diagnosis based on two-dimensional image recognition algorithms and correlation analysis; and (iv) expand our in-house team dedicated to IT management and logistics; and
- approximately HK$[**REDACTED**] (representing [**REDACTED**]% of the [**REDACTED**]) for working capital and general corporate purposes.

The above allocation of [**REDACTED**] is projected based on our current business plan and the amount of [**REDACTED**] that we expect to receive from the [**REDACTED**]. If we are unable to raise the expected amount of [**REDACTED**] from the [**REDACTED**], we expect to adjust the allocation of the [**REDACTED**] for the above purposes on a pro rata basis.

If the [**REDACTED**] is set at the high end or low end of the proposed [**REDACTED**] range, the [**REDACTED**] of the [**REDACTED**] (assuming that the [**REDACTED**] is not exercised) will increase to HK$[**REDACTED**] or decrease to HK$[**REDACTED**], respectively. In this event, we will increase or decrease the allocation of the [**REDACTED**] to the above purposes on a pro-rata basis.

If the [**REDACTED**] is fully exercised by the Joint Sponsors, we will receive [**REDACTED**] of HK$[**REDACTED**] for a total of [**REDACTED**] Shares to be sold and transferred upon the full exercise of the [**REDACTED**], respectively, based on the [**REDACTED**] of HK$[**REDACTED**] per Share, being the mid-point of the indicative [**REDACTED**] range, and after deducting the [**REDACTED**] and [**REDACTED**] payable by us. We intend to apply the additional [**REDACTED**] to the above uses in the proportions stated above.

To the extent that the [**REDACTED**] of the [**REDACTED**] are not immediately used for the above purposes and to the extent permitted by applicable laws and regulations, we will only place such [**REDACTED**] into short-term interest-bearing accounts with licensed banks and/or financial institutions. We will issue an appropriate announcement if there is any material change to the above proposed [**REDACTED**].

[We will not receive any of the [**REDACTED**] from the sale of the [**REDACTED**] by the [**REDACTED**] in the [**REDACTED**]. The [**REDACTED**], after deduction of [**REDACTED**], discretionary [**REDACTED**], the SFC transaction levy, the AFRC transaction levy and the Stock Exchange trading fee for the [**REDACTED**] payable by it in the [**REDACTED**] which equals to an aggregate amount of approximately HK$[**REDACTED**] (based on the mid-point of the indicative price range for the [**REDACTED**]) and assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**] range), will receive aggregate [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**].]

[**REDACTED**]

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[To insert the firm's letterhead]

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)
[**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 RMB'000	2021 RMB'000	2022 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
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

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	
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
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

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	
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
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 (北京金識德合會計師事務所(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 in 2020 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 in 2020 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 IASS 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 year 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.

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*	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	–	–	7,826
Fair value gain on contingent consideration	–	–	13,337
COVID-19 related rent concessions	2,439	–	–
Others	564	2,129	4,202
Total	12,686	14,763	50,811

* 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
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 was removed from the list of the directors of the Company on 12 May 2020.

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

(iii) Mr. LIN Feng was appointed as a director of the Company on 19 December 2008 and was removed from the list of the directors of the Company on 7 July 2020.

(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 was removed from the list of the directors of the Company on 11 November 2018.

(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 was removed from the list of the directors of the Company on 7 May 2021.

(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 was removed from the list of the directors of the Company on 24 November 2021.
(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
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

	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 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

	RMB'000
As at 31 December 2021:	
Cost	25,691
Accumulated impairment	–
Net carrying amount	25,691
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
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 1 year	904,556	1,178,908	1,799,613
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 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 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 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
[**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 reagents and consumables.

(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		80,717	90,409	172,162
[**REDACTED**]		[REDACTED]	[REDACTED]	[REDACTED]
Other payables		31,935	76,992	83,978
Advance payments from non-controlling shareholders	*(a)*	450	–	–
Advance payments received for subscription of share options	*(b)*	27,918	70,510	97,036
Payables arising from acquisitions	*(c)*	–	75,536	132,682
Amount due to non-controlling shareholders	*(d)*	–	–	49,884
		365,428	689,136	985,104

Company

	Notes	As at 31 December 2020	2021	2022
		RMB'000	RMB'000	RMB'000
[**REDACTED**]		[REDACTED]	[REDACTED]	[REDACTED]
Advance payments received for subscription of share options	*(b)*	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) 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.

(b) 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.

(c) 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.

(d) 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 中國信托商業銀行 (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 the [**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 US 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
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 market capitalization 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/period	0.3800	49,224	1.5305	23,345	1.4949	1,490
Forfeited during the year/period	0.3800	(15,295)	1.5305	(12,345)	1.4944	(52)
Exercised during the year/period	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 RMB 62,241,000 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 [**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	[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	[REDACTED]	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 [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	[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	[REDACTED]	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 [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	[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 [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
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

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
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
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 RMB830,000/823,000, 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. 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.

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of the Companies Act.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on March 20, 2008 under the Companies Act. The Company's constitutional documents consist of its Memorandum and Articles.

1 MEMORANDUM OF ASSOCIATION

1.1 The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since the Company is an exempted company, that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

1.2 By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2 ARTICLES OF ASSOCIATION

The Articles were adopted on [●], 2023. A summary of certain provisions of the Articles is set out below.

2.1 Shares

(a) Classes of shares

The share capital of the Company consists of ordinary shares.

(b) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of not less than three-fourths of the voting rights of the holders of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum shall be not less than persons together holding (or, in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy holding less than one-third of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(c) Alteration of capital

The Company may, by an ordinary resolution of its members:

(i) increase its share capital by the creation of new shares of such amount as it thinks expedient;

(ii) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares;

(iii) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions;

(iv) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum;

(v) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled;

(vi) make provision for the allotment and issue of shares which do not carry any voting rights;

(vii) change the currency of denomination of its share capital; and

(viii) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(d) Transfer of shares

Subject to the Companies Act and the requirements of the Stock Exchange, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House as defined in the Memorandum and Articles or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee, provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The register of members may, subject to the Listing Rules, be closed on terms equivalent to section 632 of the Companies Ordinance (as amended) as at the date if the adoption of the Articles (or its equivalent provisions from time to time) at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(e) Power of the Company to purchase its own shares

The Company may purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the SFC.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(f) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(g) Calls on shares and forfeiture of shares

The Board may, from time to time, make such calls as it thinks fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for payment to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from

the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20% per annum as the Board may prescribe.

2.2 Directors

(a) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgement of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(i) resigns;

(ii) dies;

(iii) is declared to be of unsound mind and the Board resolves that his office be vacated;

(iv) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) is prohibited from being or ceases to be a director by operation of law;

(vi) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(vii) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(viii) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine, and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(b) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Act, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

(c) Power to dispose of the assets of the Company or any of its subsidiaries

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(d) Borrowing powers

The Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(e) Remuneration

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint

managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make contributions out of the Company's monies to, any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(f) Compensation or payments for loss of office

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

(g) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(h) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(i) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an [**REDACTED**] of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for [**REDACTED**] or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the [**REDACTED**] or sub-[**REDACTED**] of the [**REDACTED**];

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either:

  (A) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or

  (B) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(v) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

2.3 Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.4 Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under the Companies Act and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

2.5 Meetings of Member

(a) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands (the "**Registrar of Companies**") within 15 days of being passed.

An "ordinary resolution", by contrast, is a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(b) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting:

(i) on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and

(ii) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands.

Members shall have the right to:

(i) speak at general meetings of the Company; and

(ii) vote at a general meeting except where a member is required, by the Listing Rules, to abstain from voting to approve the matter under consideration.

On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

(i) at least two members;

(ii) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(iii) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(c) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held within six months after the end of the Company's financial year, at such time and place as may be determined by the Board.

(d) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Companies Act and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it can be demonstrated to the Stock Exchange that reasonable written notice can be given in less time, and it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

Extraordinary general meetings shall also be convened on the requisition of one or more members holding at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings, on a one vote per Share basis in the share capital of the Company. The requisitionist(s) may add resolutions to the agenda of a general meeting so requisitioned.

(e) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(f) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

2.6 Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Companies Act (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account, book or document of the Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by another body independent of the Board.

The members may, at any general meeting convened and held in accordance with the Articles, remove the auditors by special resolution at any time before the expiration of the term of office and shall, by ordinary resolution, at that meeting appoint new auditors in its place for the remainder of the term. A body that is independent of the board may also remove the auditors by a simple majority vote before the expiration of the term of office and shall by a simple majority vote appoint new auditors in its place for the remainder of the term.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

2.7 Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

(a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(b) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(c) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(i) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(ii) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other monies payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

2.8 Inspection of corporate records

For so long as any part of the share capital of the Company is [**REDACTED**], any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

2.9 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

2.10 Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution. The board shall have no authority to present a winding up petition on behalf of the Company without the sanction of a resolution passed by the Company in general meeting.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(a) if the Company is wound up and the assets available for distribution among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* among such members in proportion to the amount paid up on the shares held by them respectively; and

(b) if the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Companies Act, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or different kinds, and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

2.11 Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3 CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 20 March 2008 subject to the Companies Act. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all aspects of the Cayman Islands law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

3.1 Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also required to file an annual return each year with the Registrar of Companies and pay a fee which is based on the amount of its authorised share capital.

3.2 Share capital

Under the Companies Act, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(a) paying distributions or dividends to members;

(b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(c) any manner provided in Section 37 of the Companies Act;

(d) writing-off the preliminary expenses of the company; and

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so by its articles of association, by special resolution reduce its share capital in any way.

3.3 Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

3.4 Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the

company other than shares held as treasury shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless, immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Companies Act. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Companies Act.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

3.5 Dividends and distributions

Subject to a solvency test, as prescribed in the Companies Act, and the provisions, if any, of the company's memorandum and articles of association, company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made, in respect of a treasury share.

3.6 Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss v. Harbottle and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member of a company may petition the court, which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

3.7 Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands' courts will ordinarily follow).

3.8 Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to:

(a) all sums of money received and expended by it;

(b) all sales and purchases of goods by it; and

(c) its assets and liabilities.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act (as amended) of the Cayman Islands (the "**TIA Act**"), make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

3.9 Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

3.10 Taxation

Pursuant to Section 6 of the Tax Concessions Act (as amended) of the Cayman Islands (the "**Tax Concessions Act**"), the Company has obtained an undertaking from the Governor-in-Cabinet that:

(a) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(b) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

  (i) on or in respect of the shares, debentures or other obligations of the Company; or

  (ii) by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Act.

The undertaking for the Company is for a period of 20 years from May 5, 2021.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments.

3.11 Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

3.12 Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

3.13 Inspection of corporate records

The members of a company have no general right to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

3.14 Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the TIA Act.

3.15 Register of Directors and officers

Pursuant to the Companies Act, the Company is required to maintain at its registered office a register of directors, alternate directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies and any change must be notified to the Registrar of Companies within 30 days of any change in such directors or officers, including a change of the name of such directors or officers.

3.16 Winding up

A Cayman Islands company may be wound up by:

(a) an order of the court;

(b) voluntarily by its members; or

(c) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that:

(a) the company is or is likely to become insolvent; or

(b) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors.

A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s).The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

3.17 Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (ie the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

3.18 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands' courts within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

3.19 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

3.20 Scheme of arrangement

Following amendments to the Cayman Companies Act that became effective on 31 August 2022, the majority-in-number "headcount test" in relation to the approval of members' schemes of arrangement has been abolished. Section 86(2A) of the Cayman Companies Act provides that, if seventy-five per cent in value of the members (or class of members) of a Cayman Islands company agree to any compromise or arrangement, such compromise or arrangement shall, if sanctioned by the court, be binding on all members (or class of members) of such company and on the company itself. Where a Cayman Islands company is in the course of being wound up, such compromise or arrangement would be binding on the liquidator and contributories of the company. In contrast, section 86(2) of the Cayman Companies Act continues to require (i) approval by a majority in number representing seventy-five per cent in value and (ii) the sanction of the court, in relation to any compromise or arrangement between a company and its creditors (or any class of them).

3.21 General

Walkers (Hong Kong), the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in "Documents Delivered to the Registrar of Companies and Available on Display" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY AND OUR SUBSIDIARIES

1. Incorporation

Our Company is an exempted company incorporated in the Cayman Islands with limited liability under the Cayman Companies Law on March 20, 2008. Our registered office address is at P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1 – 1205, Cayman Islands. Accordingly, our Company's corporate structure and Memorandum and Articles are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles is set out in Appendix III.

Our registered place of business in Hong Kong is at Suite 1303, 13/F, Golden Centre, 188 Des Voeux Road Central, Sheung Wan, Hong Kong. We registered as a non-Hong Kong company under Part 16 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on December 31, 2020 with the Registrar of Companies in Hong Kong. Ms. YANG Ling (楊凌) and Mr. WANG Lawrence Allen (王之翰) have been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong.

Our Company's head office is located at No. 208, Zhenzhong Road, West Lake District, Hangzhou, the PRC.

2. Changes in share capital of our Company

Upon incorporation on March 20, 2008, the authorized share capital of our Company was US$50,000 divided into 500,000,000 shares of US$0.0001 each.

The changes in the share capital of our Company during the two years immediately preceding to the Latest Practicable Date are set forth below:

(i) on March 19, 2021 and April 26, 2021, upon exercise of the options granted under the Employee Incentive Plans, our Company allotted and issued 854,872,557 fully-paid up Shares to the investment holding companies of certain existing and previous senior employees of our Group;

(ii) on April 26, 2021 and May 7, 2021, for the purpose of the Employee Incentive Plans, our Company allotted and issued 10,548,656,083 Shares and 2,692,446,947 Shares, all fully-paid up, to Ingenuity Capital Holdings Limited and Proteus Capital Holdings Limited, respectively;

(iii) on June 3, 2021, our Board approved the consolidation of our share capital from US$50,000 divided into 500,000,000,000 shares of US$0.0000001 each to US$50,000 divided into 2,500,000,000 shares of US$0.00002 each; and

(iv) on June 16, 2021, upon the exercise of the options granted under the Employee Incentive Plans, our Company allotted and issued 136,500 fully-paid up Shares to a previous senior employee of our Group.

Immediately following completion of the [**REDACTED**] but without taking into account any Shares which may be issued upon the exercise of the [**REDACTED**], the issued share capital of our Company will be US$[**REDACTED**] divided into [**REDACTED**] Shares of US$0.00002 each, all fully paid or credited as fully paid, and [**REDACTED**] Shares of US$0.00002 each will remain unissued.

Save as disclosed above and in the paragraph headed "A. Further Information about our Company and our Subsidiaries – 4. Written Resolutions of our Shareholders dated [●], 2023" in this appendix, there was no alteration in the share capital of our Company within the two years immediately preceding the date of this Document.

3. Changes in share capital of our subsidiaries

A summary of the corporate information and the particulars of our subsidiaries are set out in note 1 to the Accountants' Report as set out in Appendix I to this Document.

The following sets out the changes in the share or registered capital of members of our Group with the two years immediately preceding the date of this Document:

(i) on June 16, 2021, Mr. LI Shiyu, an independent third party, transferred its RMB1.5 million registered capital in Shenzhen Adicon to Mr. LONG Fengping at a consideration of RMB1.5 million and Shenzhen Adicon increased its registered capital by RMB3.3 million from RMB10 million to RMB13.3 million, which was also subscribed by Mr. LONG Fengping, an independent third party. Upon which, Shenzhen Adicon was owned as to 60% by Hangzhou Adicon and 40% by independent third parties;

(ii) on July 16, 2021, Guizhou Adicon was established with a registered capital of RMB15 million, which was owned as to 51% by Hangzhou Adicon, 44% by an independent third party and 5% by Mr. SHEN Zhuhao, the manager of Guizhou Adicon;

(iii) on August 3, 2021, Suzhou Adicon was established with a registered capital of RMB30 million, which was owned as to 51% by Hangzhou Adicon and 49% by an independent third party;

(iv) on August 25, 2021, Tianjin Adicon increased its registered capital by RMB5 million from RMB25 million to RMB30 million, out of which RMB3 million and RMB2 million was contributed by Hangzhou Adicon and Guangzhou Adicon, respectively. Upon completion of the increase in registered capital, Tianjin Adicon remained owned as to 60% by Hangzhou Adicon and 40% by Guangzhou Adicon;

(v) on October 9, 2021, Mr. XU Qikai, an independent third party, transferred his fully paid-up RMB1.5 million registered capital in Qingdao Adicon to an entity controlled by himself at a consideration of RMB1.5 million. On December 24, 2021, Qingdao Adicon increased its registered capital by RMB1,666,600 from RMB10 million to RMB11.7 million, which was subscribed by independent third parties at a total consideration of RMB3 million. Upon completion of the increase of registered capital, Qingdao Adicon became owned as to 60% by Hangzhou Adicon and 40% by independent third parties;

(vi) on November 10, 2021, Linyi Adicon was established with a registered capital of RMB20 million, which was owned as to 70% by Hangzhou Adicon and 30% by an independent third party

(vii) on November 29, 2021, Wenzhou Adicon was established with a registered capital of RMB20 million, which was owned as to 65% by Hangzhou Adicon and 35% by an independent third party;

(viii) on December 9, 2021, Heilongjiang Adicon increased its registered capital by RMB10 million from RMB10 million to RMB20 million, out of which RMB5 million was contributed by Hangzhou Adicon and the remaining RMB5 million was was contributed by independent third parties. Upon completion of the increase in registered capital, Heilongjiang Adicon became owned as to 75% by Hangzhou Adicon and 25% by independent third parties;

(ix) on May 13, 2022, Xinyang Adicon was established with a registered capital of RMB15 million, which was owned as to 65% by Hangzhou Adicon and 35% by an independent third party;

(x) on June 1, 2022, Hangzhou Adicon acquired 51% of Henan Adicon from an independent third party at a consideration of RMB88.9 million; and

(xi) on June 21, 2022, Shijiazhuang Adicon was established by Hangzhou Adicon with a registered capital of RMB20 million.

Save as disclosed above, there was no alteration in the share capital of any members of our Group within the two years immediately preceding the date of this Document.

4. Written Resolutions of our Shareholders dated [●], 2023

Written resolutions of our Shareholders were passed on [●], 2023, pursuant to which, among others, conditional upon the conditions of the [**REDACTED**] (as set out in this document) being fulfilled:

(a) the Memorandum and the Articles were approved and adopted conditional on and immediately prior to the [**REDACTED**] on the [**REDACTED**];

(b) the [**REDACTED**], the [**REDACTED**] and the [**REDACTED**] were approved, and our Directors were authorized to negotiate and agree the [**REDACTED**] and to allot and issue the [**REDACTED**] (including pursuant to the [**REDACTED**]);

(c) all Preferred Shares in issue are converted into Shares, which shall rank *pari passu* with other Shares;

(d) a general mandate (the "**Sale Mandate**") was granted to our Directors to allot, issue and deal with any Shares or securities convertible into Shares and to make or grant offers, agreements or options which would or might require Shares to be allotted, issued or dealt with, provided that the number of Shares so allotted, issued or dealt with or agreed to be allotted, issued or dealt with by our Directors, shall not exceed 20% of the total number of Shares in issue immediately following the completion of [**REDACTED**];

(e) a general mandate (the "**Repurchase Mandate**") was granted to our Directors to repurchase our own Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be [**REDACTED**] and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the total number of Shares in issue immediately following completion of the [**REDACTED**];

(f) the Sale Mandate was extended by the addition to the total number of Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the total number of the Shares purchased by our Company pursuant to the Repurchase Mandate, provided that such extended amount shall not exceed 10% of the total number of the Shares in issue immediately following completion of the [**REDACTED**]; and

(g) the Employment Incentive Plans, and the granting and vesting of any options or RSUs under the Employment Incentive Plans, were approved, confirmed and ratified in all material respects.

Each of the general mandates referred to above will remain in effect until the earliest of:

(a) the conclusion of the next annual general meeting of our Company unless, by ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to condition;

(b) the expiration of the period within which the next annual general meeting of our Company is required to be held under any applicable laws of the Cayman Islands or the Memorandum and Articles of our Company; and

(c) the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority.

5. Explanatory Statement on Repurchase of our Own Securities

The following summarizes restrictions imposed by the Listing Rules on share repurchases by a company listed on the Stock Exchange and provides further information about the repurchase of our own securities.

Shareholders' approval

A listed company whose primary listed is on the Stock Exchange may only purchase its shares on the Stock Exchange, either directly or indirectly, if: (i) the shares proposed to be purchased are fully-paid up, and (ii) its shareholders have given a specific approval or general mandate by way of an ordinary resolution of shareholders.

Size of mandate

The exercise in full of the Repurchase Mandate, on the basis of [**REDACTED**] Shares in issue immediately following completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), could accordingly result in up to approximately [**REDACTED**] Shares being repurchased by our Company.

The total number of shares which a listed company may repurchase on the Stock Exchange may not exceed 10% of the number of issued shares as at the date of the shareholder approval.

Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

Source of funds

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles and the applicable laws and regulations of the Cayman Islands.

Our Company shall not purchase its own Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

Any purchases by our Company may be made out of profits or out of an issue of new shares made for the purpose of the purchase or, if authorized by its Memorandum and Articles and subject to the Companies Ordinance, out of capital, and, in the case of any premium payable on the purchase out of profits or from sums standing to the credit of our share premium account or, if authorized by its Memorandum and Articles and subject to the Companies Ordinance, out of capital.

Suspension of repurchase

A listed company shall not repurchase its shares on the Stock Exchange at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of: (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (b) the deadline for the issuer to announce its results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), until the date of the results announcement, the company may not repurchase its shares on the Stock Exchange unless there are exceptional circumstances.

Trading restrictions

A listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

A listed company may not repurchase its shares if that repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange.

Status of repurchased Shares

The listed of all repurchased shares (whether through the Stock Exchange or otherwise) shall be automatically canceled and the relevant documents of title must be canceled and destroyed as soon as reasonably practicable.

Close associates and core connected persons

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their close associates have a present intention, in the event the Repurchase Mandate is approved, to sell any Shares to our Company.

No core connected person of our Company has notified our Company that they have a present intention to sell Shares to our Company, or have undertaken to do so, if the Repurchase Mandate is approved.

A listed company shall not knowingly purchase its shares on the Stock Exchange from a core connected person (namely a director, chief executive or substantial shareholder of the company or any of its subsidiaries, or a close associate of any of them), and a core connected person shall not knowingly sell their interest in shares of the company to it.

Takeover implications

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

General

If the Repurchase Mandate were to be carried out in full at any time, there may be a material adverse impact on our working capital or gearing position (as compared with the position disclosed in our most recent published audited accounts). However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as would have a material adverse effect on our working capital or gearing position.

Our Directors have undertaken to the Stock Exchange that they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

We have not made any repurchases of our Shares in the previous six months.

6. Corporate Reorganization

For details of the Reorganization, please refer to the section headed "History, Reorganization and Corporate Structure – Reorganization" of this Document.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following are contracts (not being contracts entered into in our ordinary course of business) entered into by any member of our Group within the two years immediately preceding the date of this Document that are or may be material:

(a) the amended and restated exclusive business cooperation agreement dated November 23, 2020 entered into among Aidiken WFOE, Hangzhou Adicon and the Registered Shareholders, pursuant to which Hangzhou Adicon agreed to engage Aidiken WFOE as its exclusive provider of comprehensive business support, technical services and consultancy services, in exchange for service fees;

(b) the amended and restated exclusive option agreement dated November 23, 2020 entered into among Aidiken WFOE, Hangzhou Adicon and the Registered Shareholders, pursuant to which Aidiken WFOE (or its designee) was granted an irrevocable, unconditional and exclusive right to purchase all or any of the equity interest in and/or assets of Hangzhou Adicon held at present or in the future for a consideration equivalent to the lowest price permitted under PRC laws at the time of purchasing;

(c) the amended and restated loan agreements dated November 23, 2020 entered into respectively by Ms. LAN Jia and Ms. LIAN Hailun with Aidiken WFOE, pursuant to which Aidiken WFOE agreed to lend each of Ms. LAN Jia and Ms. LIAN Hailun a loan with the amount of respective purchase consideration of their equity interests in Hangzhou Adicon;

(d) the amended and restated equity pledge agreement dated November 23, 2020 entered into among Aidiken WFOE, Hangzhou Adicon and the Registered Shareholders, pursuant to which the Registered Shareholders pledged all of their respective equity interests in Hangzhou Adicon to Aidiken WFOE as collateral security to secure performance of their obligations and Hangzhou Adicon's obligations under the Contractual Arrangements;

(e) the amended and restated power of attorney dated November 23, 2020 entered into by the Registered Shareholders, pursuant to which the Registered Shareholders irrevocably appointed Aidiken WFOE (or its designee) as their attorneys-in-fact to exercise all of their rights as registered shareholders of Hangzhou Adicon;

(f) the amended and restated share subscription agreement dated May 28, 2021 entered into by the Company and the Investors (as defined therein) relating to the subscription of Preferred Shares of the Company; and

(g) [●]

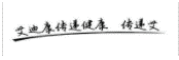
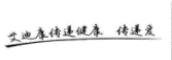
(h) the [**REDACTED**].

2. Intellectual property rights

Save as disclosed below, as of the Latest Practicable Date, there were no other trademarks, service marks, patents, intellectual property rights, or industrial property rights which are or may be material in relation to our business.

Trademarks

As of the Latest Practicable Date, we have registered the following trademarks which we believe are material to our business:

No.	Trademark	Registered Owner	Class	Place of Registration
1.	艾迪康	Hangzhou Adicon	1, 5, 9, 10, 16, 20, 21, 24, 29, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45	PRC
2.	ADICON	Hangzhou Adicon	1, 16, 20, 21, 24, 29, 35, 36, 37, 39, 40, 42, 43, 44, 45	PRC
3.	ADICON	Hangzhou Adicon	42, 44	PRC
4.	ADICON	Hangzhou Adicon	5, 10, 42, 44	PRC
5.	ADICON	Hangzhou Adicon	42, 44	PRC
6.	艾问	Hangzhou Adicon	9, 35, 38, 42, 44	PRC
7.	艾问.爱健康	Hangzhou Adicon	9, 35, 38, 42, 44	PRC
8.	艾生活•爱健康	Hangzhou Adicon	44	PRC
9.	爱生活•艾健康	Hangzhou Adicon	44	PRC
10.	艾健•爱健康	Hangzhou Adicon	44	PRC
11.	有艾•有健康	Hangzhou Adicon	44	PRC
12.		Hangzhou Adicon	35, 44	PRC
13.		Hangzhou Adicon	35, 44	PRC
14.	艾兰博曼	Hangzhou Adicon	38, 41	PRC
15.	Alabmed.com	Hangzhou Adicon	41, 44	PRC
16.		Hangzhou Adicon	38, 41, 42, 44	PRC
17.	艾检验	Hangzhou Adicon	42, 44	PRC
18.	爱检验	Hangzhou Adicon	42	PRC

No.	Trademark	Registered Owner	Class	Place of Registration
19.	检易网	Hangzhou Adicon	42	PRC
20.	医检媒	Hangzhou Adicon	42	PRC
21.	兰博曼	Hangzhou Adicon	42, 44	PRC
22.	艾兰博曼	Hangzhou Adicon	42, 44	PRC
23.	艾测	Hangzhou Adicon	44	PRC
24.	艾诊	Hangzhou Adicon	44	PRC
25.	艾询	Hangzhou Adicon	44	PRC
26.	艾孕	Hangzhou Adicon	44	PRC
27.	艾答	Hangzhou Adicon	44	PRC
28.	艾搜	Hangzhou Adicon	44	PRC
29.	检易通	Hangzhou Adicon	44	PRC
30.	检易网	Hangzhou Adicon	44	PRC
31.	艾易检	Hangzhou Adicon	5, 9, 10, 35, 38, 42, 44	PRC
32.	辉 图 Hui Tu	Hangzhou Huitu	5, 9, 10, 35, 37, 39, 41, 42, 44	PRC
33.	**ADICON**	Adicon HK	5, 9, 10, 35, 37, 38, 41, 42, 44	Hong Kong
34.	艾迪康	Adicon HK	5, 9, 10, 35, 37, 38, 41, 42, 44	Hong Kong
35.	ADICON ADICON CLINICAL LABORATORIES,LTD 艾迪康医学检验中心	Adicon HK	5, 9, 10, 35, 37, 38, 41, 42, 44	Hong Kong
36.	ADICON	Adicon HK	5, 9, 10, 35, 37, 38, 41, 42, 44	Hong Kong

Trademark applications

As of the Latest Practicable Date, we have applied for the registration of the following trademark which we believe are material to our business:

No.	Trademark	Applicant	Class	Place of registration
1.	ADICON	Hangzhou Adicon	9	PRC

Patents

Patents of Invention

As of the Latest Practicable Date, we have registered the following patents of invention which we believe are material to our business, including common infectious disease such as HPV, HBV and avian influenza, diagnosis, prognosis and recurrence monitoring of hematological tumor:

No.	Product/Technology	Date of Application (yyyy/mm/dd)	Patentee
1.	Primer for RT-PCR of human leukemia BCR-ABL fusion genes and its method of application (人白血病融合基因BCR-ABL的RT-PCR引物及其使用方法)	2011/09/07	Hangzhou Adicon
2.	Nucleic acid detection kit for detecting BRCA1mRNA (用於檢測BRCA1mRNA的核酸檢測試劑盒)	2012/04/27	Hangzhou Adicon
3.	Nucleic acid detection kit for detecting BRCA1mRNA (用於檢測BRCA1mRNA的核酸檢測試劑盒)	2012/04/27	Hangzhou Adicon
4.	A kit for detecting avian influenza H7N9 viruses by using real-time fluorescence-based quantitative PCR (一種利用實時熒光定量PCR檢測H7N9禽流感病毒的試劑盒)	2013/04/12	Hangzhou Adicon
5.	Method, primer and kit for detecting hot mutation sites of human XPD genes (檢測人XPD基因熱點突變位點的方法、引物和試劑盒)	2013/09/30	Hangzhou Adicon
6.	Method and oligonucleotide for detecting FGFR3 G380R site mutation (檢測FGFR3 G380R位點突變的方法和寡核苷酸)	2014/01/04	Hangzhou Adicon
7.	Method and oligonucleotide for detecting CYP2C19*2 mutation sites (檢測CYP2C19*2突變位點的方法和寡核苷酸)	2014/07/29	Hangzhou Adicon
8.	Method, oligonucleotide and kit for detecting WAS gene polymorphic mutation sites (檢測WAS基因多態突變位點的方法、寡核苷酸和試劑盒)	2016/04/08	Hangzhou Adicon
9.	Kit for detecting relative expression quantity of AML1-ETO fusion genes (用於檢測AML1-ETO融合基因相對表達量的試劑盒)	2012/05/30	Beijing Adicon
10.	Primer for pyrophosphate detection of P vuII and X baI polymorphisms of intron 1 of the estrogen receptor alpha gene (用於雌激素受體α基因內含子1 P vuII和X baI 多態性焦磷酸檢測的引物)	2012/05/30	Beijing Adicon
11.	Primer and method for detecting relative expression quantity of AML1-ETO fusion genes (檢測AML1-ETO融合基因相對表達量的引物和方法)	2012/05/30	Beijing Adicon
12.	A kit for detecting C829T single nucleotide polymorphism in the DHFR gene (一種DHFR的C829T單核苷酸多態性檢測試劑盒)	2012/09/10	Beijing Adicon
13.	Primers, probes and methods for screening leukemia MLL-SEPT6 fusion gene by real-time fluorescent-based PCR technology (實時熒光PCR技術篩查白血病MLL-SEPT6融合基因的引物、探針和方法)	2017/09/15	Beijing Adicon
14.	A method of HPV detection and typing (一種HPV檢測及分型方法)	2009/12/24	Fuzhou Adicon
15.	Kit and method for detecting upstream TA repeated sequence of estrogen receptor alpha genes (檢測雌激素受體α基因上游TA重複序列的試劑盒及檢測方法)	2012/06/12	Fuzhou Adicon

No.	Product/Technology	Date of Application (yyyy/mm/dd)	Patentee
16.	Method, primer and probe for detecting relative expression quantity of the 11q23/MLL fusion gene (檢測11q23/MLL融合基因相對表達量的方法、引物和探針)	2013/11/18	Fuzhou Adicon
17.	Bone marrow chromosome extraction kit (骨髓染色體提取試劑盒)	2013/11/22	Fuzhou Adicon
18.	Method and primer for detecting the HLA-B*51 allele (檢測HLA-B*51等位基因的方法和引物)	2015/09/29	Fuzhou Adicon
19.	Method and primer for detecting expression level of leukemia CDX2 genes (檢測白血病CDX2基因表達水平的引物和方法)	2017/03/24	Fuzhou Adicon
20.	Method and oligonucleotide for detecting ΔF508 site mutation in the CFTR gene (檢測CFTR基因ΔF508位點突變的方法和寡核苷酸)	2014/01/04	Guangzhou Adicon
21.	Reagent used for HPLC detection of catecholamine concentration in samples (用於HPLC檢測樣品中兒茶酚胺濃度的試劑)	2014/05/09	Guangzhou Adicon
22.	Reagent for detecting EGFR gene copy number and ploidy of chromosome 7 (用於檢測EGFR基因拷貝數和7號染色體倍性的試劑)	2010/05/11	Hefei Adicon
23.	Primer, method and kit for detecting mutation in exon 12 of the MLH1 gene (檢測MLH1基因第12外顯子突變的引物、方法和試劑盒)	2013/09/27	Hefei Adicon
24.	Primer and method for detecting G2677T/A single nucleotide polymorphism in the MDR1 gene (檢測MDR1的G2677T/A單核苷酸多態性的引物和方法)	2012/08/15	Jilin Adicon
25.	A kit for detecting G2677T/A single nucleotide polymorphism in the MDR1 gene (一種MDR1的G2677T/A單核苷酸多態性檢測試劑盒)	2012/08/15	Jilin Adicon
26.	Method, kit, primer and probe for detecting relative expression quantity of RRM1 mRNA (檢測RRM1 mRNA相對表達量的方法、試劑盒及引物和探針)	2013/09/27	Jilin Adicon
27.	Method and primer for detecting polymorphic sites in exon 7 of the WT1 gene (檢測WT1基因第7外顯子多態性位點的方法和引物)	2013/12/06	Jilin Adicon
28.	Gene chip and kit for detecting human papillomavirus (檢測人乳頭瘤病毒的基因芯片及試劑盒)	2010/04/20	Jinan Adicon
29.	Primer and method for detecting C829T single nucleotide polymorphism in the DHFR gene (檢測DHFR的C829T單核苷酸多態性的引物和方法)	2012/09/10	Jinan Adicon
30.	Method and primer for detecting all exons 31-34 of the NF1 gene (檢測NF1基因第31-34號全外顯子的方法和引物)	2015/03/24	Jinan Adicon
31.	Method, primer, probe and kit for screening and identifying unusual fusion types of BCR-ABL (篩查和鑑定BCR-ABL非常見融合型別的方法、引物、探針和試劑盒)	2013/09/27	Nanchang Adicon
32.	Bone marrow cell culture media (骨髓細胞培養基)	2013/11/22	Nanchang Adicon
33.	Primer and method for detecting CSF3R point mutation (檢測CSF3R點突變的引物和方法)	2015/02/26	Nanchang Adicon

No.	Product/Technology	Date of Application (yyyy/mm/dd)	Patentee
34.	Kit for detecting relative expression quantity of leukemia BCR/ABL (m-bcr) fusion genes (用於檢測白血病BCR/ABL (m-bcr)融合基因相對表達量的試劑盒)	2012/04/27	Nanjing Adicon
35.	Primer and method for detecting relative expression of leukemia BCR/ABL m-bcr fusion genes (檢測白血病BCR/ABL m-bcr融合基因相對表達量的引物和方法)	2012/04/27	Nanjing Adicon
36.	G-banding method for marrow chromosome karyotyping analysis (染色體核型分析骨髓G帶制備方法)	2013/11/22	Nanjing Adicon
37.	Method of building a breast cancer susceptibility gene mutation library (乳腺癌易感基因變異文庫構建方法)	2016/12/20	Nanjing Adicon
38.	A composition and its application (一種組合物及其應用)	2010/11/18	Shanghai Adicon
39.	Primer, method and kit for detecting drug-resistant mutation sites in ABL kinase domain of BCR/ABL fusion genes (檢測BCR/ABL融合基因ABL激酶區耐藥突變位點的引物、方法和試劑盒)	2013/09/27	Shanghai Adicon
40.	Primer and method for detecting HTLV-I and HTLV-II provirus in the same tube (一種同管檢測HTLV-I和HTLV-II前病毒的引物和方法)	2014/03/10	Shanghai Adicon
41.	Method and primer for detecting mutation site of exon 5 of the RUNX1 gene (檢測RUNX1基因第5外顯子突變位點的方法和引物)	2013/12/06	Shenyang Adicon
42.	Method and primer for detecting mutation sites of exon 3 of the RUNX1 gene (檢測RUNX1基因第3外顯子突變位點的方法和引物)	2013/12/06	Shenyang Adicon
43.	Kit for detecting relative expression quantity of leukemia BCR/ABL (b3a2, b2a2) fusion genes (用於檢測白血病BCR/ABL (b3a2,b2a2)融合基因相對表達量的試劑盒)	2012/04/25	Wuhan Adicon
44.	Primer and method for detecting relative expression quantity of leukemia BCR/ABL b3a2 and b2a2 fusion genes (檢測白血病BCR/ABL b3a2, b2a2融合基因相對表達量的引物和方法)	2012/04/25	Wuhan Adicon
45.	Kit for detecting relative expression quantity of AML-EVI1 fusion genes (用於檢測AML-EVI1融合基因相對表達量的試劑盒)	2012/07/06	Wuhan Adicon
46.	Method, primer and kit for detecting DNMT3A mutation sites (檢測DNMT3A突變位點的方法、引物和試劑盒)	2013/09/30	Wuhan Adicon
47.	Bone marrow cell culture stop solution and its application (骨髓細胞培養終止液及應用)	2013/11/22	Wuhan Adicon
48.	Primer, probe, composition and method for screening and identifying fusion genes related to MLL rearrangement by using the multiple fluorescent-based PCR technology (多重熒光PCR技術篩查和鑑定MLL重排相關融合基因的引物及探針、組合物和方法)	2016/05/20	Wuhan Adicon
49.	Primer, method and kit for detecting CA repeated sequence in intron 5 of estrogen receptor beta genes (檢測雌激素受體β基因第5內含子CA重複序列的引物、方法和試劑盒)	2013/09/27	Changsha Adicon

No.	Product/Technology	Date of Application (yyyy/mm/dd)	Patentee
50.	Primer, method and kit for detecting HBV telbivudine resistance mutation (一種檢測HBV替比夫定耐藥突變的引物、方法和試劑盒)	2013/09/30	Changsha Adicon
51.	A G-banding method for analyzing bone marrow chromosomes (一種骨髓染色體G帶的製作方法)	2013/11/22	Changsha Adicon
52.	Method, kit and oligonucleotide for detecting PKLR gene mutation and their application (檢測PKLR基因突變的方法、試劑盒、寡核苷酸及其應用)	2017/04/05	Changsha Adicon
53.	Primer, method and kit for detecting methylation of CpG islands in the SFRP2 gene (用於檢測SFRP2基因CpG島甲基化的引物、方法和試劑盒)	2014/02/21	Zhengzhou Adicon
54.	Primer, reagent and method for detecting TET2 mutation (檢測TET2突變的引物、試劑和方法)	2014/05/06	Zhengzhou Adicon
55.	Method, kit and oligonucleotide for detecting PCM1-JAK2 relative expression amount (檢測PCM1-JAK2相對表達量的方法、試劑盒和寡核苷酸)	2017/11/03	Hefei Adicon
56.	Oligonucleotide for detecting expression condition of fusion gene MLL/CBP and fusion type and application thereof (檢測融合基因MLL/CBP的表達情況及融合型別的寡核苷酸及應用)	2017/11/10	Jinan Adicon
57.	Oligonucleotide for detect NUP98 series fusion gene of leukemia, detection method and kit (檢測白血病NUP98系列融合基因寡核苷酸、檢測方法和試劑盒)	2017/12/04	Nanchang Adicon

Utility Model Patents

As of the Latest Practicable Date, we have registered 147 utility model patents. These utility model patents were mainly related to our business features, including temperature control and monitoring of specimen during transportation, stability of detection substance during specimen storage, simplicity and precaution of mistake during operation of detection, and quality control during whole process. Among which, we believe the following patents are material to our business:

No.	Product/Technology	Date of Application (yyyy/mm/dd)	Patentee
1.	Liquid injection specimen transport cooler box (冷凍注液式標本運輸箱)	2017/12/25	Hangzhou Adicon
2.	A DNA sample storage device (一種DNA樣品存儲裝置)	2018/12/12	Jinan Adicon
3.	A portable pipette gun and pipette gun head integrated box (一種便攜式移液槍及移液槍頭一體盒)	2018/10/17	Fuzhou Adicon
4.	A pathological tissue embedding mold that is easy to identify the direction (一種易於識別方向的專用於病理組織包埋磨具)	2020/07/03	Changsha Adicon
5.	A medical laboratory water purification and monitoring system (一種醫學檢驗實驗室的水質純化和監測系統)	2020/06/05	Shanghai Adicon
6.	A mixing device for chemiluminescent reagent in medical examination (一種醫學檢驗化學發光試劑的混勻裝置)	2020/06/03	Wuhan Adicon
7.	A collect pipe for detecting the centralized discharge of waste liquid by the full-automatic biochemical analyzer (一種全自動生化分析儀檢測廢液集中排放匯集管)	2020/06/05	Shanghai Adicon

No.	Product/Technology	Date of Application (yyyy/mm/dd)	Patentee
8.	A microinjection cup support drug concentration detection in one (一種用於藥物濃度檢測的微量進樣杯支架)	2020/07/21	Shanghai Adicon
9.	An airflow pressure difference decoration for control gene amplification laboratory (一種控制基因擴增實驗室氣流壓差裝置)	2020/07/21	Beijing Adicon
10.	A reaction plate of time quantitative PCR instrument (一種定時定量PCR儀反應板)	2020/08/12	Wuhan Adicon

Patent application

As of the Latest Practicable Date, we have applied for the registration of 115 patents mainly focusing on infectious disease and hematological tumor as well as new technology and new application field, among which, we believe the following patents are material to our business:

No.	Product/Technology	Type	Date of Application (yyyy/mm/dd)	Applicant
1.	Primer, method and kit for detecting AVPR2 gene mutation related to congenital nephrogenic diabetes insipidus (檢測先天性腎性尿崩症AVPR2基因突變的引物、方法和試劑盒)	Invention	2019/09/19	Jinan Adicon
2.	Primer, kit and method for detecting type B adenovirus (檢測B型腺病毒的引物、試劑盒和方法)	Invention	2019/12/24	Wuhan Adicon
3.	Primer, probe, composition and method for screening and identifying Ph-like ALL-related fusion genes by using the fluorescent-based PCR technology (使用熒光PCR技術篩查和鑑定Ph樣ALL相關融合基因的引物及探針、組合物和方法)	Invention	2020/10/19	Hangzhou Adicon
4.	A method for detecting tumor-related multi-gene mutations by using high-throughput sequencing technology (一種利用高通量測序檢測腫瘤相關多基因突變的方法)	Invention	2020/12/22	Wuhan Adicon
5.	A preserving reagent for cell-free DNA and its production method (一種遊離DNA保存試劑及製備方法)	Invention	2021/01/05	Nanchang Adicon

Copyrights

As of the Latest Practicable Date, we have registered 315 copyrights, among which, we believe the following copyrights are material to our business:

No.	Copyright	Version	Registration Number	Registration Date (yyyy/mm/dd)
1.	Adicon Independent Laboratory Information Management System (艾迪康獨立實驗室信息管理系統)	V1.0	2009SR019842	2009/05/31
2.	Adicon Quality Control Information Management System (艾迪康質量控制信息管理系統)	V1.0	2009SR019849	2009/05/31

No.	Copyright	Version	Registration Number	Registration Date (yyyy/mm/dd)
3.	Adicon Examination Information Management System Software for Hospital (艾迪康醫院版檢驗信息管理系統軟件)	V1.0	2013SR056209	2013/06/07
4.	Adicon Document & Training Information Management Software (艾迪康文檔和培訓信息管理軟件)	V3.0	2015SR235524	2015/11/27
5.	Aiyijian Single-tube Software for Field Information Acquisition System (艾易檢現場信息採集系統單管版軟件)	V1.3	2020SR1555031	2020/11/09

Domain names

As of the Latest Practicable Date, we have the following domain names which we believe are material to our business:

No.	Domain name	Registration owner
1.	adicon.com.cn	Hangzhou Adicon
2.	adicon.cc	Hangzhou Adicon
3.	adiconcro.com	Hangzhou Adicon
4.	adiconcentralab.com	Hangzhou Adicon
5.	adiconcentralab.com.cn	Hangzhou Adicon
6.	adiconcentrallab.com	Hangzhou Adicon
7.	艾迪康.com	Hangzhou Adicon
8.	艾迪康.cn	Hangzhou Adicon
9.	艾迪康.net	Hangzhou Adicon
10.	aijcon.com	Hangzhou Adicon
11.	ajcon.cn	Hangzhou Adicon
12.	ajiank.com	Hangzhou Adicon
13.	aijiank.com	Hangzhou Adicon
14.	aiwon120.com	Hangzhou Adicon
15.	aiwen120.com	Hangzhou Adicon
16.	iwon120.com	Hangzhou Adicon
17.	aijianyan.com	Hangzhou Adicon
18.	aijianyan.cc	Hangzhou Adicon
19.	ijianyan.com	Hangzhou Adicon
20.	ijianyan.cc	Hangzhou Adicon
21.	alabmed.com	Hangzhou Adicon
22.	alabmed.cn	Hangzhou Adicon
23.	lanboman.com	Hangzhou Adicon
24.	lanboman.cn	Hangzhou Adicon
25.	huitubio.com	Hangzhou Adicon
26.	huitubio.com.cn	Hangzhou Adicon
27.	sh324.cn	Hangzhou Adicon
28.	adicon-corp.icu	Hangzhou Adicon
29.	adicon-corp.net	Hangzhou Adicon
30.	adicon-corp.com	Hangzhou Adicon
31.	adicon.icu	Hangzhou Adicon
32.	adicon.net	Hangzhou Adicon

C. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Particulars of Directors' service contracts and appointment letters

Executive Director

Mr. GAO Song entered into a service contract with our Company on November 24, 2021 for his appointment as our executive Director and chief executive officer. His term of appointment was effective from November 24, 2021 until (i) three years after the [**REDACTED**], or (ii) the third annual general meeting of the Company since the [**REDACTED**], whichever is earlier (subject to retirement as and when required under the Articles). Either party may terminate the appointment by giving not less than one month's written notice.

Non-executive Directors

Each of our non-executive Directors entered into an appointment letter with our Company on June 17, 2021. Their terms of appointment as non-executive Directors under the appointment letter shall be for an initial term of three years from the [**REDACTED**] or until the third annual general meeting of our Company after the [**REDACTED**], whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the appointment by giving not less than three months' written notice.

Independent non-executive Directors

Our independent non-executive Directors, namely Mr. MI Brian Zihou, Mr. YEH Richard and Mr. ZHANG Wei entered into an appointment letter with our Company on April 15, 2021, June 24, 2021 and June 17, 2021, respectively. Their terms of appointment shall be for an initial term of three years from April 15, 2021, June 24, 2021 and the [**REDACTED**], respectively, or until the third annual general meeting of our Company after the [**REDACTED**], whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the appointment by giving not less than three months' written notice.

2. Remuneration of Directors

Our Directors and senior management receive remuneration, including salaries, allowances and benefits in kind, equity-settled share-based payment expense and pension scheme contributions. The aggregate amount of remuneration for the five highest paid individuals of our Group, excluding our Directors, for the years ended December 31, 2020, 2021 and 2022 was RMB14.2 million, RMB25.5 million and RMB16.1 million, respectively.

The aggregate amount of remuneration for our Directors for the years ended December 31, 2020, 2021 and 2022 was RMB36.0 million, RMB14.6 million and RMB6.1 million, respectively.

Save as disclosed above, no other payments have been paid or are payable, in respect of the years ended December 31, 2020, 2021 and 2022 by our Company to our Directors or senior management.

Under the arrangements currently in force as of the date of this Document, it is estimated that the aggregate amount of remuneration to our Directors for the year ending December 31, 2023 is estimated to be no more than approximately US$1,100,000.

No remuneration was paid to our Directors or the five highest paid individuals as an inducement to join, or upon joining, our Group. No compensation was paid to, or receivable by, our Directors or past directors for the Track Record Period for the loss of office as director or any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period.

Save as disclosed in this document, none of our Directors has or is proposed to have a service contract with any member of our Group other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

3. Disclosure of interests

***Interests and short positions of our Directors in the share capital of our Company or our associated corporations following completion of the* [REDACTED]**

Immediately following completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), the interests or short positions of our Directors and chief executives in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO), which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of [**REDACTED**] contained in the Listing Rules, to be notified to our Company and the Stock Exchange are set out below:

Name of Director	Nature of interest	Number of Shares	Approximate percentage of interest in our Company immediately after the [REDACTED]
[**REDACTED**](1)	Interests in a controlled corporation	[**REDACTED**]	[**REDACTED**]%
	Beneficial interest	[**REDACTED**]	[**REDACTED**]%

Note:

(1) [**REDACTED**] is deemed to be interested in [**REDACTED**] Shares directly held by his wholly-owned subsidiary, [**REDACTED**]. In addition, he has been granted RSUs and options under the Employee Incentive Plans entitling him to receive up to an aggregate of [**REDACTED**] Shares.

Interests and short positions disclosable under Divisions 2 and 3 of Part XV of the SFO

For information, so far as is known to our Directors or chief executive, of each person, other than our Director or chief executive, who immediately following completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised) will have an interest or short position in the Shares or underlying shares of our Company which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, is, directly or indirectly, interested in 10% or more of the issued voting shares of any other member of our Group, please refer to the section headed "Substantial Shareholders" of this document.

4. Directors' Competing Interests

None of our Directors are interested in any business apart from the Group's business which competes or is likely to compete, directly or indirectly, with the business of the Group.

5. Disclaimers

Save as disclosed in this Document:

(a) none of the Directors or chief executive of our Company has any interests or short positions in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to our Company and the Stock Exchange, once the Shares are [**REDACTED**] on the Stock Exchange;

(b) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group;

(c) none of the Directors nor any of the persons listed in "– E. Other Information – 4. Consent of experts" below is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this Document, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

(d) none of the Directors nor any of the persons listed in "– E. Other Information – 4. Consent of experts" below is materially interested in any contract or arrangement with the Group subsisting at the date of this Document which is unusual in its nature or conditions or which is significant in relation to the business of the Group as a whole;

(e) save in connection with [**REDACTED**], none of the persons listed in "– E. Other Information – 4. Consent of experts" below has any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

(f) none of the Directors has entered or has proposed to enter into any service agreements with our Company or any member of the Group (other than contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation); and

(g) none of our Directors, their respective close associates (as defined under the Listing Rules), or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interest in our Company's five largest customers and five largest suppliers.

D. EMPLOYEE INCENTIVE PLANS

The following is a summary of the principal terms of the senior executive incentive plan (the "**Senior Executive Incentive Plan**") and the senior management incentive plan (the "**Senior Management Incentive Plan**", together with the Senior Executive Incentive Plan, the "**Employee Incentive Plans**"). The Employee Incentive Plans were both adopted and approved on July 9, 2019, and were subsequently amended and restated on November 7, 2020, April 14, 2021 and October 1, 2021. The Senior Executive Incentive Plan is for retaining and motivating the senior executive of our Group, and the Senior Management Incentive Plan is for retaining and motivating the other senior management members of our Group. The terms of the two Employee Incentive Plans are substantially similar.

The Employee Incentive Plans are not subject to Chapter 17 of the Listing Rules. The underlying Shares of the options (the "**Options**") and/or restricted share units (the "**RSUs**") granted and to be granted under the Employee Incentive Plans had already been fully issued as of the Latest Practicable Date, and are held by Ingenuity Capital Holdings Limited and Proteus Capital Holdings Limited, respectively, which are the special purpose vehicles wholly owned by the Perseverance Capital Trust and the Callisto Capital Trust, respectively, both managed by Trident Trust Company (HK) Limited for the purpose of holding Shares under the Employee Incentive Plans. The Shares held by Ingenuity Capital Holdings Limited and Proteus Capital Holdings Limited are counted toward the public float. We will comply with Chapter 14A and other applicable Listing Rules for the granting and vesting of Options and RSUs, if any, under the Employee Incentive Plans after the [**REDACTED**].

Summary of Key Terms

(a) ***Purpose.*** The purpose of the Employee Incentive Plans is to give Eligible Employees (as defined below) an opportunity to have a personal stake in our Company so as to motivate them to optimize their performance and efficiency to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Employees who are significant to and/or whose contributions are or will be beneficial to the performance, growth and success of our Group;

(b) ***Administration.*** The Employee Incentive Plans are subject to the administration of a plan administrator (the "**Plan Administrator**"), who is a Director designated by the Board. The Plan Administrator is authorized to undertake all actions as necessary and appropriate with respect to the granting and vesting of Options and/or RSUs to Eligible Employees upon the exercise of the Options and/or the RSUs under the Employee Incentive Plans. The Plan Administrator, or a representative as designated by the Plan Administrator from time to time, is also in charge of giving instructions to Perseverance Capital Trust and Callisto Capital Trust regarding the exercise of the relevant voting rights with respect to the Shares held by Ingenuity Capital Holdings Limited and Proteus Capital Holdings Limited. Pursuant to the Employee Incentive Plans, the Plan Administrator shall exercise the relevant voting rights in accordance with the majority votes of the Shareholders in our Company's general meetings;

(c) ***Eligible Employees.*** Any employees of our Group as determined by the Plan Administrator in its absolute discretion (the "**Eligible Employees**");

(d) ***Duration.*** The Employee Incentive Plans shall be valid and effective for a period of 10 years commencing on the adoption date after which period no further Options and/or RSUs will be granted, but the provisions thereof shall in all other respects remain in full force and effect and shall not affect the ability of the Plan Administrator to exercise the powers granted to it under the Employee Incentive Plans with respect to the Options and/or RSUs granted under the Employee Incentive Plans prior to the date of such termination;

(e) ***Grant of Awards.*** The Employee Incentive Plans provide for awards of Options and RSUs:

(i) ***Options.*** An Option gives an Eligible Employee a conditional right to acquire Shares under the Employee Incentive Plans at a pre-determined price. Each Option represents one underlying Share. The grantees are required to pay an exercise price as determined by the Plan Administrator, when the Option is eligible to be exercised; and

(ii) ***RSUs.*** A RSU gives an Eligible Employee a conditional right to obtain either Shares or an equivalent value in cash with reference to the market value of the Shares on or about the date of exercise of the RSUs, less any tax, stamp duty and other charges applicable, as determined by the Plan Administrator in his/her absolute discretion. Each RSU represents one underlying Share.

The Board may at its discretion approve the grant of Options and/or RSUs to any Eligible Employee under the Employee Incentive Plans. The grant letter will specify the key terms of the grant, including the number of Shares underlying the Options and/or the RSUs, the exercise price and vesting conditions applicable to the Options and/or the RSUs. An Option and RSUs shall vest upon the satisfaction of the vesting conditions as determined by the Plan Administrator in his/her absolute discretion. Options and/or RSUs may not be granted at any time when that grant would be prohibited by, or in breach of Listing Rules, any applicable law or regulation as determined by the Plan Administrator;

(f) ***Maximum number of shares.*** The aggregate maximum number of Shares that may be issued pursuant to the Options and the RSUs granted under the Employee Incentive Plans, as well as other share incentive plans that may be adopted by our Company after the [**REDACTED**], will be up to 10% of the prevailing ordinary share capital on a fully diluted basis as at the date of such grant. Awards lapsed in accordance with the terms of the plans will not be counted for the purpose of calculating the 10% limit. As of the Latest Practicable Date:

(i) an aggregate of [**REDACTED**] Shares (representing approximately [[**REDACTED**]%] of the total issued share capital of our Company following completion of the [**REDACTED**], assuming the [**REDACTED**] is not exercised) have been issued to Ingenuity Capital Holdings Limited, which held the Shares on trust for the purpose of the Senior Executive Incentive Plan; and

(ii) an aggregate of [**REDACTED**] Shares (representing approximately [[**REDACTED**]%] of the total issued share capital of the Company following completion of the [**REDACTED**], assuming the [**REDACTED**] is not exercised) have been issued to Proteus Capital Holdings Limited, which held the Shares on trust for the purpose of the Senior Management Incentive Plan;

(g) ***Lapse of Awards.*** An Option and RSU shall lapse immediately on the occurrence of, among others, the following: (i) termination of the employment with our Group before the exercise or cancellation of the Options and/or RSUs; (ii) any applicable vesting condition has not been met; (iii) breach of confidentiality obligations imposed on the grantees in respect of our Group before the exercise or cancellation of the Options and/or the RSUs; or (iv) liquidation of our Company; and

(h) ***Transferability.*** Any Option and/or RSUs granted to Eligible Employees shall not be capable of being transferred by him/her, save that (i) in the event of his/her death, his/her personal representatives shall receive the benefit of his/her Options and/or RSUs; and (ii) he/she shall be able to transfer his/her Option and/or RSUs if approved by the Plan Administrator in his/her sole discretion. Under the Senior Executive Incentive Plan, the relevant Eligible Employees may transfer his/her Option for estate planning purposes.

General

Application has been made to the [**REDACTED**] Committee for the [**REDACTED**] of and permission to deal in the Shares issued to Ingenuity Capital Holdings Limited and Proteus Capital Holdings Limited under the Employee Incentive Plans.

Issued shares underlying the Employee Incentive Plans

Save as disclosed below, no Directors, senior management, connected persons of our Group and other management and employees were granted RSUs or Options under the Employee Incentive Plans prior to the [**REDACTED**]. The grant of the Options under the Employee Incentive Plans to the grantees as set out below has been approved by the Board and the subscription prices have been paid by the relevant grantees. For details, please refer to notes 27(b) and 33 in Appendix I to this Document.

Name of Grantees	Number of Shares underlying the Options granted and vested[1]	Approximate percentage of issued Shares immediately after completion of the [REDACTED][2]
[REDACTED][3]	[**REDACTED**]	[**REDACTED**]%
Other existing and previous employees of our Group	[**REDACTED**]	[**REDACTED**]%
	[**REDACTED**]	[**REDACTED**]%

Notes:

(1) This number of Shares took into account the share consolidation on June 3, 2021.

(2) These percentages are calculated on the basis of [**REDACTED**] Shares in issue immediately following completion of the [**REDACTED**], assuming the [**REDACTED**] is not exercised.

(3) [**REDACTED**] is deemed to be interested in [**REDACTED**] Shares directly held by his wholly-owned subsidiary, [**REDACTED**]. In addition, he has been granted Options under the Employee Incentive Plans entitling him to receive up to an aggregate of [**REDACTED**] Shares.

Shares held by Ingenuity Capital Holdings Limited

The following table summarizes the number of Shares held by Ingenuity Capital Holdings Limited as of the Latest Practicable Date:

	Number of Shares held by Ingenuity Capital Holdings Limited[1]	Approximate percentage of issued Shares immediately after completion of the [REDACTED][2]
Shares held on trust with respect to the Options granted to [**REDACTED**] under the Employee Incentive Plans[3]	[**REDACTED**]	[**REDACTED**]%
Shares held on trust for senior executive (except [**REDACTED**]) with respect to the Options vested to such senior executive under the Employee Incentive Plans	[**REDACTED**]	[**REDACTED**]%
Shares held on trust for the Options and/or RSUs to be granted by the Company after the [**REDACTED**] under the Employee Incentive Plans	[**REDACTED**]	[**REDACTED**]%
Total number of Shares held as of the Latest Practicable Date	[**REDACTED**]	[**REDACTED**]**%**

Notes:

(1) This number of Shares took into account the share consolidation on June 3, 2021.

(2) These percentages are calculated on the basis of [**REDACTED**] Shares in issue immediately following completion of the [**REDACTED**], assuming the [**REDACTED**] is not exercised.

(3) Save for [**REDACTED**], our Company did not grant any Options to the core connected persons of our Company.

Shares held by Proteus Capital Holdings Limited

The following table summarizes the number of Shares held by Proteus Capital Holdings Limited as of the Latest Practicable Date:

	Number of Shares held by Proteus Capital Holdings Limited[(1)]	Approximate percentage of issued Shares immediately after completion of the [REDACTED][(2)]
Shares held on trust for the eligible senior employees with respect to the Options vested to such other employees	[**REDACTED**]	[**REDACTED**]%
Shares held on trust for the Options and/or RSUs to be granted by the Company after the [**REDACTED**] under the Employee Incentive Plans	[**REDACTED**]	[**REDACTED**]%
Total number of Shares held as of the Latest Practicable Date	[**REDACTED**]	[**REDACTED**]**%**

Notes:

(1) This number of Shares took into account the share consolidation on June 3, 2021.

(2) These percentages are calculated on the basis of [**REDACTED**] Shares in issue immediately following completion of the [**REDACTED**], assuming the [**REDACTED**] is not exercised.

E. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall upon any member of our Group.

2. Litigation

Save as disclosed in this Document, no member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company that would have a material adverse effect on our Company's results of operations or financial condition.

3. Joint Sponsors

The Joint Sponsors satisfy the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The Joint Sponsors will receive an aggregate of US$1 million for acting as the joint sponsors for the [**REDACTED**].

4. Consent of experts

This Document contains statements made by the following experts:

Name	Qualification
Morgan Stanley Asia Limited.....	A licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on future contracts), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO
Jefferies Hong Kong Limited.....	A licensed corporation to conduct Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Ernst & Young	Certified Public Accountants under the Professional Accountant Ordinance (Chapter 50 of the Laws of Hong Kong) and Registered Public Interest Entity Auditor under the Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Walkers (Hong Kong)	Legal advisor to the Company as to Cayman Islands laws
Han Yi Law Offices.....	Legal advisor to the Company as to PRC laws
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co	Industry consultant

As at the Latest Practicable Date, none of the experts named above has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

Each of the experts named above have given and have not withdrawn their respective written consent to the issue of this Document with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

5. Binding effect

This Document shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

[**REDACTED**]

7. Bilingual document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

8. Preliminary expenses

We have not incurred any material preliminary expenses in relation to the incorporation of our Company.

9. Promoter

Our Company has no promoter. Within the two years immediately preceding the date of this Document, no cash, securities or other benefit has been paid, allotted or given, nor are any proposed to be paid, allotted or given to any promoters in connection with the [**REDACTED**] and the related transactions described in this Document.

10. Disclaimers

(a) Within the two years immediately preceding the date of this Document:

  (i) save as disclosed in "History, Reorganization and Corporate Structure" in this Document, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;

  (ii) save as disclosed in [**REDACTED**] in this Document, there are no [**REDACTED**] (but not including [**REDACTED**] to sub-[**REDACTED**]) for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company; and

  (iii) save as disclosed in [**REDACTED**] in this Document, there are no [**REDACTED**], [**REDACTED**], brokerages or other special terms granted in connection with the issue or sale of any capital of any member of our Group, and no Directors, promoters or experts named in the part headed "– E. Other information – 4. Consent of experts" received any such payment or benefit.

(b) there are no founders, management or deferred shares in our Company or any member of our Group;

(c) none of the Directors or the experts named in the part headed "– E. Other information – 4. Consent of experts" above has any interest, direct or indirect, in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this Document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(d) save as disclosed in the section headed "Financial Information" in this Document, there are no bank overdrafts or other similar indebtedness by our Company or any member of our Group;

(e) there are no hire purchase commitments, guarantees or other material contingent liabilities of our Company or any member of our Group;

(f) there are no outstanding debentures of our Company or any member of our Group;

(g) there is no other stock exchange on which any part of the equity or debt securities of our Company is [**REDACTED**] or [**REDACTED**] in or on which [**REDACTED**] or [**REDACTED**] is being or is proposed to be sought;

(h) no capital of any member of our Group is under option, or is agreed conditionally or unconditionally to be put under option; and

(i) there are no contracts or arrangements subsisting as at the date of this document in which a Director is materially interested or which is significant in relation to the business of our Group.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this Document delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) a copy of the [**REDACTED**];

(b) the written consents referred to in the section headed "Statutory and General Information – E. Other Information – 4. Consents of experts" in Appendix IV to this Document;

(c) copies of the material contracts referred to in the section headed "Statutory and General Information – B. Further Information About our Business – 1. Summary of material contracts" in Appendix IV to this Document; and

(d) a statement of the particulars of the [**REDACTED**] referred to in "– E. Other Information – [**REDACTED**]" in Appendix IV to this Document.

DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website **www.adicon.com.cn**:

(a) the Memorandum and Articles of the Company;

(b) the material contracts referred to in the section headed "Statutory and General Information – B. Further Information About our Business – 1. Summary of material contracts" in Appendix IV to this Document;

(c) the service contracts and letters of appointments with our Directors referred to in the section headed "Statutory and General Information – C. Further Information about our Directors – 1. Particulars of Directors' service contracts and appointment letter" in Appendix IV to this Document;

(d) the report issued by Frost & Sullivan, a summary of which is set forth in the section headed "Industry Overview" in this Document;

(e) the PRC legal opinions issued by Han Yi Law Offices, our legal advisor as to PRC laws, in respect of certain aspects of our Group;

(f) the Accountants' Report prepared by Ernst & Young, the texts of which are set out in Appendix I to this Document;

(g) the report from Ernst & Young on unaudited pro forma financial information of our Group, the texts of which are set out in Appendix II to this Document;

(h) the audited consolidated financial statements of our Company for the Track Record Period;

(i) the letter of advice prepared by Walkers (Hong Kong), our legal advisor on Cayman Islands laws, summarizing certain aspects of the Cayman Islands company law referred to in Appendix III to this Document;

(j) the Cayman Companies Act;

(k) the written consents referred to in the section headed "Statutory and General Information – E. Other Information – 4. Consents of experts" in Appendix IV to this Document; and

(l) a statement of the particulars of the [**REDACTED**] referred to in "– E. Other Information – [**REDACTED**]" in Appendix IV to this Document.