Application Proof of

Yunkang Group Limited

(the "**Company**")

(Incorporated in the Cayman Islands with limited liability)

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Yunkang Group Limited
云康集团有限公司

(Incorporated in the Cayman Islands with limited liability)

[REDACTED]

Number of [REDACTED] under the [REDACTED]	**:**	**[REDACTED] Shares (comprising [REDACTED] new Shares and [REDACTED] Shares, and subject to the [REDACTED])**
Number of [REDACTED]	**:**	**[REDACTED] Shares (subject to adjustment)**
Number of [REDACTED]	**:**	**[REDACTED] Shares (comprising [REDACTED] new Shares and [REDACTED] Shares, and subject to adjustment and the [REDACTED])**
Maximum [REDACTED]	**:**	**HK$[REDACTED] per Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and FRC transaction levy of 0.00015% (payable in full on [REDACTED] in Hong Kong Dollars and subject to refund)**
Nominal Value	**:**	**US$0.000002 per Share**
[REDACTED]	**:**	**[REDACTED]**

***Joint Sponsors,* [REDACTED],**

[REDACTED]

[REDACTED]

[●]

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Applicants for [**REDACTED**] are required to pay, on [**REDACTED**], the maximum [**REDACTED**] of HK$[**REDACTED**] for each [**REDACTED**] together with brokerage fee of 1%, SFC transaction levy of 0.0027%, Stock Exchange trading fee of 0.005% and FRC transaction levy of 0.00015%, subject to refund if the [**REDACTED**] as finally determined is less than HK$[**REDACTED**].

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IMPORTANT

[**REDACTED**]

EXPECTED TIMETABLE[1]

[**REDACTED**]

EXPECTED TIMETABLE[1]

[**REDACTED**]

EXPECTED TIMETABLE[1]

[**REDACTED**]

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CONTENTS

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

OVERVIEW

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

OUR BUSINESS AND REVENUE MODEL

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

Note:

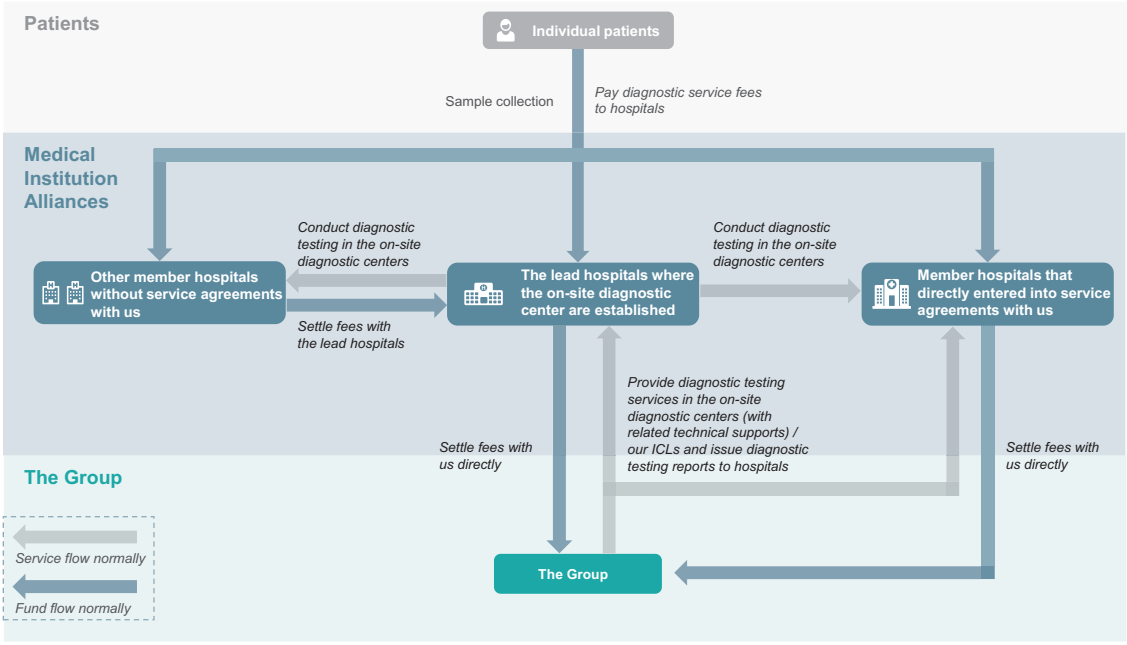
(i) Medical institution alliances refer to regional healthcare systems consisting of primary, secondary and tertiary medical institutions, under which medical resources can be shared efficiently, aiming to improve the service quality of primary medical institutions, promote the optimal allocation of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

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

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

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

equipment we provided. During the Track Record Period, we successfully renewed all but one of the service and collaboration agreements that have expired as generally medical institutions prefer to engage third-party service providers for such services due to time and cost considerations. The following chart summarizes the normal service and fund flows of our diagnostic testing services for medical institution alliances.



As of December 31, 2018, 2019, 2020 and 2021 and the Latest Practicable Date, we had assisted in establishing and operating 79, 132, 199, 275 and 310 on-site diagnostic centers. We are developing and expanding our businesses and we served approximately 1.0% of all the medical institution alliances during the Track Record Period and up to the Latest Practicable Date. In 2020, we had a market share of 12.5% in China's diagnostic testing services for medical institution alliances market in terms of revenue according to Frost & Sullivan.

The following table sets forth a breakdown of our revenue.

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

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

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

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

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

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

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

Notes:

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

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

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

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

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

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

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

COMPETITIVE LANDSCAPE

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

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

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

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

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

For details, see "Business – Competition."

OUR STRENGTHS

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

OUR STRATEGIES

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

OUR CUSTOMERS

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

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

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

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

As of the Latest Practicable Date, we had assisted in establishing and operating 310 on-site diagnostic centers, serving over 700 medical institutions under our diagnostic testing services for medical institution alliances.

SALES AND MARKETING

We adopt a direct sales model and establish a sales and marketing team of 259 personnel as of the Latest Practicable Date. We entered into service agreements directly with our customers during the Track Record Period. Our in-house sales and marketing team is mainly responsible for our marketing activities and regularly sponsors or participates in various academic conferences and seminars to promote our services. In addition, from time to time we also engage qualified and reputable third-party marketing service providers to promote our services to hospitals by visiting hospitals and organizing academic conferences.

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

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

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

RAW MATERIALS AND SUPPLIERS

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

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

SUMMARY OF KEY FINANCIAL INFORMATION

The summary historical data of financial information set forth below have been derived from, and should be read in conjunction with, our consolidated financial statements, including the accompanying notes, set forth in the Accountant's Report set out in Appendix I to this document, as well as the information set forth in "Financial Information" of this document.

Summary of Key Items in Our Consolidated Statements of Comprehensive Income

	For the year ended December 31,							
	2018		2019		2020		2021	
	(RMB in thousands, except for percentages)							
Revenue	596,308	100.0%	677,826	100.0%	1,200,320	100.0%	1,696,740	100.0%
Cost of revenue[(1)]	(355,923)	(59.7)	(378,632)	(55.9)	(544,425)	45.4	(797,603)	(47.0)
Gross profit	240,385	40.3	299,194	44.1	655,895	54.6	899,137	53.0
Selling expenses	(187,080)	(31.4)	(192,655)	(28.4)	(219,015)	(18.2)	(273,304)	(16.1)
Administrative expenses	(104,639)	(17.5)	(112,749)	(16.6)	(104,753)	(8.7)	(152,078)	(9.0)
(Loss)/profit before income tax	(32,552)	(5.5)	(10,632)	(1.6)	322,828	26.9	451,220	26.6
(Loss)/profit from continuing operations	(28,744)	(4.8)	(11,389)	(1.7)	270,309	22.5	372,498	22.0
(Loss)/profit from discontinued operations[(2)]	(21,600)	(3.6)	(20,155)	(3.0)	(10,137)	(0.8)	9,395	0.6
(Loss)/profit for the year	(50,344)	(8.4)	(31,544)	(4.7)	260,172	21.7	381,893	22.5
(Loss)/profit attributable to:								
– Owners of our Company	(49,408)	(8.3)	(30,975)	(4.6)	255,334	21.3	380,932	22.5
– Non-controlling interests	(936)	(0.2)	(587)	–	4,838	0.4	961	0.1
	(50,344)	(8.4)	(31,544)	(4.7)	260,172	21.7	381,893	22.5
Total comprehensive (loss)/income for the year	(61,515)	(10.3)%	(21,157)	(3.1)%	275,977	23.0%	385,196	22.7

Notes:

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

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

Business Sustainability

Historical Financials

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

We recorded net losses of RMB49.4 million and RMB31.0 million for the years ended December 31, 2018 and 2019, respectively. Our financial performance in 2018 and 2019 primarily reflected our efforts to promote our diagnostic testing services for medical institution alliances and to develop our diagnostic capabilities and platforms. We incurred substantial selling expenses and administrative expenses primarily and because we conducted significant marketing and promotion activities to promote our medical operation services and we hired more employees to support our business expansion, among others.

Measures Taken

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

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

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

- ***Quick response to COVID-19 tests.*** Leveraging our existing professional and standardized diagnostic capabilities and our experiences and insights in infectious disease diagnostic testing, we have been able to respond quickly to market demand for COVID-19 tests in 2020. We started to offer COVID-19 testing (nucleic acid

testing) as early as January 2020. Our Guangzhou laboratory was included by the Guangdong Provincial Health Commission in the first batch of medical institutions with the COVID-19 nucleic acid testing capability.

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

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

Directors' View

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

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

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

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

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

Favorable laws and government policies.

Although it is expected the market demand for COVID-19 testing will gradually decrease as the COVID-19 outbreak in China is gradually alleviated, according to Frost & Sullivan, the COVID-19 outbreak has significantly enhanced awareness of diagnostic testing, especially with respect to infectious disease diagnostic tests. PRC governments also promulgated laws and policies, (such as the *Guidance on Promoting Medical Institution Alliances in China (關於推進醫療聯合體建設和發展的指導意見)* issued by the State Council ("**Guidance**"); the *Implementation Methods to Advance COVID-19 Nucleic Acid Tests (關於加快推進新冠病毒核酸檢測的實施意見) issued by the Disease Protection Bureau of CDC in China (中國疾病預防控制局)* ("**Implementation Methods**"); the *Interim Measures on Medical Institution Alliance*

Management (醫療聯合體管理辦法(試行)) issued by NHC ("**Interim Measures**"); and the *Notice on Continuous Improvement in the Management of Clinical Use of Antimicrobial Drugs (關於持續做好抗菌藥物臨床應用管理工作的通知)* issued by NHC ("**Notice**")), to encourage medical institutions to build up their diagnostic capacities, especially with respect to infectious diseases, as well as to join medical institution alliances to enhance the HDTS in China.

Since the Guidance was issued, we have been able to rapidly broaden our service network. The number of on-site diagnostic centers that we assisted in establishing and operating increased from 79 as of December 31, 2018 to 275 as of December 31, 2021. Moreover, with the *Interim Measures* that aims to accelerate the building of medical institution alliances, we are able to further promote diagnostic testing services for medical institution alliances by leveraging our established services platform. In addition, following the Implementation Measures and the Notice, we started to assist in establishing infectious disease diagnostic centers since 2020, having established 17 and 67 as of December 31, 2020 and 2021, respectively. According to Frost & Sullivan, currently there are over 8,000 medical institutions and ICLs that can provide such COVID-19 testing services, including over 750 in Guangdong province. As of the Latest Practicable Date, all of our six ICLs had obtained the PCR testing qualification for provision of COVID-19 tests, enabling them to serve these medical institutions.

Our early years' investments and economies of scale.

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

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

Summary of Key Items in Our Consolidated Statements of Financial Position

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

Note:

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

Net Current Assets

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

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

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

Net Assets

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

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

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

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

Summary of Key Items in Our Consolidated Cash Flow Statement

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

Note:

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

Key Financial Ratios

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

Notes:

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

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

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

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

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

IMPACT OF THE COVID-19 OUTBREAK

Starting in January 2020, in response to the COVID-19 outbreak in China, the PRC government has introduced a series of measures, such as extending the Chinese New Year holidays and encouraging residents to work from home, in efforts to contain the outbreak. As a result of the COVID-19 outbreak, there were increasing market demands for COVID-19 tests in China. Observing these market demands, we started to offer COVID-19 tests in early 2020.

In 2020 and 2021, we completed 7.5 million and 44.5 million COVID-19 tests, respectively. The offering of COVID-19 tests has a positive impact on our business. As a result, our total revenue increased by 77.1% from RMB677.8 million in 2019 to RMB1,200.3 million in 2020, primarily due to an increase in revenue generated from diagnostic outsourcing services, driven by an increase in revenue from infectious disease diagnostic tests, and diagnostic testing services for medical institution alliances. In 2020, we generated revenue of RMB547.1 million and gross profit of RMB347.7 million from COVID-19 tests, representing 45.6% of our total revenue and 53.0% of our gross profit for the same period. Our revenue and gross profit from COVID-19 tests further increased by 80.2% and 61.0% to RMB985.7 million and RMB560.0 million for the year ended December 31, 2021, representing 58.1% of our total revenue and 62.3% of our gross profit for the same period, respectively.

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

RISK FACTORS

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

OUR CONTROLLING SHAREHOLDERS

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

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

CONTRACTUAL ARRANGEMENT

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

[**REDACTED**] STATISTICS

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

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

Notes:

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

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

[**REDACTED**]

DIVIDENDS

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

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

[**REDACTED**]

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

NON-COMPLIANCE

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

RECENT REGULATORY DEVELOPMENTS IN CHINA

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

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

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

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

might easily lead to the infringement of personal dignity or harm of personal and property safety, are only allowed provided such activities are purpose-specified, highly necessary and strictly protected.

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

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

PRC Laws and Regulations relating to Overseas Listing

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

In addition, on December 27, 2021, the NDRC published the latest revisions to the Special Administrative Measures for Access of Foreign Investment (Negative List) (the "**2021 Negative List**" or the "**Negative List on Access to Foreign Investment**"). Article 6 of the Interpretation Note of the 2021 Negative List ("**Article 6**") provides that "where a domestic enterprise engaged in the business in the prohibited areas of the Negative List on Access to Foreign Investment seeks to issue and list its shares overseas ("**Overseas Issuance and Listing by a Domestic Enterprise under 2021 Negative List**"), it shall complete the examination process and obtain approval of the relevant competent authorities of the State, the foreign investor shall not participate in the operation and management of the enterprise, and its

shareholding percentage shall be subject to the relevant provisions on the administration of domestic securities investment by foreign investors." Please refer to "Contractual Arrangements—Background—PRC Laws and Regulations relating to Overseas Listing" for details.

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

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

Cybersecurity Regulations

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

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

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

As of the Latest Practicable Date, we entered into service and collaboration agreements and assisted in establishing and operating 310 on-site diagnostic centers in China.

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

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

- *Mutant Strains of COVID-19.* Starting from May 2020, several variant mutant strains have emerged globally and caused a recent wave of COVID-19 infections in several provinces in China since May 2021. According to Frost & Sullivan, it is reported that the current vaccination cannot protect fully from the infection of mutant strains of COVID-19 diseases, even with two shots vaccinated. These various mutant strain COVID-19 diseases will continue to grow the demand for COVID-19 tests.

- *Full Screening Process.* It is likely that the PRC government will conduct full screening for all citizens and residents in the city or town which experienced COVID-19 pandemic. Citizens or residents being vaccinated are also subjected to the COVID-19 tests. For example, the local government of Guangzhou conducted full screening during the wave of COVID-19 outbreak in May 2021. Thus, the demand for COVID-19 tests will not be materially affected by the increasing vaccination rate.

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

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

Considering that (i) the number of diagnostic tests we conducted increased significantly in 2021 as compared to that in 2020; and (ii) there have been no other incidents or events that have caused a material adverse impact on our business operation, and after reviewing the management accounts of the Group for the two months ended February 28, 2022, our Directors confirm after due and careful consideration, there has been no material and adverse change in our financial, operational or [**REDACTED**], prospects since December 31, 2021, being the latest date of our consolidated financial statements as set out in "Appendix I—Accountant's Report," and up to the date of this document.

In this document, unless the context otherwise requires, the following terms shall have the meanings set out below. Certain other terms are explained in the section headed "Glossary of Industry Terms" in this document.

"Articles of Association" or "Articles"	the articles of association of our Company adopted on February 20, 2022 with effect from [**REDACTED**], a summary of which is set out in "Appendix III—Summary of the Constitution of Our Company and Cayman Islands Companies Law" to this document
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board"	the board of directors of our Company
"Business Day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"CAGR"	compound annual growth rate

[**REDACTED**]

[**REDACTED**]

"CDB Development Fund"	CDB Development Fund Co., Ltd. (國開發展基金有限公司), an investment entity established under the laws of the PRC by China Development Bank (國家開發銀行)
"CFDA"	China Food and Drug Administration (國家食品藥品監督管理總局)
"Chengdu Daan"	Chengdu Gaoxin Daan Medical Laboratory Co., Ltd. (成都高新達安醫學檢驗有限公司), a limited liability company established in the PRC on June 10, 2009 and a wholly-owned subsidiary of Yunkang Industry
"China" or "PRC"	People's Republic of China, but for the purpose of this document and for geographical reference only and except where the context requires otherwise, references in this document to "China" and the "PRC" do not apply to Hong Kong, Macau and Taiwan

"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"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
"Companies Act" or "Cayman Companies Act"	the Companies Act, Cap. 22 (Law 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
"Company" or "Yunkang"	Yunkang Group Limited, a company incorporated under the laws of the Cayman Islands with limited liability
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules
"Consolidated Affiliated Entities"	the entities we control through the Contractual Arrangements, being Yunkang Industry, subsidiaries of Yunkang Industry and Guangzhou Clinic
"Contractual Arrangements"	the series of contractual arrangements entered into by, among others, WFOE, the Registered Shareholders and Yunkang Industry, details of which are described in the section headed "Contractual Arrangements"
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Da An Gene"	Daan Gene Co., Ltd. (廣州達安基因股份有限公司), a company limited by shares established in the PRC whose shares are listed on the SME Board of the Shenzhen Stock Exchange (Stock code: 002030) and a Registered Shareholder
"Da An Gene Group"	Da An Gene and its subsidiaries

"Daan International"	Daan International Holdings Limited (達安國際集團有限公司), a company incorporated in Hong Kong with limited liability on September 2, 2008, a subsidiary of Da An Gene and one of our Controlling Shareholders
"Director(s)"	the directors of our Company, including all executive, non-executive and independent non-executive directors
"EIT Law"	the PRC Enterprise Income Tax Law (中華人民共和國企業所得税法), as enacted by the NPC on March 16, 2007 and effective on January 1, 2008, as amended, supplemented or otherwise modified from time to time
"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
"Facility Agreements"	including Offshore Facility Agreement and Onshore Facility Agreements
"FRC"	the Financial Reporting Council of Hong Kong
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., a global market research and consulting company, which is an Independent Third Party
"Frost & Sullivan Report"	an independent market research report prepared by Frost & Sullivan for the purpose of this document
"Gaoxin Yangguang"	Tianjin Gaoxin Yangguang Investment Co., Ltd. (天津高新陽光投資有限公司), previously known as Beijing Gaoxin Yangguang Investment Co., Ltd. (北京高新陽光投資有限公司), a limited liability company established in the PRC on December 14, 2007 and wholly-owned by Mr. Zhang Yong, a Registered Shareholder
"GDP"	gross domestic product (GDP) is a monetary measure of the market value of all the final goods and services produced in a specific time period

[**REDACTED**]

[**REDACTED**]

"Group"	our Company, all of our subsidiaries and the Consolidated Affiliated Entities, or, where the context so requires, in respect of the period before our Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors (as the case may be)
"Guangzhou Anjianxin"	Guangzhou Anjianxin Medical and Health Industry Equity Investment Fund (Limited Partnership) (廣州安健信醫療健康產業股權投資基金(有限合伙)), a limited partnership established in the PRC on December 2, 2014 and a Registered Shareholder
"Guangzhou Clinic"	Guangzhou Yunkang Clinic Co., Ltd. (廣州雲康門診有限公司), a limited liability company established in the PRC on January 29, 2019 ultimately controlled by WFOE and Yunkang Industry
"Guangzhou Daan"	Guangzhou Daan Clinical Laboratory Center Co. Ltd. (廣州達安臨床檢驗中心有限公司), a limited liability company established in the PRC on February 28, 2006 held by Yunkang Industry and CDB Development Fund as to 95.28% and 4.72%, respectively, as of the Latest Practicable Date
"Guangzhou Guoju"	Guangzhou Guoju Venture Capital Co., Ltd. (廣州國聚創業投資有限公司), a limited liability company established in the PRC on January 29, 2015 and a Registered Shareholder, which is wholly-owned by Guangzhou Hi-tech Investment Group Co., Ltd. (廣州高新區投資集團有限公司) as of the Latest Practicable Date
"Guangzhou Huigang"	Guangzhou Huigang Investment Partnership (Limited Partnership) (廣州匯港投資合伙企業(有限合伙)), a limited partnership established in the PRC on May 14, 2015 and a Registered Shareholder, which is wholly-owned as to 50% and 50% by Yujiang County Yongsheng Investment Management Center (余江縣永聖投資管理中心) and Yujiang County Ganghong Investment Management Center (余江縣港宏投資管理中心) respectively as of the Latest Practicable Date

"Guangzhou Qiyi"	Guangzhou Qiyi Investment Co., Ltd. (廣州期頤投資有限公司), a limited liability company established in the PRC on August 25, 2014 and a shareholder of Yunkang Industry before the Reorganization, and its ultimate beneficial owners are Mr. Shao Zuxiang (邵祖祥), an Independent Third Party and Management Committee of Guangzhou Economic & Technological Development District (廣州經濟技術開發區管理委員會)
"Guangzhou Yunkang"	Guangzhou Yunkang Biological Technology Co., Ltd. (廣州雲康生物科技有限公司), a limited liability company established in the PRC on May 5, 2014 and a wholly-owned subsidiary of our Company
"Hengqin Haochuang"	Zhuhai Hengqin Haochuang Investment Center (Limited Partnership) (珠海橫琴昊創投資中心(有限合伙)), a limited partnership established in the PRC on August 28, 2015 and a shareholder of Yunkang Industry before the Reorganization, and its ultimate beneficial owner is Ms. Jin Hua (金花), an Independent Third Party
"Heyuan Rongwei"	Beijing Heyuan Rongwei Equity Investment Center (Limited Partnership) (北京合源融微股權投資中心(有限合伙)), a limited partnership established in the PRC on April 20, 2015 and a Registered Shareholder

[**REDACTED**]

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

[**REDACTED**]

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

[**REDACTED**]

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

[**REDACTED**]

"Huize Kexiang"	Huize Kexiang Investment Co., Ltd. (匯澤科翔投資有限公司), a limited liability company established in the PRC on August 3, 2006 and wholly-owned by Mr. Zhang Yong, a Registered Shareholder
"Independent Third Party(ies)"	party or parties that is or are not a connected party within the meaning of the Listing Rules

[**REDACTED**]

[**REDACTED**]

"Joint Sponsors" or "[**REDACTED**]"	CMB International Capital Limited and SPDB International Capital Limited
"Kangcheng Daan"	Shenzhen Kangcheng Daan Investment Partnership (Limited Partnership) (深圳市康成達安投資合伙企業(有限合伙)), previously known as Shenzhen Kangcheng Hengbaofeng Investment Partnership (Limited Partnership) (深圳市康成亨寶豐投資合伙企業(有限合伙)), a limited partnership established in the PRC on February 3, 2015 and a shareholder of Yunkang Industry before the Reorganization, and its ultimate beneficial owner is Mr. Yuan Yakang (袁亞康), an Independent Third Party
"Kefeng Touan"	Guangzhou Kefeng Touan investment Enterprise (Limited Partnership) (廣州科風投安投資企業(有限合伙)), a limited partnership established in the PRC on December 15. 2014 and a shareholder of Yunkang Industry before the Reorganization, and its ultimate beneficial owners are Mr. Ying Sheng (營勝), an Independent Third Party and State-owned Assets Supervision and Administration Commission of Guangzhou Municipal Government (廣州市人民政府國有資產監督管理委員會)
"Latest Practicable Date"	March 15, 2022, being the latest practicable date for the purpose of ascertaining certain information contained in this document prior to its publication

[**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
"M&A Rules"	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), which were jointly promulgated by MOFCOM, the State Assets Supervision and Administration Commission, the SAT, the SAIC, the CSRC, and the SAFE on August 8, 2006, and came into effect on September 8, 2006 and subsequently amended, on June 22, 2009, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company adopted on February 20, 2022 with effect from Listing, a summary of which is set out in "Appendix III—Summary of the Constitution of Our Company and Cayman Islands Companies Law" to this document
"MIIT"	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) (formerly known as the Ministry of Information Industry)
"MOFCOM" or "Ministry of Commerce"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mouduanshan"	Zhuhai Hengqin Mouduanshan Enterprise Management Center (Limited Partnership) ((珠海橫琴謀斷山企業管理中心(有限合伙)), previously known as Zhuhai Hengqin Mouduanshan Investment Center (Limited Partnership) ((珠海橫琴謀斷山投資中心(有限合伙)), a limited partnership established in the PRC on June 5, 2015 and a Registered Shareholder
"NDRC"	the National Development and Reform Commission (中華人民共和國國家發展和改革委員會)

"NHFPC"	the National Health and Family Planning Commission (國家衛生和計劃生育委員會)
"Nomination Committee"	the nomination committee of the Board
"Non-competition Undertaking"	the non-competition undertaking dated September 3, 2021 entered into between the Company and Da An Gene

[**REDACTED**]

"Offshore Facility Agreement"	an US$40 million facility agreement dated February 9, 2021 between, among others, YK Development as borrower, SPDB HK as lender, China Construction Bank (Asia) Corporation Limited as facility agent and security agent
"Onshore Facility Agreements"	two facility agreements dated February 20, 2021 and February 22, 2021 between Gaoxin Yangguan as borrower, and SPDB Guangzhou Wuyang Branch as lender for the loan facility in the aggregate amount of approximately RMB344.21 million

[**REDACTED**]

"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC Legal Advisers" or "PRC Legal Advisors"	Zhong Lun Law Firm, the PRC legal adviser of the Company

[**REDACTED**]

"Registered Shareholder(s)"	the registered shareholder(s) of Yunkang Industry upon completion of the Reorganization, being Da An Gene, Gaoxin Yangguang, Mouduanshan, Tongfu Zhongchuang, Guangzhou Huigang, Guangzhou Anjianxin, Heyuan Rongwei, Guangzhou Guoju, Mr. Lan Fu and Yujiang Anjin
"Regulation S"	Regulation S under the U.S. Securities Act
"Renminbi" or "RMB"	the lawful currency of the PRC
"Remuneration Committee"	the remuneration committee of the Board
"Reorganization"	the reorganization arrangements conducted by our Group immediately before the Listing as described in the section headed "History, Reorganization and Corporate Structure—Reorganization"
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
"SAIC"	the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)

"[**REDACTED**]"	the [**REDACTED**] Shares initially [**REDACTED**] by the [**REDACTED**] at the [**REDACTED**] under the [**REDACTED**]
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家税務總局)
"[**REDACTED**]"	Daan International Holdings Limited, being the Shareholder which offers the [**REDACTED**] for sale under the [**REDACTED**], particulars of which are set out in the section headed "D. Other Information—11. Particulars of the [**REDACTED**]" in Appendix V to this document
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Shanghai Daan"	Shanghai Daan Medical Laboratory Co., Ltd. (上海達安醫學檢驗所有限公司), a limited liability company established in the PRC on July 28, 2006 and a wholly-owned subsidiary of our Group
"Shanghai Ranfei"	Shanghai Ranfei Medical Technology Co., Ltd. (上海然飛醫療科技有限責任公司), a limited liability company established in the PRC on September 23, 2019 and owned as to 80% and 20% by our Group and Mr. Mu Min, a manager of Guangzhou Daan, respectively
"Share(s)"	ordinary shares in the share capital of our Company of US$0.000002 each (as adjusted after the Share Subdivision)
"Shareholder(s)"	holder(s) of our Share(s)
"Share Subdivision"	the subdivision of each share in the Company's issued and unissued share capital with par value of US$0.0001 each into fifty shares with par value of US$0.000002 each on February 20, 2022, the details of which are set out in "History, Reorganization and Corporate Structure"

"SPDB Guangzhou Wuyang Branch"	Guangzhou Wuyang Branch of Shanghai Pudong Development Bank Co., Ltd.
"SPDB HK"	SPDB International (Hong Kong) Limited
"special purpose vehicle"	a legal entity (usually a limited company of some type or, sometimes, a limited partnership) created to fulfill narrow, specific or temporary objectives
	[**REDACTED**]
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"[**REDACTED**] Agreement"	the [**REDACTED**] agreement, which may be entered into between YK Development as the lender and the [**REDACTED**] as the borrower on or around the [**REDACTED**] Date
"subsidiary(ies)"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Tongfu Zhongchuang"	Shenzhen Tongfu Zhongchuang Investment Management Co., Ltd. (深圳同福中創投資管理有限公司), a limited liability company established in the PRC on May 18, 2015 and a Registered Shareholder
"Track Record Period"	the years ended December 31, 2018, 2019, 2020 and 2021
	[**REDACTED**]
"U.S." or "United States"	the United States of America, its territories and possessions, any State of the United States, and the District of Columbia
"U.S. Securities Act"	United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time

"VAT"	value-added tax; all amounts are exclusive of VAT in this document except where indicated otherwise
"WFOE" or "Yunkang Technology"	Guangzhou Yunkang Health Technology Co., Ltd. (廣州雲康健康科技有限公司), a limited liability company established in the PRC on July 10, 2019 and a wholly-owned subsidiary of our Company
"Yilu Logistics"	Guangzhou Medical Road Logistics Co., Ltd. (廣州醫路物流有限公司), a limited liability company established in the PRC on November 7, 2016 and a wholly-owned subsidiary of our Group
"YK Development"	YK Development Limited, a limited liability company duly incorporated in the BVI on July 12, 2018 and one of our Company's Controlling Shareholders
"YK HK"	YK Healthcare (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability on August 14, 2018 and a wholly-owned subsidiary of our Company
"Yujiang Anjin"	Yujiang Anjin Venture Capital Center (Limited Partnership) (余江安進創業投資中心(有限合伙)), a limited partnership established in the PRC on September 15, 2014 and a Registered Shareholder
"Yunkang Health"	Yunkang Health Industry Group Co., Ltd. (雲康健康產業集團有限公司), a limited liability company established in the PRC on July 15, 2010 and an ultimately wholly-owned subsidiary of our Company
"Yunkang Industry"	Yunkang Health Industry Investment Co., Ltd. (雲康健康產業投資股份有限公司), previously known as Gaoxin Da An Health Industry Investment Co., Ltd. (高新達安健康產業投資有限公司), a limited liability company established in the PRC on May 28, 2008 controlled by us through the Contractual Arrangements
"Yunkang Lingnan"	Yunkang Lingnan (Guangzhou) Medical Health Technology Development Co., Ltd. (雲康嶺楠(廣州)醫療健康科技發展有限公司), a limited liability company established in the PRC on September 19, 2019 and a wholly-owned subsidiary of Yunkang Industry

"Yunkang Medical Laboratory"	Guangzhou Yunkang Medical Laboratory Development Co., Ltd. (廣州雲康醫學檢驗發展有限公司), a limited liability company established in the PRC on July 28, 2020 and an ultimately wholly-owned subsidiary of our Company

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 INDUSTRY 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.

"apolipoprotein E genotypes"	apolipoprotein E is a class of proteins involved in the metabolism of fats in the body. Apolipoprotein E genotypes is a common risk associated with dementia, neurodegenerative disease and cardiovascular disease
"CAP Guidelines"	College of American Pathologists guidelines, the clinical practical guidelines established by the College of American Pathologists
"Class I hospital"	a hospital or health center that directly provides prevention, medical treatment, health care and rehabilitation services to the community of a certain population where the number of beds is no more than 100
"Class II hospital"	a regional hospital that provides comprehensive medical and health services to multiple communities and undertakes certain teaching and scientific research tasks where the number of beds is between 101 and 500
"Class III hospital"	a regional hospital that provides high-level specialized medical and health services and carries out higher education and scientific research tasks in several areas where the number of beds is no less than 501
"CLSI"	Clinical and Laboratory Standards Institute, a globally recognized not-for-profit standards development organization with over 24,000 individuals with membership access, whose standards are recognized by laboratories, accreditors, and government agencies around the world to improve medical laboratory testing.
"COVID-19"	coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2
"diagnostic testing services"	the tests used to help diagnose a disease or condition through ICLs or on-site diagnostic centers

"diagnostic testing services for medical institution alliances"	diagnostic testing services and related technical supports, such as providing assistance in daily operations, testing equipment and on-site technicians, provided at on-site diagnostic centers to facilitate the on-site testing services
"digital pathology remote diagnosis"	the act of diagnosing a pathological symptom, issue or problem within the healthcare systems from a distance
"FISH"	fluorescence *in situ* hybridization, a molecular cytogenetic technique that uses fluorescent probes that bind to only those parts of a nucleic acid sequence with a high degree of sequence complementarity
"HDTS"	hierarchical diagnosis and treatment system, a fair and efficient mechanism for sharing medical resources through rational allocation of medical resources in different levels of medical institutions and mutual cooperation of medical resources at different levels
"hepatitis B virus"	hepatitis B virus (HBV), is a partially double-stranded DNA virus, a species of the genus Orthohepadnavirus and a member of the Hepadnaviridae family of viruses
"human papillomavirus"	human papillomavirus infection (HPV infection) is an infection caused by human papillomavirus (HPV), a DNA virus from the *Papillomaviridae* family
"ICL(s)"	Independent Clinical Laboratory(ies), perform(s) tests or procedures to help diagnose and/or treat medical conditions
"ICP"	Internet Content Provider
"immunological detection"	the use of antigens and antibodies to detect abnormalities of the immune system
"ISO 15189"	the requirements for quality and competence in medical laboratories
"lead hospital"	a hospital, usually Class III or Class II, within the medical institution alliances to take the lead in system operation and management

"liquid chip"	also known as suspension array, a new type of biochip technology platform based on flexible Multi-Analyte Profiling technology
"mass spectrometry"	an analytical technique that is used to measure the mass-to-charge ratio of ions
"medical institution alliances (醫聯體)"	a new type of organizational arrangement between hospitals and medical institutions focusing on more coordinated and integrated forms of medical care provision
"medical operation services"	services covering independent clinical laboratory testing services and diagnostic testing services for medical institution alliances
"member hospital"	a hospital or medical institution (other than lead hospital) within the medical institution alliances
"NGS"	next-generation sequencing, also known as high throughput sequencing, which is a massively parallel sequencing method used to determine the nucleotide sequence of genome in a single biochemical reaction volume
"NGS genetic chip"	next-generation sequencing generic chip
"nucleic acid test"	a technique used to detect a particular nucleic acid sequence and thus usually to detect and identify a particular species or subspecies of organism, often a virus or bacteria that acts as a pathogen in blood, tissue, urine, etc.
"outpatient clinic"	the outpatient clinic we operate, which collects testing samples and provides diagnostic testing services for non-medical institutions, including the general public
"outpatient visit"	a patient who receives healthcare services at a hospital and is not hospitalized overnight
"pathology"	the branch of medicine which treats the essential nature of disease

"PCR"	polymerase chain reaction, a method widely used to rapidly make millions to billions of copies of a specific DNA sample
"precision medicine"	a medical model that proposes the customization of healthcare, with medical decisions, treatments, practices, or products being tailored to a subgroup of patients, as opposed to a one-drug-fits-all model
"single point mutation of gene"	a genetic mutation where a single nucleotide base is changed, inserted or deleted from a DNA or respiratory syncytial virus sequence of an organism's genome
"telepathology"	the adoption of telecommunications technology to facilitate the transfer of image-rich pathology data between distant locations for the purposes of diagnosis, education and research
"tuberculosis"	tuberculosis (TB) is an infectious disease usually caused by *Mycobacterium tuberculosis bacteria* (MTB)
"ultra-micro pathological morphology"	made the electron microscope specimen into a resin block to assist pathologists locate the target structure through semi-thin sectioning and optical microscope observation

FORWARD-LOOKING STATEMENTS

We have included in this document forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

This document contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this document, the words "aim", "anticipate", "believe", "could", "expect", "going forward", "intend", "may", "ought to", "plan", "project", "seek", "should", "will", "would" and the negative of these words and other similar expressions, as they relate to our Group or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this document. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our operations and business prospects;
- our financial condition and operating results and performance;
- industry trends and competition;
- development of the healthcare industry and medical institution alliances in China;
- our current and future diagnostic testing service portfolio;
- our strategies, plans, objectives and goals and our ability to successfully implement these strategies, plans, objectives and goals;
- our ability to attract customers and build our brand image;
- general political and economic conditions;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our dividend policy; and
- the amount and nature of, and potential for, future development of our business.

FORWARD-LOOKING STATEMENTS

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this document, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this document might not occur in the way we expect or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this document are qualified by reference to the cautionary statements in this section.

In this document, statements of or references to our intentions or those of our Directors are made as of the date of this document. Any such information may change in light of future developments.

You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an [**REDACTED**] *in our Shares. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks and uncertainties. The* [**REDACTED**] *of the* [**REDACTED**] *could decline due to any of these risks, as well as additional risks and uncertainties not presently known to us, and you may lose all or part of your* [**REDACTED**]. *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.*

RISKS RELATING TO OUR FINANCIAL POSITION AND PROSPECTS

Our revenue from COVID-19 tests may decrease in the future.

In response to the COVID-19 pandemic, in 2020 and 2021, a significant portion of our revenues were generated from COVID-19 tests. In 2020 and 2021, our revenues generated from COVID-19 tests amounted to RMB547.1 million and RMB985.7 million, respectively, representing 45.6% and 58.1% of our total revenue for the same year. For the same period, our gross profits from COVID-19 tests were RMB347.7 million and RMB560.0 million, representing 53.0% and 62.3% of our total gross profit for the same year. For the same period, our gross profit margins for COVID-19 tests were 63.6% and 56.8%, respectively. However, the COVID-19 pandemic may become further alleviated in the future, leading to a significant decrease in market demand for COVID-19 tests. In such events, our revenues generated from COVID-19 tests may significantly decrease and our financial condition and results of operations may be materially and adversely affected.

We have incurred accumulated losses as of January 1, 2018 and incurred significant net losses in 2018 and 2019. Although we recorded net profit in 2020 and 2021, our historical financial and operating results may not be indicative of our future performance, and we may not be able to achieve and sustain the historical level of revenue growth and profitability.

We recorded accumulated losses of RMB83.3 million as of January 1, 2018 and net losses of RMB49.4 million and RMB31.0 million for the years ended December 31, 2018 and 2019, respectively. Our accumulated losses as of January 1, 2018 were primarily due to the net losses from 2015 to 2017, which were attributable to (i) the lower gross profit margins from 2015 to 2017 primarily due to a significant portion of our diagnostic testing at that time being routine tests, which generally have a lower gross profit margin, (ii) more selling expenses as we engaged more third-party marketing service providers to build up our sales network of diagnostic testing services, and (iii) more administrative expenses attributable to (a) higher staff costs as we hired more employees to support our business and research and development activities; and (b) higher research and development expenses as the development of the Yunkang apps was expensed off in 2016 and 2017; as well as certain research and development

costs relating to the improvement of cold chain logistics system and the research and development of our IT system and diagnostic methods. Our financial performance in 2018 and 2019 primarily reflected our efforts to promote our diagnostic testing services for medical institution alliances and to develop our diagnostic capabilities and platforms, which required initial expenditures and investments. As a result, we had a profit for the year of RMB260.2 million in 2020, which was mainly because we leveraged our experience and foundation in infectious diseases and were able to provide a significant volume of infectious disease diagnostic tests to meet the large market demand due to the COVID-19 pandemic. We recorded revenue of RMB985.7 million and gross profit of RMB560.0 million from COVID-19 diagnostic testing in 2021 which accounted for 58.1% of our revenue and 62.3% of our gross profit for the same period, respectively. Our past performance is not necessarily indicative of future results.

We also disposed of certain discontinued operations in January 2021 as part of our Reorganization, which we will no longer operate in the future. We had loss from discontinued operations of RMB21.6 million, RMB20.2 million and RMB10.1 million for the years ended December 31, 2018, 2019 and 2020, respectively. The effects of changing regulatory, economic, public health, environmental, competitive conditions and future expansion of our workforce, and many other factors cannot be fully predicted and may have a material adverse effect on our business, financial condition, results of operations and prospects. As we continue our business expansion, we cannot assure you that we will achieve the expected results or maintain the same levels of revenue growth and profitability as we have achieved historically. In particular, the increase in demand for COVID-19 tests may be one-off in nature. Period-to-period comparisons of our operating results during the Track Record Period may not be indicative of our future performance and you should not rely on them to predict the future performance of our operating results.

Our financial prospects depends on the success of our service portfolio.

Our business substantially depends on the success of the services in our existing service portfolio and other services we may provide in the future. We have invested a significant portion of our efforts and financial resources in the development of our existing service portfolio. Whether we can generate profit from our operating activities largely depends on the success of our service portfolio.

The successful marketing of our services will depend on several factors, including but not limited to:

- continued and growing relationships with lead hospitals and member hospitals and the establishment of on-site diagnostic centers;

- maintaining market recognition of our ICLs;

- renewal of the licenses and certificates for our diagnostic testing services, such as "Qualification Certificate of Inspection and Testing Agency" (檢驗檢測機構資質認定證書) and the "Laboratory Accreditation Certificate" (實驗室認可證書);

- maintaining sufficient testing capacity by making procurement arrangements with suppliers;

- the performance by any third parties we may retain in a manner that complies with our protocols and applicable laws and that protect the integrity of the resulting data;

- obtaining and maintaining patent, trade secret and other intellectual property protection and regulatory exclusivity;

- ensuring we do not infringe, misappropriate or otherwise violate the patent, trade secret or other intellectual property rights of third parties;

- successful promotion and marketing of our services;

- obtaining favorable governmental and private medical reimbursement for our services; and

- competition with other players in our industry.

If our efforts fail to satisfy one or more of these factors in a timely manner or at all, we could experience significant delays or be unable to obtain approvals for and/or to successfully promote our services, which would materially harm our business and we may not be able to generate sufficient revenue and cash flows to continue our operations.

We may need to obtain substantial financing for our operations. If we cannot raise sufficient additional capital on acceptable terms, our business, financial condition and prospects may be adversely affected.

Net cash generated from our operating activities was RMB16.4 million, RMB4.8 million, RMB203.1 million and RMB369.5 million for the years ended December 31, 2018, 2019, 2020 and 2021, respectively. We cannot assure you that we will be able to continue generating positive cash flows from operating activities in the future. Our liquidity and financial condition may be materially and adversely affected by negative net cash flows, and we cannot assure you that we will have sufficient cash from other sources to fund our operations. The cost of continuing operations could further reduce our cash position, and any increase in our net cash outflow from operating activities could adversely affect our operations by reducing the amount of cash available to meet the cash needs for operating our business and to fund our business expansion. During the Track Record Period, we obtained banking loans to finance our operations. In 2018, 2019 and 2020 we incurred net finance loss of RMB4.8 million, RMB11.7 million and RMB17.1 million. We recorded net finance gain of RMB6.5 million in 2021. As of [January 31], 2022, being the latest practicable date for determining our indebtedness, we had utilized bank facilities of RMB251.9 million and

unutilized bank facilities of RMB328.1 million. We may not be able to renew existing banking loans or obtain other sources of financing. If we resort to other financing sources, we may incur higher financing costs and we cannot guarantee that we will be able to obtain the financing on terms acceptable to us, or at all. If we continue to have negative operating cash flow in the future, our liquidity and financial condition may be materially and adversely affected.

We expect to continue to spend on optimizing the quality of our services and sales and marketing. Our existing cash and cash equivalents may not be sufficient to enable us to complete our business strategies, such as developing new services to expand our service portfolio. Accordingly, we may require further funding through public or private [**REDACTED**], debt or equity financing, collaboration and licensing arrangements or other sources. We cannot assure you that our financial resources will be adequate to support our operations. Our future funding requirements will depend on many factors, including but not limited to:

- the outcome, timing and cost of regulatory approvals of our services;
- the number and characteristics of the services that we may provide;
- marketing costs associated with our services and any existing or future services, including the cost and timing of expanding the marketing and sales activities of our services;
- the terms and timing of any potential future collaborations or other arrangements that we may engage in;
- cash requirements of any future acquisitions and/or the development of other services; and
- our headcount growth and associated costs.

If we are unable to raise capital when needed or on attractive terms, we would be forced to delay, reduce or eliminate our efforts in optimizing the quality of our services and sales and marketing, which could materially and adversely affect our business, results of operations and financial condition.

We are subject to credit risk with respect to trade receivables.

During the Track Record Period, our customers mainly comprise hospitals and other medical institutions, financial institutions and insurance companies. We generally allow a credit period of up to 180 days to our customers. For the years ended December 31, 2018, 2019, 2020 and 2021, our trade receivable turnover days were 142 days, 132 days, 113 days and 141 days, respectively. There can be no assurance that all such amounts due to us would be settled on time, or that such amounts will not continue to increase in the future. We recorded allowance for impairment of trade receivables of RMB17.9 million, RMB24.4 million, RMB29.7 million and RMB52.6 million as of December 31, 2018, 2019, 2020 and 2021,

respectively, which accounts for 7.2%, 8.6%, 5.8% and 6.0% of our total trade receivables as of December 31, 2018, 2019, 2020 and 2021. Accordingly, we face credit risk in collecting trade receivables due from customers. Our performance, liquidity and profitability would be adversely affected if significant amounts due to us are not settled on time or substantial impairment is incurred. The bankruptcy or deterioration of the credit condition of any of our major customers could also materially and adversely affect our business, results of operations and financial condition.

We are uncertain about the recoverability of our deferred income tax assets, which may affect our financial positions in the future.

As of December 31, 2018, 2019, 2020 and 2021, our deferred tax assets amounted to RMB24.4 million, RMB25.7 million, RMB40.2 million and RMB35.8 million, respectively, which represented the allowance for impairment losses of certain accounts receivables and unused tax losses from our group companies. For details, please see note 18 to the Accountants' Report in Appendix I to this document. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized. This requires significant judgement on the tax treatments of certain transactions and also assessment on the probability that adequate future taxable profits will be available for the deferred tax assets to be recovered. In this context, we cannot guarantee the recoverability or predict the movement of our deferred tax assets, and to what extent they may affect our financial positions in the future.

We are exposed to changes in the fair value of financial assets at fair value through other comprehensive income ("FVOCI") and financial assets at fair value through profit or loss ("FVTPL") and valuation uncertainties due to the use of unobservable inputs.

During the Track Record Period, we invested and held minority interests in six companies with the view of developing our presence in the healthcare industry. Three of these companies primarily engage in healthcare related consulting services and the other three of these companies primarily engage in investment management business covering a full range of medical operation services. These minority interests were recorded as financial assets at FVOCI or financial assets at FVTPL. As of December 31, 2018, 2019, 2020 and 2021, our financial assets at FVOCI amounted to RMB53.8 million, RMB187.6 million, RMB108.7 million and RMB110.0 million, respectively. As of December 31, 2018, 2019, 2020 and 2021, our financial assets at FVTPL amounted to RMB47.5 million, RMB57.4 million, RMB209.2 million and RMB58.2 million, respectively. These financial assets are level three financial instruments, and are valued at least once every year to determine their fair value. Financial assets at FVTPL and FVOCI are not traded in an active market, and therefore their fair values have been determined by using various applicable valuation techniques, including (i) the latest round financing, i.e. the prior transaction price or the third-party pricing information; and (ii) a combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples. This requires our management to make estimates about risk-free rates, expected volatility, discounted for lack of marketability and comparable price-to-book or price-to-earnings multiples, and hence they are

subject to uncertainty. As a result, such treatment of carrying amounts of our financial assets at FVOCI or FVTPL may causing significant volatility in or materially and adversely affect our period-to-period earnings, financial condition and results of operations.

Our lending activities may not be in compliance with the relevant PRC laws and regulations.

We have historically provided loans to the third parties. As of December 31, 2018, 2019, 2020 and 2021, our loan receivables was RMB1.8 million, RMB16.1 million, RMB62.7 million and nil, respectively. For more details, please see "Financial Information—Certain Items of Statements of Financial Position—Prepayments and Other Receivables."

As advised by our PRC Legal Advisors, any financing arrangements or lending transactions between non-financial institutions is prohibited by Article 61 of the General Lending Provisions (貸款通則) promulgated by PBOC in June 1996. Furthermore, pursuant to Article 73 of the General Lending Provisions, PBOC may impose a fine on the non-compliant lender of one to five times of the income received by the lender from such loans. Notwithstanding the General Lending Provisions, the Supreme People's Court has made new interpretations concerning financing arrangements and lending transactions between non-financial institutions under the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (最高人民法院關於審理民間借貸案件適用法律若干問題的規定) (the "**Judicial Interpretations on Private Lending Cases**"), which came into effect on September 1, 2015 and was amended on August 19, 2020 and December 29, 2020. According to Article 10 of the Judicial Interpretations on Private Lending Cases, the Supreme People's Court recognizes the validity and legality of financing arrangements and lending transactions between non-financial institutions so long as certain requirements, such as the interest rates charged, are satisfied and there is no violation of mandatory provisions of applicable laws and regulations. Our PRC Legal Advisors advised that, under the Judicial Interpretations on Private Lending Cases, PRC courts will support a non-financial institution's claim for interests on loans as long as the annual interest rate does not exceed four times of the loan prime rate, as published by the National Interbank Funding Center, for loans with maturities of one year applicable on the date of loan agreement, or other interest rate specified in the Judicial Interpretations on Private Lending Cases applicable on the date of such loan agreement.

During the Track Record Period and up to the Latest Practicable Date, we had not been imposed any administrative penalty by government authorities, or become subject to any investigation relating to the interest-bearing loans to related parties or third parties. Based on the above, our PRC Legal Advisors are of the view that the risk that we become subject to any penalty with respect to our interest-bearing loans to third parties pursuant to the General Lending Provisions is low, and our interest-bearing loans to related parties or third parties do not constitute material non-compliance of any applicable laws and regulations. However, if PBOC imposes penalties against us under the General Lending Provisions, our business, financial position and results of operations could be adversely affected.

Certain equity interests of our Controlling Shareholders, Shares in our Company and registered capital of Yunkang Industry are charged as security interests pursuant to the Facility Agreements and the related security documents. A default under such Facility Agreements could result in the enforcement of the security interests, which could materially and adversely affect our Controlling Shareholders' ownership in our Group.

Pursuant to the Offshore Facility Agreement and the related security documents, (i) certain equity interests in Huizekx Limited, YK Development and our Company; and (ii) certain assets of YK Development, Huizekx Limited and Mouduans Limited have been pledged in favour of China Construction Bank (Asia) Corporation Limited as security trustee for, among others, SPDB International Investment Management Limited and SPDB HK. Such share pledges will be released before the [**REDACTED**].

Pursuant to the Onshore Facility Agreements, YK Development will pledge up to all of its Shares to Shanghai Pudong Development Bank Co., Ltd after the [**REDACTED**]. Please refer to "History, Reorganization and Corporate Structure—Facility Agreements and Security Documents" for details.

If an event of default occurs under the Facility Agreements, the lenders may be able to enforce their rights against our Controlling Shareholders, including enforcing their rights against all of the pledged Shares in our Company under the Facility Agreements and the related security documents. Events of default under the Facility Agreements include, among others, non-repayment, misrepresentation and breach of certain covenants. In such event, we may no longer be affiliated with our Controlling Shareholders which could adversely affect our shareholding structure. In addition, if a change of control event occurs under the Facility Agreements, the lenders may have the right to accelerate the repayment of debt under the Facility Agreements. If agreements on alternative arrangements cannot be made with the lenders in time or at all, the debt under the Facility Agreements may become immediately due and payable and may give the lenders the right to exercise their rights under various security documents, which could have a material adverse effect on our business, financial condition and results of operations.

Our operating costs, especially staff costs, may continue to increase due to the execution of our business strategies.

To maintain our competitiveness in China's medical operation service market, we plan to implement a number of business strategies. For details, see "Business – Business Strategies." We may have to incur significant costs in implementation of such business strategies. For example, we plan to assist in establishing more on-site diagnostic centers and several small to mid-size ICLs, which may result us in hiring more technicians, procuring more testing equipment and acquiring or leasing more premises. As such, our operating costs may increase significantly and we cannot guarantee you that our business strategies may eventually succeed to cover the increased costs we incurred. In such event, our results of operations and financial condition will be materially and adversely affected.

RISKS RELATING TO GOVERNMENT REGULATIONS

We conduct our business in a heavily regulated industry.

The operation of our business is subject to various laws and regulations issued by a number of government agencies at the national and local levels. Such rules and regulations relate mainly to the offering of diagnostic testing services, including diagnostic testing, the pricing of medical services and the licensing and operations of diagnostic testing service providers. In particular, quality control and occupational health and safety of medical laboratories are highly regulated in China. Our business, results of operations and prospects may be constrained by such rules and regulations. Please refer to "Regulation" in this document. 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 particular, our diagnostic testing services fees may be affected by the national and provincial diagnostic testing pricing protocol. Such pricing protocol usually sets ceiling prices that medical institutions can charge each individual patient for different types of diagnostic testing. Based on such ceiling prices the medical institutions can charge individual patients, we will negotiate with medical institutions on our service fees, normally being a percentage ranging from 5% to 40% of the prices a medical institution charges individual patients. As such, we have limited ability in setting our own service prices, which may have a material and adverse impact on our business, results of operations and financial conditions.

Any failure to comply with applicable laws and regulations, or obtain or maintain, or experience delays in obtaining or maintaining, required regulatory licenses, approvals or certificates may adversely affect our business and results of operations.

In accordance with current applicable PRC laws and regulations, medical operation service providers are required to obtain various certificates, licenses and permits, including but not limited to the Practice License for Medical Institutions, and the Qualification Certificate of Inspection and Testing Agency. We are required to meet specific conditions in order for government authorities to issue or renew any certificates, licenses or permits. If we fail to obtain or renew the certificates, licenses or permits in a timely manner, the relevant government authorities may impose administrative penalties on us and our operations may be adversely affected.

Our services could fail to receive or maintain regulatory approval 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, 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.

Government policies relating to the medical operation services industry in the PRC are still evolving. As a result, changes in regulatory requirements and guidance may also occur, and we may need to amend diagnostic testing and other protocols to reflect these changes. Amendments may require us to incur more costs, time and communication with regulatory authorities for our services. If we fail to keep up with new polices or best practices, our standard of service may fall short of the latest standard and we could become more prone to non-compliance or even penalties, including fines, injunction of our services, disgorgements of illegal gains or even suspension of our business, which could materially adversely affect our business, financial condition, results of operations and prospects.

In addition, the interpretation, implementation and enforcement of government policies and regulations may vary among different regulators. Our ability to offer and market our medical operation services may be limited, and our business, financial condition and results of operations may be materially and adversely affected, by such differences in interpreting, implementing and enforcing and changes in government policies or regulations, which may result in increased cost of compliance and operation, which in turn will affect our business, results of operations and financial condition.

We face uncertainties in relation to the volume procurement policies in China.

In 2016, the State Council published the 13th Five-Year Plan for Deepening the Healthcare Reform (《"十三五"深化醫藥衛生體制改革規劃》) which proposed to carry out the centralized procurement of high-value medical consumables, testing reagents and large-scale medical equipment. With an aim to lower the medical costs for both patients and medical institutions, the policy encourages to promote the centralized procurement of high-value medical consumables, uniform coding standards and distinguish different situations to pursue different procurement methods, which in turn ensures that all aspects of procurement are public. During the Track Record Period, only Anhui province implemented centralized procurement regime in public medical institutions, which only included chemiluminescent reagents. Following the implementation of the centralized procurement regime, the costs of these reagents for public medical institutions in Anhui decreased by over 40%. In the meantime, Anhui province also implemented a revised pricing protocol, pursuant to which the diagnostic testing fees paid by patients for the diagnostic tests involving chemiluminescent reagents also decreased by approximately 25% to 55%. As the policies had only been

implemented in one province in China and such reagents are only used in approximately 1% of the diagnostic tests we conducted, such policies did not have a material and adverse impact on us during the Track Record Period.

Nevertheless, we cannot guarantee whether more reagents or diagnostic testing types will be included in the volume procurement regime and whether more and more provinces will implement such policies. As inclusion of the centralized procurement regime is expected to lead to a decrease in the prices at which public medical institutions procure reagents from suppliers, it may further result in a decrease of the costs for these medical institutions to perform these tests themselves. In such event, they may prefer to performing these tests themselves and cease to engage medical operation service providers. As a result, our business and financial conditions will be materially and adversely affected.

We are subject to PRC laws, rules and regulations on occupational health and safety and may be exposed to liabilities and costs for occupational health and safety compliance.

Our business is also subject to PRC laws, rules and regulations relating to occupational health and safety for the healthcare industry. For additional information regarding our compliance with respect to health and work safety laws, rules and regulations, please refer to "Business—Work Safety and Environmental Protection" in this document. Healthcare companies that fail to comply with applicable safety laws, rules and regulations may be subject to fines, penalties or even suspension of operations. At the same time, relevant governmental authorities may regularly conduct safety inspections of the laboratories that are subject to safety compliance and facilities of healthcare companies. The timing and the outcome of such safety inspections, nevertheless, is hard to predict since their standards are somewhat obscure. Failure to pass the safety inspections may harm our corporate image, reputation and the credibility of our management, and thus have material adverse effect on our financial conditions and results of operations.

RISKS RELATING TO OUR INDUSTRY

If we fail to keep up with industry and technology developments in a timely and cost-effective manner, we may be unable to compete effectively and demand for our services may decrease, which in turn may cause our business and prospects to suffer.

China's medical operation service market is constantly evolving, including technological and scientific breakthroughs, increasing amounts of data, frequent introductions of new testing devices, emergence of alternative diagnostic methods, and evolving medical standards. If we are not able to keep pace with these advances and increased customer/patient/member hospitals' expectations as a result of these advances and capture new market opportunities that develop as a result of these advances, our diagnostic testing technologies could be rendered obsolete, our existing services and services we are developing could be rendered less effective, demand for our services may diminish, and our future operations and prospect could suffer. To remain competitive, we must continuously upgrade and further optimize our existing services and launch new services, to keep pace with these developments. We must expend significant

resources in order to continuously upgrade our existing services or launch new services to keep pace with industry and technological advances. We may never realise a return on investment on these efforts, especially if the improved or new services fail to perform as expected, in which case our business, financial condition and results of operations could be adversely affected. We cannot assure you that our efforts will be successful.

If we cannot compete successfully with our competitors, we may be unable to increase or sustain our revenue or achieve and sustain profitability.

With the development of medical operation services, the medical operation services industry in the PRC has become increasingly competitive, and we expect this competition to intensify further in the future. The medical operation service market in China is highly fragmented. In terms of revenue in 2020, we had a market share of 3.7% in China's medical operation service market, according to Frost & Sullivan. We are also a major market player with a market share of 12.5% in China's diagnostic testing services for medical institution alliances market in terms of revenue in 2020, whereas the largest provider had a market share of 68.6%, according to the same source. Some of our existing and potential future competitors may have longer operating histories, larger customer bases, more expansive brand recognition and deeper market penetration, substantially greater financial, technological and research and development resources and marketing capabilities, and more favorable terms from suppliers. As a result, they may be able to respond more quickly to changes in customer requirements or preferences, develop faster, better and more expansive advances for their services provided, create and implement more successful strategies for the promotion and marketing of their services, adopt more aggressive pricing policies for their services, secure suppliers from vendors on more favorable terms or develop substantially more resources to infrastructure and system development. In addition, competitors may be acquired by, receive investments from or enter into other commercial relationships with larger, well-established and well-financed companies as the demand for medical operations services increases.

If we are unable to compete successfully with current and future competitors for these or any other reasons, we may be unable to increase market acceptance and customer demands for our services, which could prevent us from maintaining or increasing our revenue levels or achieving or sustaining profitability or could otherwise negatively affect our performance.

Negative publicity and allegations involving us, our Directors, officers, employees and business partners may affect our reputation and, as a result, our business, financial condition and results of operations may be negatively affected.

We, our Directors, officers, employees and business partners may be subject to negative media coverage and publicity from time to time. Such negative coverage in the media and publicity could threaten the perception of our reputation. In addition, to the extent our employees and business partners were non-compliant with any laws or regulations, we may also suffer negative publicity or harm to our reputation. Although during the Track Record Period and up to the Latest Practicable Date, we had not experienced any negative publicity or

allegation that had a material and adverse impact on us, if any such event happens, we may be required to spend significant time and incur substantial costs in response to allegations and negative publicity, and may not be able to diffuse them to the satisfaction of our [**REDACTED**] and customers.

Our business may be adversely affected by impeding healthcare reforms in PRC.

In January 2019, the PRC government approved in principle a healthcare reform plan to address the affordability of healthcare services, the rural healthcare system and healthcare service quality in China. The published healthcare reform plan also called for additional government spending on healthcare over the next three years of RMB850.0 billion to support the reform plan. As part of this healthcare reform plan, the PRC government has introduced the HDTS and medical institution alliances, which are regional associations of hospitals, community health clinics and other medical institutions, aimed to optimize the allocation of medical resources in China. Many details related to the implementation of the healthcare reform plan are not yet available. Any policy changes may have a material and adverse effect on our business, financial condition and results of operations. For example, the government has implemented a pilot plan as to the new rural healthcare insurance program whereby patients are required to pay hospitals only a portion of their medical expenses upfront and hospitals are required to seek payment of the balance from the government. Any resulting disputes or late or delinquent reimbursement payments may affect the collection of revenue of hospitals which we provide diagnostic testing services to and member hospitals in the medical institution alliances, which in turn may increase our accounts receivable days.

The market opportunities for our services may be uncertain, which could render some services ultimately unprofitable even if promoted.

We estimate the demand for our medical operation services based on various third-party sources, such as scientific literature, announcements from governmental authorities or market research, as well as internally generated analysis, and we use such estimates in making decisions regarding our service marketing strategy, including determining on which disease areas to focus our resources. As the medical operation service market in PRC is rapidly growing and changing, these estimates may be inaccurate or based on imprecise data and the future growth in the market opportunities may be unpredictable. The overall market opportunity will depend on, among other things, acceptance of our services by the medical community, ethical, legal and social concerns on our services, patient access and service pricing. The demand for services we provide may turn out to be lower than expected, which could have a material adverse effect on our business, financial condition and results of operations.

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

The success of our diagnostic 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 diagnostic 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 price and efficacy. We cannot assure you that our diagnostic 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.

RISKS RELATING TO SALES AND MARKETING OF OUR SERVICES

If we cannot maintain existing relationships with our customers, or cannot expand our customer base in the future, our results of operations and prospects could be adversely affected.

As of December 31, 2018, 2019, 2020 and 2021 and the Latest Practicable Date, we had assisted in establishing and operating 79, 132, 199, 275 and 310 on-site diagnostic centers respectively. We are developing and expanding our businesses and we served approximately 1.0% of all the medical institution alliances during the Track Record Period and up to the Latest Practicable Date, according to Frost & Sullivan. During the Track Record Period and up to the Latest Practicable Date, our network covered over 3,200 customers, primarily consisting of hospitals and other medical institutions and served over 300 medical institution alliances.

Our customers also consist of certain non-medical institutions, including financial institutions and insurance companies. We provide diagnostic outsourcing services and/or diagnostic testing services for medical institution alliances. Our success in part depends on our ability to maintain our relationships with lead hospitals and establish new hospital clients in the future. Maintaining and developing customer relationships are subject to numerous risks, which may include the following:

- customers have significant discretion in determining the efforts and resources that they will apply to the on-site diagnostic centers;

- member hospital customers may decide to terminate or not to renew our services and collaboration agreements upon expiry;

- customers may no longer need the diagnostic testing services that we provide for a number of reasons, including if they build their own diagnostic testing department, or change their strategic focus due to the patients' needs, availability of funding, or other external factors;

- government policy may change to restrict or prohibit our current service model, making it unlawful for us to continue to perform our obligations under the relevant agreements;

- member hospital 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 and regulations, and they may be subject to administrative penalties, increased compliance costs, or even temporary or permanent closure of all or part of their business;

- our customers may choose to work with competitors instead and terminate their relationship with us, if we cannot maintain customer satisfaction, provide the services they need or at competitive prices; and

- disputes may arise between us and customers that cause the delay or termination of our services, or that result in costly litigation or arbitration that diverts management attention and resources.

If we are unable to conduct our marketing activities effectively, our results of operations and financial condition may be materially and adversely affected.

Our sales and marketing activities may not achieve the desired promotional effects. Please see "Business—Sales and Marketing" for further details. During the Track Record Period, we incurred marketing and advertising expenses to enhance our brand recognition and implement our sales and marketing strategies for our services. We incurred RMB187.1 million, RMB192.7 million, RMB219.0 million and RMB273.3 million of selling expenses for the years ended December 31, 2018, 2019, 2020 and 2021, respectively. Our in-house sales and marketing team focuses on serving lead hospitals and conducting academic marketing activities to interact with physicians as well as other industry professionals. The performance and ability of our sales and marketing personnel to promote our services and our brand are crucial to the growth of our sales network. We also work with third-party marketing service providers to promote our services and pay them a service fee for their marketing and promotion services. We cannot guarantee that their services will be effective in helping us expand and deepen our sales network. Failure to achieve the desired promotional effects or anticipated benefit may materially adversely affect our business, financial condition, results of operations and prospects.

We may fail to maintain or renew relationships with third-party marketing service providers, or effectively manage our third-party marketing service providers. Actions taken by our third-party marketing service providers in violation of our agreements or any applicable laws and regulations could materially and adversely affect our business, financial condition, results of operations, prospects and reputation.

We work with external third-party marketing service providers to promote our services and pay them a service fee for their marketing and promotion services. For the years ended December 31, 2018, 2019, 2020 and 2021, marketing and promotion expenses mainly reflected the amount we paid to these third-party marketing service providers, which amounted to RMB105.0 million, RMB118.0 million, RMB139.8 million and RMB169.3 million, respectively. The performance of our third-party marketing service providers and their ability to market and advertise our services, uphold our brand, expand their businesses and their network may directly affect our business, financial condition and results of operations. Although we maintain an in-house sales and marketing team, any decline in performance of our third-party marketing service providers, or our failure to renew our marketing agreements, maintain good relationships with existing third-party marketing service providers, or timely identify and engage additional or replacement third-party marketing service providers, may cause material fluctuations or declines in our revenue or market share and have a material and adverse effect on our business, financial condition and results of operations. We cannot guarantee that our third-party marketing service providers' services will be effective in helping us expand and deepen our sales network. Our third-party marketing service providers may fail to adequately promote our services since they may be promoting the same kind of medical operation services provided by our competitors at the same time.

In addition, we have limited control over the activities of our third-party marketing service providers, who are independent from us. Our business, results of operations and prospects may be adversely affected due to our third-party marketing service providers' failure to maintain the requisite licenses, permits or approvals, or failure to comply with applicable regulatory requirements when promoting our services, or violation of anti-corruption, anti-bribery, competition or other laws and regulations of China or other jurisdictions. Failure to adequately manage third-party marketing service providers, or non-compliance by third-party marketing service providers with our agreements could harm our reputation and disrupt our business. Our third-party marketing service providers may violate applicable laws or otherwise engage in illegal practices, including improper payments to hospitals and physicians, in relation to their marketing and promotion of our services. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any disputes with our third-party marketing service providers that had a material and adverse impact on us and to the best of our knowledge, they had not committed any contractual breaches or legal/regulatory non-compliances that had a material adverse effect on us. In the event that any such dispute, breach or non-compliance occurs, our reputation, business, financial condition and results of operations could be materially adversely affected.

Our services may fail to achieve market recognition and customer satisfaction.

The commercial success of our current and future services depends upon the degree of market recognition and acceptance our services achieve, particularly among hospitals, other medical institutions, financial institutions and insurance companies. If our services do not achieve an adequate level of acceptance, we may not be able to expand our business. The degree of market acceptance of our services will depend on a number of factors, including but not limited to:

- satisfaction of member hospitals, other medical institutions, financial institutions, insurance companies, physicians and patients with the quality of our medical operations services;
- the potential and perceived advantages of our services over services provided by alternative service providers;
- our ability to help our customers to improve diagnostic capacity and solve problems;
- the cost of alternative testing; and
- the effectiveness of our sales and marketing efforts.

If our services fail to achieve market acceptance among hospitals, other medical institutions, financial institutions, insurance companies, physicians and patients, or if we fail to maintain good relationships with them, we will not be able to expand our business. Even if our services achieve market acceptance, we may not be able to maintain that market acceptance over time if new services or technologies are introduced that are more favorably received than our services, are more cost effective or render our services obsolete.

RISKS RELATING TO OUR OPERATIONS

We depend on third-party suppliers to supply testing kits, raw materials, machinery and equipment used in our services. If these suppliers can no longer provide satisfactory products to us on commercially reasonable terms, our business and results of operations could be adversely affected.

We depend on third parties for different aspects of our business, such as supplying the testing kits and equipment for our services. In particular, during each year of the Track Record Period, one of our five largest suppliers was our connected person, namely Da An Gene Group. Our purchase amount from Da An Gene Group was RMB80.1 million, RMB52.4 million, RMB81.9 million and RMB226.5 million for the years ended December 31, 2018, 2019, 2020 and 2021, respectively, representing 15.4%, 9.9%, 11.7% and 22.1% of our total purchases for the same period, respectively. Our testing kits primarily include chemical and biochemical materials. Our equipment primarily includes equipment used for providing diagnostic testing services, such as biochemical analyzer and iScan system. We mainly rely on third-party

suppliers, a majority of which are local suppliers, to supply such testing kits and equipment with consistently high quality and in sufficient volumes. Selecting, managing and supervising these third-party suppliers requires significant resources and expertise. Any disruption in production or inability of our suppliers to produce adequate quantities to meet our needs could impair our ability to provide services as scheduled and to operate our business on a day-to-day basis. Moreover, we expect our demand for such testing kits and equipment to increase as we expand our business scale and market our services, and we cannot guarantee that current suppliers have the capacity to meet our demand. We are also exposed to the possibility of increased testing kits and equipment costs, which we may not be able to pass on to customers, and as a result, lower our profitability. Costs of testing kits and equipment are subject to factors beyond our control, including supply and demand, general economic conditions and governmental regulations, each of which may affect the procurement costs or cause a disruption in the supply. We have not entered into any long-term supply agreements with our suppliers and we cannot assure you that we will be able to anticipate and effectively react to changes in medical supply costs in the future. In addition, although we have implemented quality inspection procedures on such testing kits and equipment before they are used in our services and require our suppliers to maintain quality standards, we cannot guarantee that we will be able to detect all quality issues in the supplies we use. These third parties suppliers may not be able to maintain and renew all licenses, permits and approvals necessary for their operations or comply with all applicable laws and regulations. Failure to do so by them may lead to interruption in their business operations, which in turn may result in shortage of the testing kits and/or equipment supplied to us. If we are unable to do so and the quality of our services suffers as a result, we may have to delay or suspend our services, be subject to consumer claims, fail to comply with continuing regulatory requirements and incur significant costs to rectify such issue, which may have a material and adverse effect on our business, financial condition and results of operations.

We rely on the operation of our ICLs and disruptions to the operation of our ICLs could materially adversely affect our business, financial condition and results of operations.

As of December 31, 2021, we had six laboratories located in Guangzhou, Chengdu, Shanghai, Hefei, Kunming and Nanchang, each aiming to provide diagnostic testing services for our customers in provinces or cities nearby. See "Business—Our Services—Diagnostic Outsourcing Services—Our Independent Clinical Laboratories ("ICLs")" for details. Tests for our diagnostic outsourcing services are usually performed in our own ICLs. As such, diagnostic outsourcing services is heavily dependent on normal operation of such six ICLs. Such dependence subjects us to risks relating to ICLs' failure to perform our diagnostic outsourcing services as anticipated. Unexpected damage to or natural aging of the facilities, equipment or instruments in our ICLs may result in interruption of the performance of our diagnostic outsourcing services. Some of the licenses that ICLs hold are subject to periodic renewal. If we fail to maintain or one or more of our licenses and certificates when their current term expires, or obtain such renewals on a timely manner, our operations could be disrupted.

We face risks in the transportation of test samples.

Our logistic department is in charge of the transportation of test samples, including control of temperature and humidity of the condition in which the test samples are stored throughout the transportation process. It is responsible for collecting the test samples from medical institutions and then delivering the samples to our ICLs. Most of the test samples are collected from the medical institutions near our ICLs. For medical institutions located distant from our ICLs, the test samples will be delivered by air freight or train depending the type of diagnostic tests and the nature of the samples. During the transportation process, the test samples may be contaminated, whether or not at our fault. In such event, the diagnostic testing results may become inaccurate and we may have to re-collect such samples from the patients, which will incur additional costs and resources. Accordingly, our reputation, financial conditions and results of operation may be materially and adversely affected.

Acquisitions of and investments in other businesses may subject us to risks and uncertainties.

We plan to pursue potential acquisition and investment opportunities to further enhance our diagnostic testing capabilities and expand our business. See "Business—Business Strategies" for details. Such acquisitions or investments may involve significant risks and uncertainties, including distraction of management from current operations, the inability to generate sufficient revenue to offset the costs and expenses of acquisitions and risks relating to market acceptance, loss of key personnel, difficulties in integrating diverse corporate cultures, and increased costs to integrate managerial, operational, financial, and administrative systems. These factors could harm our ability to or realize the anticipated benefits of an acquisition or investment, and could adversely affect our business, financial condition and results of operations. During the Track Record Period, we have made investments in certain companies or projects which were later terminated, which had an impact on our financial condition and results of operations. Any acquisition or investment may also cause us to assume liabilities, increase our expenses and working capital requirements, or subject us to litigation, which would reduce our return on invested capital.

Failure to manage the acquisitions and investments we make could materially harm our business and operating results. We may be unable to manage an acquired entity profitably or successfully integrate its operations with our own, achieve the expected synergies with our existing operations and to fulfill the contemplated purposes of the acquisition. These synergies are inherently uncertain, and are subject to significant business, economic and competitive uncertainties and contingencies, many of which are difficult to predict and may be beyond our control. Also, the synergies from our acquisition or investment may be offset by costs incurred in the acquisition, increases in other expenses, operating losses or other problems in the business. As a result, there can be no assurance that these synergies will be achieved.

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

We are subject to the anti-bribery laws in the PRC that generally prohibits companies and their intermediaries from making payments to government officials for the purpose of obtaining or retaining business or securing any other improper advantage. As our business expands, the applicability of the applicable anti-bribery laws to our operations has increased. Although we have policies and procedures designed to ensure that we, our employees, our agents or any persons working on our behalf comply with anti-bribery laws, there is no assurance that such policies or procedures will prevent them from engaging in bribery activities and our procedures and controls to monitor compliance with anti-bribery law may fail to protect us from reckless or criminal acts committed by our employees, agents or any persons working on our behalf. If we fail to comply with the applicable anti-bribery laws due to either our own deliberate or inadvertent acts or those of others, our reputation could be harmed and we could incur criminal or civil penalties, other sanctions and/or significant expenses, which could have a material adverse effect on our business, including our financial condition, results of operations, cash flows and prospects.

If we fail to implement our business strategies effectively, our business, financial condition and results of operations may suffer.

As part of our business strategy, we intend to further expand our diagnostic testing services and advance our service portfolio. For more details, see "Business—Business Strategies." Generally, we are subject to the following risks associated with our business strategy:

- significant demand on our management's time and attention and diversion of resources from our expansion may be costly and time-consuming and may require us to obtain third-party financing, which may not be available on commercially acceptable terms;

- uncertainties associated with the local rules and regulations which we may not be familiar with;

- failure to achieve the expected operating levels, target return on investment or intended benefits or operating synergies from new business opportunities; and/or

- our due diligence may not uncover all unknown or contingent liabilities or other negative developments with respect to acquired targets.

There is no assurance that our expansion strategies will be successful. To manage and support our growth, we may need to improve our existing operational and administrative systems, as well as our financial and management controls. If we fail to expand at our expected pace, we may face capacity constraints in the future which may adversely affect our business

and financial condition. We also need to continue to properly maintain our relationships with our customers and suppliers. All of these endeavors will require substantial management attention and efforts and significant additional expenditures.

We cannot assure you that we will be able to manage any future growth effectively and efficiently, and any failure to do so may materially and adversely affect our ability to capitalize on new business opportunities, which in turn may have a material and adverse effect on our business, financial condition and results of operations.

Our future success depends on our ability to retain key management as well as experienced and capable personnel, and any failure to attract, motivate and retain our staff could severely hinder our ability to maintain and grow our business.

Our business and growth depend on the continued service of our key management and personnel to provide diagnostic testing services and our sales and marketing team to promote our services. Although we have formal employment agreements with each of our employees, these agreements do not prevent them from terminating their employment with us at any time. We do not maintain key person insurance for any of our executive or other employees. The loss of the services of any of these persons could undermine the quality of our services and impede the development and commercialization objectives.

Furthermore, replacing executive officers, key management, experienced and capable employees may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to successfully provide, gain regulatory approval of and market our services. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain, or motivate these key personnel on acceptable terms given the competition among numerous diagnostic testing service providers for similar personnel.

Our self-developed testing processes and methodologies are complex and may contain errors or may not operate properly, which could adversely affect our business, financial condition and results of operations.

We have developed testing processes and methodologies to support our operations, including our intelligence medical data platform, intelligence medical logistics system, remote pathology consultation platform, quality management system, pathology quality control system and regional examination information system. Technology development is time-consuming, expensive and may involve unforeseen difficulties. We may encounter technical obstacles, and it is possible that we may discover additional problems that prevent our technologies from operating properly and consequently adversely affect our information infrastructure and other aspects of our business where these technologies are applied. If our solution does not function reliably or fails to achieve customers' and business partners' expectations in terms of performance, we may lose existing, or fail to attract new, customers or business partners, which may damage our reputation and adversely affect our business.

Moreover, data services are complex and those we offer may develop or contain defects or errors. Material performance problems, defects or errors in our existing or new software and applications and services may arise in the future and may result from interface between our solution and systems and data that we did not develop and the function of which is beyond our control or undetected in our testing. These defects and errors, and any failure by us to identify and address them, could result in loss of revenue or market share, diversion of development resources, harm to our reputation and increased service and maintenance costs. Defects or errors may discourage existing or potential customers from utilizing our services. Correction of defects or errors could prove to be impossible or impracticable. The cost incurred in correcting any defects or errors may be substantial and could have a material adverse effect on our business, financial condition and results of operations.

We face risks related to natural disasters, health epidemics, civil and social disruption and other outbreaks, which could significantly disrupt our operations. In particular, the COVID-19 outbreak in PRC and worldwide has adversely affected, and may continue to adversely affect PRC's economy, which in turn may have a material adverse impact on our business, results of operations and financial condition.

We are vulnerable to social and natural catastrophic events that are beyond our control, such as natural disasters, health epidemics, and other catastrophes, which may materially and adversely affect our business. Since December 2019, a novel strain of coronavirus or COVID-19, has become widespread in China and around the world. In March 2020, the World Health Organization declared the COVID-19 pandemic. Since early 2020, China and many other countries have taken various restrictive measures to contain the COVID-19 outbreak, such as mandatory quarantine, travel restrictions and stay home orders. The level of new local infections in China have fluctuated since early 2020. Generally, the spread of COVID-19 has slowed. However, spikes in infection levels have occurred towards the end of 2020 and in early 2021.

While COVID-19 has begun to show signs of stabilizing in the PRC and the economy of the PRC has started to recover, the downturn brought by and the duration of the COVID-19 outbreak is difficult to assess or predict and the full impact of the COVID-19 outbreak on our operations will depend on many factors beyond our control. Our business, results of operations, financial condition and prospects could be materially adversely affected to the extent that COVID-19 harms the PRC and global economy in general. Our business operations could be disrupted if any of our employees is suspected of contracting COVID-19, since our employees could be quarantined and/or our offices may be shut down for disinfection. In addition, we may experience inventory shortage if our suppliers of testing kits and equipment continue to be affected by COVID-19. The extent to which the COVID-19 outbreak may impact our business, results of operations and financial condition remains uncertain, and we are closely monitoring its impact on us. To the extent the COVID-19 pandemic may adversely affect our business and financial results, it may also have the effect of heightening many of the other risks described in this "Risk Factors" section.

Any material litigations arising from disputes between our hospital customers and us may adversely affect our business, financial condition and results of operations.

We have assisted in establishing and will continue to assist in establishing and operating on-site diagnostic centers to provide diagnostic testing services. If there is a material litigation arising from dispute with our member hospitals in connection with the performance of a party's obligations or the scope of a party's responsibilities under medical institution alliances, we may not be able to resolve such disputes through negotiation. In the event a material dispute cannot be resolved, their business and operations may be terminated by mutual consent of the parties or as a result of a material breach of one party. In addition, the operational, financial or other conditions of our member hospitals may deteriorate, which may adversely affect their ability to continue to perform their obligations under this collaboration, which in turn could have an adverse impact on our business. In the event that any of the above occurs, our financial condition and results of operations may be adversely affected.

We face risks related to claims from patients, physicians or hospitals, which may have adverse impact on our reputation, financial condition and results of operations.

We may be subject to claims from patients, physicians and hospitals for any inaccurate test results produced in our ICLs or at these on-site diagnostic centers, which may occur even if protocols were strictly followed and tests were correctly performed. Moreover, even if test results were correct, we may be subject to claims if physicians do not make the correct medical diagnosis or if there is medical malpractice. Any of these above could lead to disputes with patients and/or their families or the medical professionals. Any dispute or legal proceeding with patients and/or their families or the medical professionals, regardless of its merit or eventual outcome, could result in significant legal costs and reputational damage to us, and further affect our business, financial condition and results of operations.

Failure to maintain optimal inventory levels could increase our operating costs or lead to unfulfilled customer orders, either of which could have a material and adverse effect on our business, financial condition, results of operations and prospects.

We need to ensure optimal inventory levels of reagents and pharmaceuticals for our diagnostic testing services. For the years ended December 31, 2018, 2019, 2020 and 2021, our inventory turnover days were 27 days, 15 days, 13 days and 15 days, respectively. We are exposed to inventory risk as a result of rapid changes in inventory life cycles, changing customers' needs, technology development, uncertainty of service portfolio developments, manufacturer back orders and other related problems as well as the volatile economic environment in the PRC. There can be no assurance that we can accurately predict these trends and events and avoid over-stocking or under-stocking of reagents and pharmaceuticals. Further, demand for diagnostic testing services could change significantly between the time when the reagents and pharmaceuticals are ordered and the time when they are ready for delivery. When we begin to provide a new type of diagnostic testing service, it is particularly difficult to forecast service demand accurately. Inventory levels in excess of service demand may result in inventory write-downs, expiration of products or an increase in inventory holding costs and a

potential negative effect on our liquidity. Conversely, if we underestimate service demand or if our suppliers fail to provide reagents and pharmaceuticals to us in a timely manner, we may experience inventory shortage, which may, in turn, result in unfulfilled service orders, leading to an adverse effect on our relationships with customers.

If we fail to comply with environmental, health and safety laws and regulations, we could be subject to fines or penalties or incur costs that could have a material adverse effect on the success of our business.

We are subject to numerous environmental, health and safety laws and regulations, including those governing the handling, use, storage, treatment and disposal of hazardous materials and wastes. Our operations may involve the use of hazardous and flammable materials, including chemicals. Our operations may also produce hazardous waste products. We cannot eliminate the risk of contamination or injury from these materials. We also engage third-party medical waste disposal companies to handle certain of our waste products, and cannot guarantee that they will comply with relevant laws and regulations. In the event of contamination or injury resulting from our use of hazardous materials or our or third parties' disposal of hazardous materials, we could be held liable for any resulting damages, and any liability could exceed our resources. We also could incur significant costs associated with civil or criminal fines and penalties.

We may incur substantial costs in order to comply with current or future environmental, health and safety laws and regulations. These current or future laws and regulations may impair our research or development efforts. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions.

We rely on subcontractors to conduct a portion of our business activities.

We outsource a portion of our testing services to subcontractors. For the years ended December 31, 2018, 2019, 2020 and 2021, our subcontracting costs paid to these subcontractors amounted to RMB81.4 million, RMB81.2 million, RMB80.6 million and RMB95.0 million, respectively. For details, see "Business—Suppliers and Procurement." As such, our operations will be affected by the performance of these subcontractors. Although from time to time, we monitor the work of these subcontractors to ensure that they are carrying out their work on time, on budget and in accordance with our specifications and quality control standards, we may not be able to directly control the quality of their work. In addition, we may be involved in disputes with our subcontractors, which could lead to additional expenses, distractions and additional costs, any of which could materially and adversely affect our business, financial conditions and results of operations. We may also be held directly liable or liable for compensation to the extent of our faults regardless of any contractual provisions to the contrary in the event of any safety-related accident involving a subcontractor. Any failure by subcontractors to meet our quality, safety and data protection requirements could also affect our compliance with applicable government rules and regulations, which may have a material and adverse effect on our business, financial conditions and results of operations.

We may be subject to additional contributions of social insurance and housing provident funds and late payments and fines imposed by relevant governmental authorities.

According to the Social Insurance Law of the PRC (中華人民共和國社會保險法) and the Administrative Regulations on the Housing Provident Fund of the PRC (住房公積金管理條例), we are required to make social insurance and housing provident funds for our employees. In the past, our PRC subsidiaries have failed to make full contribution to the social insurance and housing provident funds. For details, see "Business—Legal Proceedings and Regulatory Compliance." We have made provisions of RMB12.2 million, RMB14.6 million, RMB4.2 million and RMB15.8 million for the social insurance and housing provident fund contribution shortfall in 2018, 2019, 2020 and 2021, respectively. As advised by our PRC Legal Advisers, the relevant PRC authorities may require us to pay the outstanding social insurance contributions within a stipulated deadline and pay an overdue charge equal to 0.05% of the outstanding amount for each day of delay. If we fail to pay the outstanding social insurance contributions within the prescribed period, we may be liable to a fine of one to three times the amount of the overdue payment. In case we fail to make payments of outstanding housing fund contributions within the specified timeframe, we may be subject to an order from the relevant people's courts to make such payment. In addition, we cannot guarantee that the amount of social insurance contributions we would be required to pay will not increase, nor that we would not be required to pay any shortfalls or be subject to any penalties or fines, any of which may have a material and adverse effect on our business and results of operations.

Some of our leased properties have title defects and did not complete registration procedures at relevant authorities.

We have a number of title defects relating to our leased properties. For details, see "Business—Property." As a result, we cannot assure you that we will not be subject to any challenges, lawsuits or other actions taken against us with respect to these leased properties which the relevant lessors do not hold valid title certificates. If the title of any leased properties were successfully challenged, we may be forced to relocate our operations on the affected properties and we may have to cease our operation activities in the event we face challenges in relation to our properties. If we fail to find suitable replacement properties or terms acceptable to us for the affected operations, our business, financial condition and results of operations may be materially and adversely affected. Furthermore, as of the Latest Practicable Date, we did not complete registration procedures with respect to certain leases and we may be subject to fines and penalties imposed by government authorities.

If we become subject to litigation, legal or contractual disputes, governmental investigations or administrative proceedings, our management's attention may be diverted and we may incur substantial costs and liabilities.

We may from time to time become subject to various litigation, legal or contractual disputes, investigations or administrative proceedings arising in the ordinary course of our business, including but not limited to various disputes with or claims from our suppliers, customers, subcontractors, business partners and other third parties that we engage for our

business operations. On-going or threatened litigation, legal or contractual disputes, investigations or administrative proceedings may divert our management's attention and consume their time and our other resources. In addition, any similar claims, disputes or legal proceedings involving us or our employees may result in damages or liabilities, as well as legal and other costs and may cause a distraction to our management. Furthermore, any litigation, legal or contractual disputes, investigations or administrative proceedings which are initially not of material importance may escalate and become important to us, due to a variety of factors, such as the facts and circumstances of the cases, the likelihood of loss, the monetary amount at stake and the parties involved. If any verdict or award is rendered against us or if we settle with any third parties, we could be required to pay significant monetary damages, assume other liabilities and even to suspend or terminate the related business projects. In addition, negative publicity arising from litigation, legal or contractual disputes, investigations or administrative proceedings may damage our reputation and adversely affect the image of our brands and services. Consequently, our business, financial condition and results of operations may be materially and adversely affected.

The discontinuation of any preferential tax treatment or government grants currently available to us could adversely affect our financial position, results of operations, cash flows and prospects.

The EIT Law and its implementing rules permit certain "high-technology enterprises strongly supported by the state" which hold independent ownership of core intellectual property and simultaneously meet a list of other criteria, financial or non-financial, as stipulated in the implementation rules of the EIT Law, to enjoy a reduced 15% enterprise income tax rate subject to certain new qualification criteria. Three of our operating subsidiaries, namely Yunkang Health, Chengdu Daan and Guangzhou Daan, have been recognized by the local provincial level Municipal Science and Technology Commission, Finance Bureau, and State and Local Tax Bureaus as "high and new technology enterprises" and were further registered with the local tax authorities to be eligible to the reduced 15% enterprise income tax rate. The continued qualification of a "high and new technology enterprise" will be subject to annual evaluation and a three-year review by the relevant government authority in PRC. If any of our subsidiaries fail to maintain the "high and new technology enterprise" qualification or renew such qualification when the valid term expires, their applicable enterprise income tax rate may increase to up to 25%, which could have a material adverse effect on our financial condition and results of operations.

In addition, *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner* exempts certain medical institutions which provide diagnostic testing services for the purposes of medical treatment from value-added tax. Our six ICLs have been registered by the local health commissions as medical institutions and were further registered with local tax authorities to be exempt from value-added tax in respect of providing medical services. The continued qualification of medical institution will be subject to annual evaluation and five-year review by the relevant government authority in the PRC. If any of our ICLs fail to maintain the medical institution qualification or renew such qualification when the valid

term expires, they may lose their exemption from value added tax and would then be subject to a value-added tax rate of up to 6% which could have a material adverse effect on our financial condition and results of operations.

Preferential tax treatment and exempted tax status granted to us and our ICLs by governmental authorities are subject to review and may be adjusted or revoked at any time. The discontinuation of any preferential tax treatments or exempted tax status currently available to us and our ICLs will cause our effective tax rate to increase, which could have a material adverse effect on our financial condition and results of operations. We cannot assure you that we will be able to maintain our current effective tax rate in the future.

In addition, we have received governmental grants recognized as other income in financial statement in the amount of RMB4.7 million, RMB5.9 million, RMB2.9 million and RMB6.2 million, respectively, for the years ended December 31, 2018, 2019, 2020 and 2021. Government agencies may decide to reduce or eliminate grants at any time. We cannot assure you of the continued availability of the government grants currently enjoyed by us. The discontinuation of these governmental grants could adversely affect our financial condition and results of operations.

Fluctuations in the value of the Renminbi may have a material adverse effect on our business.

All of our business is conducted in Renminbi. However, following the [**REDACTED**], we may also maintain a significant portion of the [**REDACTED**] in Hong Kong dollars before they are used in our PRC operations. The value of the Renminbi against the US dollar, Hong Kong dollar and other currencies may be affected by changes in the PRC government's policies and international economic and political developments. As a result of these and any future changes in currency policy, the exchange rate may become volatile, the Renminbi may be revalued further against the US dollar or other currencies or the Renminbi may be permitted to enter into a full or limited free float, which may result in an appreciation or depreciation in the value of the Renminbi against the US dollar or other currencies. Fluctuations in exchange rates may adversely affect the value, translated or converted into US dollars or Hong Kong dollars, which are pegged to the US dollar, of our cash flows, revenue, earnings and financial position, and the value of, and any dividends payable to us by our PRC subsidiaries. An appreciation of the Renminbi against the US dollar or the Hong Kong dollar would make any new Renminbi-denominated investments or expenditures more costly to us, to the extent that we need to convert US dollars or Hong Kong dollars into Renminbi for such purposes.

Security breaches, loss of data, and other disruptions could compromise sensitive information related to our business or prevent us from accessing critical information and expose us to liability, which could adversely affect our business and our reputation.

In the ordinary course of our business, as a provider of medical operation services, we collect and store sensitive data, including protected health information and personally identifiable information owned or controlled by ourselves or our customers and other parties.

These applications and data encompass a wide variety of personal-critical information, including age, gender, disease status and medical records. We face a number of risks related to protecting this critical information, including loss of access risk, inappropriate use or disclosure, inappropriate modification, and the risk of our being unable to adequately monitor, audit, and modify our controls over our critical information.

The secure processing, storage, maintenance, and transmission of this critical information are vital to our operations and business strategy, and we devote significant resources to protecting such information. Although we take measures to protect sensitive data from unauthorized access, use or disclosure, our information technology and infrastructure may be vulnerable to attacks by hackers or viruses or breached due to employee error, malfeasance, or other malicious or inadvertent disruptions. In addition, while we have implemented security measures and a formal, dedicated enterprise security program to prevent unauthorized access to sensitive data, such data is currently accessible through multiple channels, and there is no guarantee we can protect our data from breach. Unauthorized access, loss, or dissemination could also result in delays of our services optimization and commercialization as well as damage our reputation, including our ability to conduct research and development activities, collect, process, and prepare company financial information, provide information about patient and physician education and outreach efforts through our website, and manage the administrative aspects of our business. Any such unauthorized access, loss or dissemination of information could also result in legal claims or proceedings, liabilities under PRC laws and regulations in relation to the protection of personal information and cybersecurity as well as those specifically governing patient and medical data.

Our business is subject to a variety of laws, rules, policies and other obligations regarding data protection.

During the ordinary course of business, we may receive medical data of patients that are collected and delivered to us for diagnostic testing. As such, we are subject to the relevant data protection and privacy laws, directives regulations and standards that apply to the use, retention, protection and other processing of data in the China. These data protection and privacy law regimes continue to evolve and may result in increasing public scrutiny and escalating levels of enforcement and sanctions and increased costs of compliance. For details, see "Regulatory Overview—Regulations Relating to Data Security and Personal Information Protection." Failure to comply with any of these laws could result in enforcement action against us, including fines, imprisonment of company officers and public censure, claims for damages by customers and other affected individuals, damage to our reputation and loss of goodwill, any of which could have a material adverse effect on our business, financial condition, results of operations or prospects.

Complying with all applicable laws, regulations, standards and obligations relating to data privacy, security, and transfers may cause us to incur substantial operational costs or require us to modify our data processing practices and processes. Non-compliance could result in proceedings against us by data protection authorities, governmental entities or others, including class action privacy litigation in certain jurisdictions, which would subject us to

significant fines, penalties, judgments and negative publicity. In addition, if our practices are not consistent or viewed as not consistent with legal and regulatory requirements, including changes in laws, regulations and standards or new interpretations or applications of existing laws, regulations and standards, we may become subject to audits, inquiries, whistleblower complaints, adverse media coverage, investigations, severe criminal or civil sanctions and reputational damage. Any of the foregoing could have a material adverse effect on our competitive position, business, financial condition, results of operations and prospects.

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 caused by, our facilities or our personnel beyond our insurance coverage may result in our incurring substantial costs and a diversion of resources. 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 an insufficiency or unavailability of 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.

Our future success depends on our ability to promote our brand and protect our reputation. If we are unable to effectively promote our brand, our business may be adversely affected.

We believe that enhancing and maintaining awareness of our "Yunkang" brand is critical to achieving widespread acceptance of our diagnostic testing services, gaining trust for our testing services and attracting new customers including member hospitals, insurance companies and individuals. Successful promotion of our brand depends largely on the quality of the services we offer and the effectiveness of our branding and marketing efforts. Currently, we rely primarily on our own sales and marketing team to promote our brand and our diagnostic testing services. We expect that our branding and marketing efforts will require us to incur significant expenses and devote substantial resources. We cannot guarantee that our sales and marketing efforts will be successful. Brand promotion activities may not lead to increased revenue in the near term, and, even if they do, any revenue increases may not offset the expenses we incur to promote our brand. Our failure to establish and promote our brand and any damage to our reputation will hinder our growth. In addition, our reputation may be undermined as a result of any negative publicity about our Company or our industry in general. If medical operations services provided by us or our competitors do not perform to customers' expectations, it may result in lower confidence in medical operation service market in general, which may in turn impair our operating results and our reputation.

If we fail to implement or maintain adequate internal controls, we may not be able to effectively manage our business and may experience errors or information lapses affecting our business.

As we continue to expand, our success depends on our ability to effectively utilize our standardized management system, information systems, resources and internal controls. We will need to modify and improve our financial and managerial controls, reporting systems and procedures and other internal controls and compliance procedures to meet our evolving business needs. If we are unable to improve our controls, systems and procedures, they may become ineffective and adversely affect our ability to manage our business and cause errors or information lapses that affect our business. Our efforts in improving our internal control system may not result in eliminating all risks. If we are not successful in discovering and eliminating weaknesses in our internal controls, our ability to manage our business effectively may be affected.

We may not be able to obtain or maintain sufficient intellectual property rights for our services.

Our success depends in large part on our ability to protect our proprietary technology and services from competition by obtaining intellectual property rights protection. As of the Latest Practicable Date, we owned 30 patents and had made 18 patent applications in the PRC relating to our service portfolio. See "Business—Intellectual Property." If we are unable to obtain patent protection with respect to our technologies, third parties could develop and commercialize technologies similar or identical to ours and compete directly against us. Our ability to successfully commercialize any technology may be adversely affected, and our business, financial condition, results of operations and prospects could be materially harmed.

The patent prosecution process is expensive, time-consuming and complex, and we may not be able to file, prosecute, maintain, enforce or license all necessary or desirable patent applications at a reasonable cost or in a timely manner in all desirable territories. In addition, patent applications may not be granted for a number of reasons, including known or unknown prior art, deficiencies in the patent application, lack of novelty or inventiveness of the underlying invention or technology, or failure to comply with the confidentiality examination requirement. In the PRC, the National Intellectual Property Administration of the PRC (國家知識產權局) ("**CNIPA**"), may require us to amend our patent applications after substantive examinations, including reducing the patentable coverage, and if we fail to respond within a specified period, our applications will be deemed to be withdrawn. Furthermore, the CNIPA may still reject the patent applications after our amendment.

We may also fail to develop patentable technologies or identify patentable aspects of our research and development output in time to obtain patent protection. In addition, the PRC has adopted the "first-to-file" system under which whoever first files a patent application on an invention will be awarded the patent if all other patentability requirements are met. Under the first-to-file system, third parties may be granted a patent relating to a technology which we invented.

If third parties claim that we infringe upon their intellectual property rights, we may incur liabilities and financial penalties and may have to redesign or discontinue providing the affected services.

We may be exposed to intellectual property rights infringement or misappropriation claims by third parties when we provide services and use our own technology. We may also be subject to litigation involving claims of patent infringement or violation of other intellectual property rights of third parties. The defense against any of these claims would be both costly and time-consuming, and could significantly divert the efforts and resources of our management and technical personnel. An adverse determination in any such litigation or proceedings to which we may become a party could subject us to significant liability to third parties, require us to seek licenses from third parties or redesign our services, or subject us to injunctions prohibiting us from providing diagnostic services or the use of technologies. To the extent that licenses are not available to us on commercially reasonable terms or at all, we may be required to expend considerable time and resources developing alternative technologies, services may be delayed or suspended, or we may be forced to provide our services with reduced features or functionalities. Protracted litigation could also result in our member hospitals or potential member hospitals deferring, reducing or cancelling their existing agreements with us. In addition, we could face disruptions to our business operations as well as damage to our reputation as a result of such claims, and our business, financial condition, results of operations and prospects could be materially and adversely affected.

RISKS RELATING TO DOING BUSINESS IN THE PRC

The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in PRC.

The M&A Rules established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. Such regulations require, among other things, that MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor acquires control of a PRC domestic enterprise or a foreign company with substantial PRC operations, if certain thresholds under the Provisions of the State Council 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》), effective on August 3, 2008, were triggered. In addition, PRC national security review rules which became effective on September 1, 2011 require acquisitions by foreign investors of PRC companies engaged in military related or certain other industries that are crucial to national security be subject to security review before consummation of any such acquisition. It is not certain whether businesses we may acquire would fall within the scope of industries required for national security review and whether such acquisitions may be required to go through the national security review process. Complying with the requirements of these regulations to complete such transactions could be time-consuming, and any required approval processes, including

obtaining approval from MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share, as well as our overall competitiveness.

Adverse changes in political, economic and other policies of PRC government could have a material adverse effect on the overall economic growth of the PRC, which could reduce the demand for our services; and could otherwise materially and adversely affect our business, operations or competitive position.

Substantially all of our business, assets, operations and revenue are located in or derived from our operations in the PRC and, as a result, our business, financial condition, results of operations and prospects are significantly affected by economic, political and legal developments in the PRC. The PRC economy differs from the economies of most developed countries in many respects, including, but not limited to:

- the extent of government involvement;
- the level of development;
- the growth rate;
- the control of foreign exchange;
- the allocation of resources;
- an evolving regulatory system; and
- the level of transparency in the regulatory process.

Although the PRC has experienced rapid economic growth over the past decades, its continued growth has slowed since the second half of 2008. There is no assurance that future growth will be sustained at similar rates or at all. The PRC government implements various measures intended to encourage economic growth and guide the allocation of resources. These measures may include differential policies towards specific groups of biotechnology companies, which may have an adverse effect on us. Our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are applicable to us. Further, any adverse change in the economic conditions or government policies in the PRC could have a material adverse effect on overall economic growth and the level of healthcare investments and expenditures in PRC, which in turn could lead to a reduction in demand for our services and consequently have a material adverse effect on our business.

The PRC economy has been transitioning from a planned economy to a more market-oriented economy. Although the PRC government has implemented reform measures allowing for an increasingly market-based economy, reduced state ownership of productive

assets and established sound corporate governance practices in business enterprises, a substantial portion of the productive assets in PRC is owned by the PRC government. The continued control of these assets and other aspects of the national economy by the PRC government could materially and adversely affect our business. The PRC government also exercises significant control over Chinese economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

Changes and developments in PRC's economic, political and social conditions could adversely affect our financial condition and results of operations. In particular, the diagnostic testing market may grow at a slower pace than expected, which could adversely affect our business, financial condition or results of operations.

There are uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations.

All of our operations are conducted in PRC, and are governed by PRC laws, rules and regulations. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value.

In 1979, the PRC government began to promulgate a comprehensive system of laws, rules and regulations governing economic matters in general. The overall effect of legislation over the past four decades has significantly enhanced the protections afforded to various forms of foreign investment in PRC. However, PRC has not developed a fully integrated legal system, and recently enacted laws, rules and regulations may not sufficiently cover all aspects of economic activities in PRC or may be subject to significant degrees of interpretation by PRC regulatory agencies. In particular, because these laws, rules and regulations are relatively new and often give the relevant regulator significant discretion in how to enforce them, and because of the limited number of published decisions and the non-binding nature of such decisions, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and can be inconsistent and unpredictable. In addition, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all, and which may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until after the occurrence of the violation.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

Substantially all of our assets and all of our Directors are located in the PRC. It may not be possible for [**REDACTED**] to effect service of process upon us or those persons in the PRC. The PRC has not entered into treaties or arrangements providing for the recognition and enforcement of judgments made by courts of most other jurisdictions. On July 14, 2006, Hong Kong and the PRC entered into 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 Pursuant to Choice of Court Agreements Between Parties Concerned (《最高人民法院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 "Arrangement"), pursuant to which a party with an enforceable final court judgment rendered by any designated PRC court or any designated Hong Kong court requiring payment of money in a civil and commercial case according to a written choice of court agreement, may apply for recognition and enforcement of the judgment in the relevant PRC court or Hong Kong court. A written choice of court agreement is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it may not be possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in the dispute did not agree to enter into a choice of court agreement in writing. As a result, it may be difficult or impossible for [**REDACTED**] to effect service of process against certain of our assets or Directors in the PRC in order to seek recognition and enforcement of foreign judgments in the PRC.

We may be adversely affected by fluctuations in the global economy and financial markets, and the occurrence of geopolitical events.

Our business may be directly or indirectly affected by fluctuations in the global and/or PRC economy and financial markets, as well as geopolitical events. Since 2018, the trade war between the U.S. government, under the administration of former President Donald J. Trump, and the PRC government created substantial uncertainties and volatilities to global markets. The roadmap to the comprehensive resolution of the trade war remains unclear, and the lasting impact the trade war may have on PRC's economy and the medical operation services industry remains uncertain. Should the trade war between the United States and the PRC begin to materially impact the PRC economy, the purchasing power of our customers in the PRC would be negatively affected. Additionally, the effect of the official exit of the United Kingdom from the European Union ("Brexit") along with the following negotiations on trade agreements may create negative economic impact and increase volatility in the global market. These and other issues resulting from the global economic slowdown and financial market turmoil have adversely affected, and may continue to adversely affect the general demand for our diagnostic testing services. For example, since the beginning of the Sino-U.S. trade war, we had experienced difficulties importing testing kits from abroad. In addition, any further tightening of liquidity in the global financial markets may negatively affect our liquidity. Therefore, if the global economic slowdown and turmoil in the financial markets continue, our business, financial condition and results of operations may be adversely affected.

The heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on our business operations, our acquisition or restructuring strategy or the value of your [REDACTED] in us.

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises, or Circular 698, issued by the SAT, which became effective retroactively as of January 1, 2008, where a non-resident enterprise investor transfers equity interests in a PRC resident enterprise indirectly by way of disposing of equity

interests in an overseas holding company, the non-resident enterprise investor, being the transferor, may be subject to PRC enterprise income tax, if the indirect transfer is considered to be an abusive use of company structure without reasonable commercial purposes. As a result, gains derived from such indirect transfer may be subject to PRC withholding tax at the rate of up to 10%. In addition, the PRC resident enterprise may be required to provide necessary assistance to support the enforcement of Circular 698.

On February 3, 2015, the State Administration of Tax issued a Public Notice Regarding Certain Corporate Income Tax Matters on Indirect Transfer of Properties by Non-Tax Resident Enterprises, or Public Notice 7. Public Notice 7 has introduced a new tax regime that is significantly different from that under Circular 698. Public Notice 7 extends its tax jurisdiction to not only indirect transfers set forth under Circular 698 but also transactions involving transfer of other taxable assets, through the offshore transfer of a foreign intermediate holding company. In addition, Public Notice 7 provides clearer criteria than Circular 698 on how to assess reasonable commercial purposes and has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. Public Notice 7 also brings challenges to both the foreign transferor and transferee (or other person who is obligated to pay for the transfer) of the taxable assets. Where a non-resident enterprise conducts an "indirect transfer" by transferring the taxable assets indirectly by disposing of the equity interests of an overseas holding company, the non-resident enterprise being the transferor, or the transferee, or the PRC entity which directly owned the taxable assets may report to the relevant tax authority such indirect transfer. Using a "substance over form" principle, the PRC tax authority may re-characterize such indirect transfer as a direct transfer of the equity interests in the PRC tax resident enterprise and other properties in PRC. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax, and the transferee or other person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of up to 10% for the transfer of equity interests in a PRC resident enterprise. Both the transferor and the transferee may be subject to penalties under PRC tax laws if the transferee fails to withhold the taxes and the transferor fails to pay the taxes.

We face uncertainties with respect to the reporting and consequences of private equity financing transactions, share exchange or other transactions involving the transfer of shares in our Company by [**REDACTED**] that are non-PRC resident enterprises, or sale or purchase of shares in other non-PRC resident companies or other taxable assets by us. Our Company and other non-resident enterprises of ours may be subject to filing or tax obligations if our Company and other non-resident enterprises of ours are transferors in such transactions, and may be subject to withholding obligations if our Company and other non-resident enterprises of ours are transferees in such transactions, under Circular 698 and Public Notice 7. For the transfer of shares in our Company by [**REDACTED**] that are non-PRC resident enterprises, our PRC subsidiaries may be requested to assist in the filing under Circular 698 and Public Notice 7. As a result, we may be required to expend valuable resources to comply with Circular 698 and Public Notice 7 or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that our Company and other non-resident enterprises of ours should not be taxed under these circulars. The PRC tax authorities have the

discretion under Circular 698 and Public Notice 7 to make adjustments to the taxable capital gains based on the difference between the fair value of the taxable assets transferred and the cost of investment. If the PRC tax authorities make adjustments to the taxable income of the transactions under Circular 698 and Public Notice 7, our income tax costs associated with such transactions will be increased, which may have an adverse effect on our financial condition and results of operations. We may conduct additional acquisitions in the future. We cannot assure you that the PRC tax authorities will not, at their discretion, adjust any capital gains and impose tax return filing obligations on us or require us to provide assistance to them for the investigation of any transactions we were involved in. Heightened scrutiny over acquisition transactions by the PRC tax authorities may have a negative impact on potential acquisitions we may pursue in the future.

Changes in government control of currency conversion and in PRC foreign exchange regulations may adversely affect our business operations.

The PRC government imposes controls on the convertibility between the Renminbi and foreign currencies and the remittance of foreign exchange out of the PRC. We receive substantially all of our revenue in Renminbi. Under our current corporate structure, our income is primarily derived from dividend payments from our PRC subsidiaries. Our PRC subsidiaries must convert their Renminbi earnings into foreign currency before they may pay cash dividends to us or service their foreign currency denominated obligations. Under existing PRC foreign exchange regulations, payments of current-account items may be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements.

However, approval from appropriate governmental authorities is required when Renminbi is converted into foreign currencies and remitted out of the PRC for capital-account transactions, such as the repatriation of equity investment in the PRC and the repayment of the principal of loans denominated in foreign currencies. Such restrictions on foreign exchange transactions under capital accounts also affect our ability to provide financing to our PRC subsidiaries. Subsequent to this [**REDACTED**], we have the option, as permitted by the PRC foreign investment regulations, to invest the net [**REDACTED**] from this [**REDACTED**] in the form of registered capital into our PRC subsidiaries to finance our operations in the PRC. Our choice of investment is affected by the relevant PRC regulations with respect to capital-account and current-account foreign exchange transactions in the PRC. In addition, our transfer of funds to our subsidiaries in the PRC is subject to approval by PRC governmental authorities in the case of an increase in registered capital. These limitations on the flow of funds between us and our PRC subsidiaries could restrict our ability to provide financing to these subsidiaries, to undertake certain business opportunities and act in response to changing market conditions.

The PRC regulations of loans to and direct investments in PRC entities by offshore holding companies may delay or prevent us from using the [REDACTED] of the [REDACTED] to make loans or additional capital contributions to our PRC subsidiaries, which could have a material adverse effect on our liquidity and our ability to fund and expand our business.

As the offshore holding company of our PRC subsidiaries, any capital contributions or loans that we make to our PRC subsidiaries, including from the [**REDACTED**] of our securities [**REDACTED**], are subject to PRC regulations. Any loans by us to our PRC subsidiaries to finance the operations of our PRC subsidiaries, which are foreign-invested enterprises, may not exceed statutory limits and are required to be registered with SAFE or its local branches. We may also decide to finance our PRC subsidiaries by means of capital contributions, in which case the PRC subsidiary is required to register the details of the capital contribution with the local branch of administration of market regulation and submit a report on the capital contribution via the online enterprise registration system to the MOFCOM. We cannot assure you that we will be able to obtain these government approvals or registrations on a timely basis, if at all. If we fail to obtain such approvals or registrations, our ability to use our net [**REDACTED**] from our [**REDACTED**] and to capitalize our operations in PRC may be severely restricted, and could materially and adversely affect our liquidity and our ability to fund and expand our business.

On March 30, 2015, SAFE promulgated the Circular of SAFE on Relevant Issues Concerning the Reform of the Administrative Method of the Conversion of Foreign Exchange Funds by Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》) ("SAFE Circular 19"), which has become effective and replaced the SAFE Circular 142 since June 1, 2015. SAFE further promulgated the Circular of the State Administration of Foreign Exchange on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (國家外匯管理局關於改革和規範資本項目結匯管理政策的通知) ("Circular 16"), effective on June 9, 2016, which, among other things, amend certain provisions of Circular 19. According to Circular 19 and Circular 16, the flow and use of the Renminbi capital converted from foreign currency denominated registered capital of a foreign-invested company is regulated such that Renminbi capital may not be used for business beyond its business scope, or to provide loans to persons other than affiliates, unless otherwise permitted under its business scope. Circular 19 and Circular 16 may limit our ability to transfer the net [**REDACTED**] from our securities [**REDACTED**] to our affiliated PRC entities or their respective subsidiaries through our PRC subsidiaries in PRC, which may adversely affect the business expansion of our affiliated PRC entities or their respective subsidiaries, and our affiliated PRC entities and their respective subsidiaries may not be able to convert the net [**REDACTED**] from the [**REDACTED**] into Renminbi to [**REDACTED**] in or acquire any other PRC companies, or establish other variable interest entities in the PRC. See "Regulations—Regulations on Foreign Exchange."

Companies having business in the PRC may have a chance to be classified as a "resident enterprise" for PRC enterprise income tax purposes, and such classification could result in unfavorable tax consequences to us and our non-PRC Shareholders.

According to the EIT Law which was promulgated by the SAT on March 16, 2007 and effective on January 1, 2008 and last revised on December 29, 2018, enterprises established under the laws of jurisdictions other than the PRC may nevertheless be considered as PRC tax resident enterprises for tax purposes if these enterprises have their "de facto management body" within the PRC. Under the supplementary rules for the PRC EIT Law, the term "de facto management body" is defined as a body which substantially manages, or has control over the business, personnel, finance and assets, etc. of an enterprise. Since we are conducting business in the PRC through our PRC subsidiaries and some of the members of our management team continue to be located in the PRC after the effective date of the PRC EIT Law and as we expect them to continue to be located in the PRC for the foreseeable future, we may be considered as a PRC resident enterprise by the PRC tax authorities and therefore be subject to the EIT at the rate of 25% on our worldwide income. If we are considered by the PRC tax authorities as a PRC tax resident enterprise under the PRC tax regime, our business, financial condition and operating results may be materially and adversely affected.

We may be subject to penalties, including restrictions on our ability to inject capital into our PRC subsidiaries and our PRC subsidiaries' ability to distribute profits to us, if our PRC resident Shareholders or beneficial owners fail to comply with relevant PRC foreign exchange regulations.

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 (《國家外匯管理局關於境內居民通過境外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》) ("SAFE Circular 37"), on July 4, 2014, which replaced the former circular commonly known as "SAFE Circular 75" promulgated by SAFE on October 21, 2005. 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 such PRC residents' legally owned assets or equity interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle." 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 fulfil the required SAFE registration, the PRC subsidiaries 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. Moreover, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for evasion of foreign exchange controls.

We have requested our beneficial owners who are subject to SAFE regulations to make the necessary registrations under SAFE regulations. Our ultimate Controlling Shareholder, Mr. Zhang Yong, had registered with the local SAFE branch under SAFE Circular 37 in July 2019. However, we may not at all times be fully aware or informed of the identities of all of our beneficial owners who are PRC citizens or residents, and we may not always be able to compel our beneficial owners to comply with SAFE Circular 37; nor can we ensure you that their registrations, if they choose to apply, will be successful. The failure or inability of our PRC resident beneficial owners to make any required registrations or comply with these requirements may subject such beneficial owners to fines and legal sanctions and may also limit our ability to contribute additional capital into or provide loans (including using the [**REDACTED**] from the [**REDACTED**]) to our operations in PRC, limit our PRC subsidiary's ability to pay dividends or otherwise distribute profits to us, or otherwise materially and adversely affect us.

You may be subject to PRC withholding tax on dividends from us and PRC income tax on any gain realized on the transfer of our Shares.

Pursuant to the EIT Laws, we may be treated as a PRC resident enterprise for PRC tax purposes. See "—Companies having business in the PRC may have a chance to be classified as a "resident enterprise" for PRC enterprise income tax purposes, and such classification could result in unfavorable tax consequences to us and our non-PRC Shareholders" for details. If we are so treated by the PRC tax authorities, we may be obligated to withhold PRC income tax on payments of dividends on our ordinary shares to investors that are non-resident enterprises of the PRC because the dividends payable on our Shares may be regarded as being derived from sources within the PRC. The withholding tax rate would generally be 10% on dividends paid to non-resident enterprises. In addition, if we are treated as a PRC tax resident enterprise, any gain realized by investors who are non-resident enterprises of the PRC from the transfer of our ordinary shares may be regarded as being derived from sources within the PRC and be subject to withholding tax at the rate of 10%. The PRC tax may be reduced under applicable tax treaty.

Moreover, if we are treated as a PRC resident enterprise, it is possible that a non-resident individual investor would be subject to PRC individual income tax at a rate of 20% under the PRC Individual Income Tax Law (《中華人民共和國個人所得税法》) (the "IITL"), on dividends paid to such investor (which tax on dividends may be withheld at source) and any capital gains realized from the transfer of our ordinary shares if such dividends and gains are deemed income derived from sources within the PRC. The PRC tax rate may be reduced under applicable tax treaty. A non-resident individual is an individual who is not domiciled in the PRC and does not reside within the PRC or has resided within the PRC for less than one year. Pursuant to the IITL and its implementation rules, the taxable gain from the transfer of our ordinary shares will be based on the total amount obtained minus all the costs and expenses that are permitted under PRC tax laws to be deducted from the income. The foregoing PRC tax may reduce your [**REDACTED**] return on our ordinary shares and may also affect the [**REDACTED**] of our ordinary shares.

RISKS RELATING TO 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, WFOE, we have entered into a series of Contractual Arrangements with Yunkang Industry, subsidiaries of Yunkang Industry and Guangzhou Clinic, our Consolidated Affiliated Entities and their 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 Consolidated Affiliated Entities and, at our Company's sole discretion, can receive all of the economic interest returns generated by Consolidated Affiliated Entities.

As advised by our PRC Legal Advisers, save as disclosed in "Contractual Arrangements—Legality of The Contractual Arrangements," the Contractual Arrangements are legal, valid, enforceable and binding upon the parties thereto under the current laws and regulations. Please see "Contractual Arrangements—Legality of The Contractual Arrangements" for details. However, our PRC Legal Advisers have 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 invalidated certain contractual agreements which were considered to be entered into with the intention of circumventing foreign investment restrictions in the PRC in contravention of the PRC Contract Law and the General Principles of the PRC Civil Law. 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 Advisers.

On March 15, 2019, the second meeting of the 13th Standing Committee of 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 and business or that of Yunkang Industry, subsidiaries of Yunkang Industry and Guangzhou Clinic 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:

- levying fines on us;
- confiscating our income or the income of our Consolidated Affiliated Entities;
- revoking our business licenses and/or operating licenses;
- shutting down our institutions;
- discontinuing or placing restrictions or onerous conditions on our operations, requiring us to undergo a costly and disruptive restructuring; and
- 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 Yunkang Industry, subsidiaries of Yunkang Industry and Guangzhou Clinic, which 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 WFOE in Consolidated Affiliated 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 Consolidated Affiliated Entities and their shareholders may fail to perform their obligations under our Contractual Arrangements.

We provide business support, technical and consulting services to our Consolidated Affiliated Entities, Yunkang Industry, subsidiaries of Yunkang Industry and Guangzhou Clinic, in which we have no ownership interest and rely on the Contractual Agreements with our Consolidated Affiliated Entities and their shareholders to control and operate the relevant business. Although we have been advised by our PRC Legal Advisers that save as disclosed in the section headed "Contractual Arrangements—Legality of The Contractual Arrangements," 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 Yunkang Industry 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 Consolidated Affiliated Entities, which, in turn, could effect changes, subject to any applicable fiduciary obligations, at the management level. If any Consolidated Affiliated 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, the legal system in PRC is not as developed as in other jurisdictions, such as the United States. 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 Consolidated Affiliated 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 these Contractual Arrangements, we may not be able to exert effective control over Consolidated Affiliated Entities and may not prevent leakage of equity and values to the minority shareholder of the Consolidated Affiliated 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 our 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 Consolidated Affiliated Entities without reducing the tax liability of WFOE; or (ii) limiting the ability of Consolidated Affiliated Entities to obtain or maintain preferential tax treatments and other financial incentives.

The shareholders of Consolidated Affiliated Entities may potentially have a conflict of interest with us, and they may breach their contracts with us or cause such contracts to be amended in a manner contrary to our interests.

Our control over Consolidated Affiliated Entities is based upon the Contractual Arrangements with, among others, Consolidated Affiliated Entities' Registered Shareholders. These Registered Shareholders may potentially have a conflict of interest with us, and it may breach its agreements with us or if it otherwise acts in bad faith, if it believes the Contractual Arrangements would adversely affect its own interests. We cannot assure you that when conflicts of interest arise between us and Consolidated Affiliated Entities Registered Shareholders, Consolidated Affiliated Entities will act completely in our interests or that the conflicts of interest will be resolved in our favor. If any Consolidated Affiliated Entity does not act completely in our interests or the conflicts of interest between us and it are not resolved in our favor, our business and financial condition may be materially and adversely affected.

Currently, we do not have arrangements to address the potential conflicts of interest faced by the ultimate beneficial owners of Consolidated Affiliated Entities in their dual capacity as beneficial owners of our Group. We rely on the ultimate beneficial owners of Consolidated Affiliated Entities to comply with PRC laws and regulations, which protect contracts and provide that directors and executive officers owe a duty of loyalty to us and require them to avoid conflicts of interest and not to take advantage of their positions for personal gains, and the laws of the Cayman islands, which provide that directors have a duty of care and a duty of loyalty to act honestly in good faith with a view to our best interests. However, the legal frameworks of the PRC and the Cayman Islands do not provide guidance on resolving conflicts in the event of a conflict with another corporate governance regime.

In addition, Consolidated Affiliated Entities' Registered Shareholders may breach or refuse to renew, or cause any Consolidated Affiliated Entity to breach or refuse to renew, the Contractual Arrangements with us. If any Consolidated Affiliated Entity's Registered Shareholders or Consolidated Affiliated Entity breaches its agreements with us or otherwise have disputes with us, we may have to initiate arbitration or other legal proceedings, which involve significant uncertainty. Such disputes and proceedings may significantly distract our management's attention, adversely affect our ability to control Consolidated Affiliated Entities and otherwise result in negative publicity and adversely affect our reputation. 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 our Consolidated Affiliated Entities, the ownership or asset transfer may subject us to certain limitations and substantial costs.

In October 2019, we entered into a series of Contractual Arrangements with Yunkang Industry, subsidiaries of Yunkang Industry and Guangzhou Clinic, our Consolidated Affiliated Entities and their Registered Shareholders. Pursuant to the contractual arrangements, WFOEs or its designated person(s) has the exclusive right to purchase all or any part of the equity interests in Consolidated Affiliated Entities from their 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. Besides, the equity transfer price may be subject to review and tax adjustment by the relevant tax or commerce authority. The Registered Shareholders of Consolidated Affiliated Entities will pay the equity transfer price they receive to Consolidated Affiliated Entities under the contractual arrangements. The amount to be received by Consolidated Affiliated Entities may also be subject to enterprise income tax. Such tax amounts could be substantial.

RISKS RELATING TO THE [REDACTED]

There has been no prior public market for our Shares and the liquidity and market [REDACTED] of our Shares may be volatile.

Prior to completion of the [**REDACTED**], there has been no public market for our [**REDACTED**]. The initial [**REDACTED**] for our Shares was the result of negotiations among us and the [**REDACTED**] and the [**REDACTED**] may differ significantly from the [**REDACTED**] for our Shares following the [**REDACTED**]. We have applied for [**REDACTED**] of and permission to [**REDACTED**]. There is no assurance that the [**REDACTED**] will result in the development of an active, liquid public [**REDACTED**] market for our Shares. The [**REDACTED**] of our Shares may drop below the [**REDACTED**] at any time after completion of the [**REDACTED**].

We may be subject to additional regulatory requirements if certain new draft regulations in relation to variable interest entity are implemented in China.

On December 24, 2021, the CSRC, together with other relevant government authorities in China issued the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments), and the Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) ("**Draft VIE Regulations**"). The Draft VIE Regulations have imposed a number of regulatory requirements for listing applicants adopting a variable interest entity structure through contractual arrangements. As of the Latest Practicable Date, the Draft VIE Regulations were in draft form and had not come into effect.

On December 24, 2021, the spokesperson of the CSRC held a press conference in relation to the Draft VIE Regulations ("**Press Conference**"), during which it was stated that the principle of non-retroactivity of the law would be followed and the CSRC would start with the incremental enterprises (new applicants), i.e., impose filing procedures on incremental enterprises as well as stock enterprises (existing applicants) with refinancing requests, while filing by other stock enterprises will be arranged separately so as to give them a sufficient transitional period. However, the spokesperson of the CSRC did not provide a clear definition of these terms. Therefore, whether our Company, for the purpose of the [**REDACTED**], is an "incremental enterprises" or a "stock enterprises" is subject to further explanation by the CSRC.

We cannot guarantee that we will be categorized as an "stock enterprise" by the CSRC. If we are categorized as a "stock enterprise", we may have to incur significant time, costs and resources to comply with these regulatory requirements. Further, even if we are categorized as a "stock enterprise," we may still face more stringent regulatory requirements as compared to its current status. As such, our business operations may be materially and adversely affected.

Purchasers of our [REDACTED] in the [REDACTED] will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

The [**REDACTED**] of our [**REDACTED**] is higher than the consolidated net tangible assets per Share immediately prior to the [**REDACTED**]. Therefore, if we distribute our net tangible assets to our Shareholders immediately following the [**REDACTED**] of our [**REDACTED**] in the [**REDACTED**] will experience an immediate dilution in unaudited pro forma adjusted consolidated net tangible assets and will receive less than the amount they paid for their Shares.

In order to expand our business, we may consider [**REDACTED**] and issuing additional Shares in the future. We may also raise additional funds to finance future acquisitions or expansions of our business operations by issuing new Shares or other securities of our Company in the future. As a result, [**REDACTED**] of our [**REDACTED**] may experience dilution in the net tangible assets [**REDACTED**] of their [**REDACTED**] in the [**REDACTED**] and such newly issued Shares or other securities may confer rights and privileges that have priority over those of the then Shareholders.

The liquidity and [REDACTED] of our [REDACTED] may be volatile, which may result in substantial losses for [REDACTED] for or [REDACTED] our [REDACTED] pursuant to the [REDACTED].

The [**REDACTED**] of our [**REDACTED**] may be volatile as a result of the following factors, as well as others, which are discussed in this "Risk Factors" section or elsewhere in this document, some of which are beyond our control:

- variations in our financial position and/or results of operations;

- unexpected business interruptions resulting from, among others, natural disasters or power shortage;
- our inability to compete effectively in the market;
- major changes in our key personnel or senior management;
- loss of visibility in the markets due to lack of regular coverage of our business;
- strategic alliances or acquisitions;
- changes in laws and regulations in PRC;
- changes in securities analysts' estimates of our financial condition and/or results of operations, regardless of the accuracy of information on which their estimates are based;
- changes in [**REDACTED**] perception of us and the [**REDACTED**] environment generally;
- fluctuations in stock [**REDACTED**] and volume;
- announcement made by us or our competitors;
- changes in [**REDACTED**] adopted by our competitors;
- political, economic, financial and social developments in PRC and Hong Kong and in the global economy; and
- involvement in material litigation.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are not related or disproportionate to the operating performance of particular companies. For instance, the global stock markets witnessed drastic price drops during the financial market crisis begun around the middle of 2008, and the effect of Brexit in January 2020 along with the following negotiation between the United Kingdom and the European Union has and may continue to create negative economic impact and increase volatility the global market. These developments include a general global economic downturn, substantial volatility in equity securities markets, and volatility and tightening of liquidity in credit markets. While it is difficult to predict how long these conditions will last, they could continue to present risks for an extended period of time, in interest expenses on our bank borrowings, or reduction of the amount of banking loans currently available to us. If we experience such fluctuations, results of operations and financial position could be materially and adversely affected. Moreover, market fluctuations may also materially and adversely affect the [**REDACTED**] of our [**REDACTED**].

The [REDACTED] of our [REDACTED] when [REDACTED] begins could be lower than the [REDACTED] as a result of, among other things, adverse market conditions or other adverse developments that could occur between the time of sale and the time [REDACTED] begins.

The final [**REDACTED**] will be determined on the [**REDACTED**] Date. However, the [**REDACTED**] will not commence [**REDACTED**] until they are [**REDACTED**]. As a result, [**REDACTED**] may not be able to [**REDACTED**] or otherwise [**REDACTED**] during that period. Accordingly, holders of the [**REDACTED**] are subject to the risk that the [**REDACTED**] of the [**REDACTED**] when [**REDACTED**] begins could be lower than the [**REDACTED**] as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time [**REDACTED**] begins.

Our Controlling Shareholders or management have substantial control over our Company and its interests may not be aligned with the interests of the other Shareholders.

Prior to and immediately following the completion of the [**REDACTED**], our Controlling Shareholders will remain having substantial control over their interests in the issued share capital of our Company. Subject to the Articles of Association, the Companies Ordinance and the Listing Rules, the Controlling Shareholders by virtue of their controlling beneficial ownership of the share capital of our Company, will be able to exercise significant beneficial ownership of the share capital of our Company, will be able to exercise significant control and exert significant influence over our business or otherwise on matters of significance to use and other Shareholders by voting at the general meeting of the Shareholders and at Board meetings. Therefore, our Controlling Shareholders will have significant influence on the outcome of any corporate transaction or other matters submitted to our Shareholders for approval, including mergers, consolidations, sales of all or substantially all of our assets, election of Directors and other significant corporate actions. The interests of the Controlling Shareholders may differ from the interests of our Shareholders and the Shareholders are free to exercise their votes according to their interests. To the extent that the interests of the Controlling Shareholders conflict with the interest of other Shareholders, the interest of other Shareholders can be disadvantaged and harmed.

Payment of dividends is subject to restrictions under the PRC law and there is no assurance whether and when we will pay dividends.

No dividend has been paid or declared by our Company during the Track Record Period. Under the applicable PRC laws, the payment of dividends may be subject to certain limitations. The calculation of our profit under applicable accounting standards differs in certain respects from the calculation under HKFRS. As a result, we may not be able to pay a dividend in a given year even if we were profitable as determined under HKFRS. Our Board may declare dividends in the future after taking into account our results of operations, financial condition, cash requirements and availability and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the PRC laws and regulations and requires approval at our shareholders' meeting. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution.

[REDACTED] may experience difficulties in enforcing their Shareholder rights because we are incorporated in the Cayman Islands and the protection afforded to minority Shareholders under Cayman Islands law may be different from that under the laws of Hong Kong or other jurisdictions.

Our Company is incorporated in the Cayman Islands and its affairs are governed by our Memorandum, Articles of Association, the Cayman Companies Act and the common law of the Cayman Islands. The laws of the Cayman Islands may differ from those of Hong Kong or those of other jurisdictions where [**REDACTED**] may be located. As a result, minority Shareholders may not enjoy the same rights as those afforded under the laws of Hong Kong or in other jurisdictions. A summary of the Cayman Companies Act on protection of minority shareholders is set out in "Summary of the Constitution of Our Company and Cayman Islands Companies Law—Summary of the Constitution of the Company—2. Articles of Association—2.20 Rights of minorities in relation to fraud or oppression" in Appendix III to this document.

Certain statistics contained in this document are derived from publicly available official sources and may not be fully reliable.

Certain statistics contained in this document relating to China, the PRC economy and the industry in which we operate have been derived from various official government sources. We have taken reasonable care in the reproduction or extraction of such information for the purpose of disclosure in this document. However we cannot guarantee the quality or reliability of such information derived from official government sources. They have not been prepared or independently verified by us, the [**REDACTED**] or any of their respective affiliates or advisers and, therefore, we make no representation as to the accuracy of such information, from official government sources, which may not be consistent with other information compiled within or outside the PRC. Due to possibly flawed or ineffective collection methods or discrepancies between information from official government source and market practice, such statistics in this document may be inaccurate or may not be comparable to statistics produced from other sources. In all cases, [**REDACTED**] should give consideration as to how much weight or importance they should attach to or place on such information from official government source.

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 coverage in the media regarding the [**REDACTED**] and our operations. There had been, prior to the publication of this document, and 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 contained, among other matters, certain financial information, projections, valuations and other forward-looking information about us and [**REDACTED**]. We do not accept any responsibility for the accuracy or completeness of the information and make no representation as to the appropriateness, accuracy, completeness or reliability of any information disseminated in the media. To the extent that any of the information in the media is inconsistent or conflicts with the information contained in this

document, we disclaim it. Accordingly, prospective [**REDACTED**] should read the entire document carefully and should not rely on any of the information in press articles or other media coverage. Prospective [**REDACTED**] should only rely on the information contained in this document to make [**REDACTED**] decisions about us.

Forward-looking information in this document is subject to risks and uncertainties.

This document contains forward-looking statements and information relating to us and our operations and prospects that are based on our current beliefs and assumptions as well as information currently available to us. When used in this document, the words "anticipate," "believe," "estimate," "expect," "plans," "prospects," "going forward," "intend" and similar expressions, as they relate to us or our business, are intended to identify forward-looking statements. Such statements reflect our current views with respect to future events and are subject to risks, uncertainties and various assumptions, including the risk factors described in this document. Should one or more of these risks or uncertainties materialize, or if any of the underlying assumptions prove incorrect, actual results may diverge significantly from the forward-looking statements in this document. Whether actual results will conform with our expectations and predictions is subject to a number of risks and uncertainties, many of which are beyond our control, and reflect future business decisions that are subject to change. In light of these and other uncertainties, the inclusion of forward-looking statements in this document should not be regarded as representations that our plans or objectives will be achieved, and [**REDACTED**] should not place undue reliance on such forward-looking statements. All forward-looking statements contained in this document are qualified by reference to the cautionary statements set out in this section.

In preparation for the [**REDACTED**], we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong. This normally means 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 purposes of satisfying the requirements under Rule 8.12 of the Listing Rules. The Group's management, business operations and assets are primarily based outside Hong Kong. The principal management headquarters and senior management of the Group are primarily based in China. The Directors consider that the appointment of executive Directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, the Group and therefore would not be in the best interests of the Company and the Shareholders as a whole. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. We will ensure that there is a regular and effective communication between us and the Stock Exchange by way of the following arrangements:

(a) pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorised representatives, who will act as our principal channel of communication with the Stock Exchange and ensure that our Company complies with the Listing Rules at all times. The two authorised representatives are Mr. Zhang Yong, the executive Director, and Ms. Chan Lok Yee, the joint company secretary. Each of our authorised representatives will be available to meet with the Stock Exchange within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and email. Each of the authorised representatives is authorised to communicate on our behalf with the Stock Exchange;

(b) both authorised representatives have means to contact all our Directors (including our independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors for any matters. Our Directors who are not ordinarily resident in Hong Kong possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required. To enhance communication between the Stock Exchange, our authorised representatives and Directors, we will implement a policy that (i) each Director will have to provide their respective mobile phone number, office phone number, fax number and email address to the authorised representatives; (ii) in the event that a Director expects to travel or is otherwise out of office, he/she will endeavour to provide his/her phone number of the place of his/her accommodation to the authorised representatives or maintain an

open line of communication via his/her mobile phone; and (iii) all Directors and authorised representatives of our Company will provide their respective mobile phone numbers, office phone numbers, fax numbers and email addresses to the Stock Exchange;

(c) in compliance with Rules 3A.19 of the Listing Rules, we have appointed SPDB International Capital Limited as our compliance adviser (the "**Compliance Adviser**") which has access at all times to our authorised representatives, Directors, senior management and other officers of our Company, and will act as an additional channel of communication with the Stock Exchange. We will keep the Stock Exchange up to date in respect of any change to such details. Our authorised representatives, Directors and other officers of our Company will provide promptly such information and assistance as the Compliance Adviser may reasonably require in connection with the performance of the Compliance Adviser's duties as set forth in Chapter 3A of the Listing Rules. There will be adequate and efficient means of communication between our Company, authorised representatives, Directors and other officers and the Compliance Adviser, and to the extent reasonably practicable and legally permissible, we will keep the Compliance Adviser informed of [**REDACTED**] between the Stock Exchange and us; and

(d) meetings between the Stock Exchange and our Directors could be arranged through our authorised representatives or the Compliance Adviser, or directly with our Directors within a reasonable time frame. We will inform the Stock Exchange as soon as practicable in respect of any change of authorised representatives and/or the Compliance Adviser.

Our Directors are of the view that the above-mentioned arrangements for maintaining regular communication with the Stock Exchange are in line with the conditions set out in the Guidance Letter GL9-09.

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 academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of the company secretary. The Stock Exchange considers the following academic or professional qualifications to be acceptable: (i) a member of The Hong Kong Institute of Chartered Secretaries; (ii) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and (iii) a certified public accountant (as defined in the Professional Accountants Ordinance).

In assessing "relevant experience", the Stock Exchange will consider the individual's: (i) length of employment with the issuer and other listed companies and the roles he/she played, (ii) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Takeovers Code, (iii) relevant training taken

and/or to be taken in addition to the minimum requirement of taking not less than fifteen hours of relevant professional training in each financial year under Rule 3.29 of the Listing Rules, and (iv) professional qualifications in other jurisdictions.

Our Company considers that while it is important for the company secretary to be familiar with the relevant securities regulation in Hong Kong, he/she also needs to have experience relevant to our Company's operations, nexus to the Board and close working relationship with the management of our Company in order to perform the function of a company secretary and to take the necessary actions in the most effective and efficient manner. It is for the benefit of our Company to appoint a person who has been a member of the senior management for a period of time and is familiar with our Company's business and affairs which are primarily outside Hong Kong as company secretary.

We have appointed Mr. Lin Yingjia and Ms. Chan Lok Yee as our joint company secretaries. Mr. Lin is our chief financial officer. Since Mr. Lin does not possess a qualification stipulated in Rule 3.28 of the Listing Rules, he is not able to solely fulfill the requirements as a company secretary of a listed issuer stipulated under Rules 3.28 and 8.17 of the Listing Rules.

Mr. Lin was admitted as a fellow of the Institute of Public Accountant in July 2007 by the Institute of Public Accountants, Australia (澳大利亞公共會計師協會). He obtained his PRC certified public accountant (non-practicing member) certificate in January 2010 from the Guangdong Provisional Institute of Certified Public Accountants (廣東省註冊會計師協會) and was awarded the professional designation of Certified Internal Auditor in November 2009 by The Institute of Internal Auditor (內部稽核協會). Ms. Chan Lok Yee is an associate member of each of the Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators (currently known as The Chartered Governance Institute) in the United Kingdom.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules in relation to the appointment of Mr. Lin as our joint company secretary on the conditions that: (i) Ms. Chan Lok Yee is appointed as a joint company secretary to assist Mr. Lin in discharging his functions as a company secretary and in gaining the relevant experience under Rule 3.28 of the Listing Rules; and (ii) the waiver will be revoked immediately if Ms. Chan Lok Yee, during the three-year period, ceases to provide assistance to Mr. Lin as the joint company secretary or if there are material breaches of the Listing Rules by our Company. We expect that Mr. Lin will acquire the qualifications or relevant experience required under Rule 3.28 of the Listing Rules prior to the end of the three-year period after the [**REDACTED**]. We will liaise with the Stock Exchange before the end of the three-year period to enable it to assess whether Mr. Lin, having had the benefit of Ms. Chan Lok Yee's assistance for three years and has acquired relevant experience within the meaning of Rule 3.28 of the Listing Rules so that a further waiver will not be necessary.

See the section headed "Directors and Senior Management" in this document for further information regarding the qualifications of Mr. Lin and Ms. Chan.

CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue to engage in certain transactions which will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon the [**REDACTED**]. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver in relation to such continuing connected transactions between us and certain connected persons pursuant to Rule 14A.105 under Chapter 14A of the Listing Rules. Please see "Connected Transactions" of this document for further details of these transactions.

[REDACTED]

[**REDACTED**]

[**REDACTED**]

[**REDACTED**]

DIRECTORS

Name	Address	Nationality
Executive Director		
Mr. Zhang Yong (張勇)	Building 18, Xintuo Garden Futian District, Shenzhen Guangdong Province PRC	Chinese
Non-executive Directors		
Dr. He Yunshao (何蘊韶)	No. 33, Zhusi Village Dongshan District, Guangzhou Guangdong Province PRC	Chinese
Mr. Zhou Xinyu (周新宇)	No. 2, Lane 120 Guannong Road, Putuo District Shanghai, PRC	Chinese
Dr. Guo Yunzhao (郭雲釗)	No. 36, Ande Road Xicheng District Beijing, PRC	Chinese
Mr. Zhou Weiqun (周偉群)	Build 54 Nanhu Xincun East Street Chaoyang District, Changchun Jinlin Province PRC	Chinese
Independent non-executive Directors		
Mr. Yu Shiyou (喻世友)	No. 745 Zhongdayuan West District Haizhu District, Guangzhou Guangdong Province PRC	Chinese
Mr. Yang Hongwei (楊洪偉)	Building 14 Xizhimen South Street Xicheng District Beijing, PRC	Chinese
Mr. Xie Shaohua (謝少華)	Building B No. 3 Dongsanhuan North Road Chaoyang District Beijing, PRC	Chinese

Please see the section headed "Directors and Senior Management" in this document for further details of our Directors.

PARTIES INVOLVED IN THE [REDACTED]

Joint Sponsors

CMB International Capital Limited
45/F, Champion Tower
3 Garden Road
Central
Hong Kong

SPDB International Capital Limited
33/F, SPD Bank Tower
One Hennessy
1 Hennessy Road
Hong Kong

[REDACTED]

Legal advisors to our Company	*As to Hong Kong and United States laws:* **Kirkland & Ellis** 26/F, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong *As to PRC laws:* **Zhong Lun Law Firm** 8/9/10F, Tower A, Rongchao Tower 6003 Yitian Road Futian District Shenzhen, PRC *AS to Cayman Islands laws:* **Maples and Calder (Hong Kong) LLP** 26th Floor, Central Plaza 18 Harbour Road Wanchai Hong Kong
Legal advisor to Controlling Shareholders	**Beijing Kangda Law Firm** 5F, Building C No. 40, Shoukai Xingfu Plaza Xindong Road, Chaoyang District, Beijing, PRC

Legal advisors to the Joint Sponsors and [REDACTED]	*As to Hong Kong and United States laws:* **Herbert Smith Freehills** 23/F, Gloucester Tower 15 Queen's Road Central Hong Kong *As to PRC laws:* **Tian Yuan Law Firm** 10/F, Tower B China Pacific Insurance Plaza 28 Fengsheng Hutong Xicheng District Beijing, PRC
Auditor and Reporting Accountant	**PricewaterhouseCoopers** *Certified Public Accountants* *Registered Public Interest Entity Auditor* 22/F, Prince's Building Central Hong Kong
Industry Consultant	**Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.** 1018, Tower B, Greenland Center 500 Yunjin Road Xuhui District Shanghai, PRC
Compliance Adviser	**SPDB International Capital Limited** 33/F, SPD Bank Tower One Hennessy 1 Hennessy Road Hong Kong

[**REDACTED**]

CORPORATE INFORMATION

Registered Office	PO Box 31119 Grand Pavilion Hibiscus Way 802 West Bay Road Grand Cayman KY1-1205 Cayman Islands
Head Office and Principal Place of Business in the PRC	No. 6 Lizhishan Road Science City Huangpu District Guangzhou, PRC
Principal Place of Business in Hong Kong	Room 1901, 19/F, Lee Garden One 33 Hysan Avenue, Causeway Bay Hong Kong
Company's Website	**http://www.yunkanghealth.com** *(information on this website does not form part of this document)*
Joint Company Secretaries	**Mr. Lin Yingjia (林穎嘉)** No. 6 Lizhishan Road Science City Huangpu District Guangzhou, PRC **Ms. Chan Lok Yee (陳樂而)** *Associate member of the Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute in United Kingdom* Room 1901, 19/F, Lee Garden One 33 Hysan Avenue, Causeway Bay Hong Kong
Authorized Representatives	**Mr. Zhang Yong (張勇)** No. 6 Lizhishan Road Science City Huangpu District Guangzhou, PRC **Ms. Chan Lok Yee (陳樂而)** Room 1901, 19/F, Lee Garden One 33 Hysan Avenue, Causeway Bay Hong Kong

CORPORATE INFORMATION

Audit Committee	Mr. Xie Shaohua *(Chairman)* Mr. Yu Shiyou Dr. Guo Yunzhao
Remuneration Committee	Mr. Yu Shiyou *(Chairman)* Mr. Zhang Yong Mr. Xie Shaohua
Nomination Committee	Mr. Zhang Yong *(Chairman)* Mr. Yu Shiyou Mr. Xie Shaohua
Compliance Adviser	**SPDB International Capital Limited** 33/F, SPD Bank Tower One Hennessy 1 Hennessy Road Hong Kong

[**REDACTED**]

Principal Bank	**Shanghai Pudong Development Bank Guangzhou Wuyang Branch** No. 77-79, Siyouxin Road Wuyang New Town Guangzhou 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]*, 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. Accordingly, the information from official government sources contained herein may not be accurate and should not be unduly relied upon.

SOURCE OF INFORMATION

We engaged Frost & Sullivan, a market research consultant, to prepare the industry report for use in this document. Frost & Sullivan is an independent global consulting firm founded in 1961. Frost & Sullivan provides market research on a variety of industries, including healthcare. The information from Frost & Sullivan disclosed in this document is extracted from the Frost & Sullivan Report, and is disclosed with the consent of Frost & Sullivan.

Frost & Sullivan has conducted detailed primary research that involved discussing the status of the industry with certain leading industry participants. Frost & Sullivan has also conducted secondary research that involved reviewing annual reports and official websites of market players for background information and relevant financial data. In addition, Frost & Sullivan conducted interviews with experts from certain leading industry participants. Frost & Sullivan has also taken into account the market statistics obtained from China Health Statistics Yearbook in determining the overall market size of the industry. In preparing the Frost & Sullivan Report, Frost & Sullivan has adopted a market engineering forecasting methodology that integrates several forecasting techniques with its market engineering measurement-based system. It relies on the expertise of its analyst team in integrating the critical market elements investigated during the research phase of the Frost & Sullivan Report. These elements include expert-opinion forecasting methodology, integration of market drivers and restraints, integration with the market challenges, integration of the market engineering measurement trends and integration of econometric variables.

In particular, Frost & Sullivan has taken into consideration the impact of COVID-19 in preparing its report. The outbreak of COVID-19 pandemic has led to the surge in COVID-19 testing in 2020 and 2021. At the same time, the favorable policies relating to COVID-19 state that the State Council has proposed for the first time to commission independent medical testing laboratories to conduct COVID-19 testing tasks, and third-party medical operation service providers can help medical institutions expand their testing capacity. On the other hand, the COVID-19 outbreak was also factored into the assumptions for 2021, due to infections and

spreads of Delta variant. After COVID-19 pandemic was contained, demand for other diagnostic testing will release; at the same time, the recognition of third-party medical operation service providers by government and hospitals has increased during COVID-19 pandemic, which are also key growth drivers of medical operation service market. As a result, the increasing trend of the market will further maintain after 2021.

The basis and assumptions adopted by Frost & Sullivan in making its forecast include: (i) the social, economic and political environments of the PRC will remain stable during the forecast period, which will ensure a sustainable and steady development of the PRC healthcare industry; (ii) the PRC healthcare market will grow as expected due to rising healthcare demand and supply; (iii) the PRC government will continue to support healthcare reform; and (iv) the respective healthcare market where we provide our services will grow during the forecast period.

Frost & Sullivan and we believe 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. We expect to pay Frost & Sullivan a fee of RMB650,000 for the preparation and update of its industry report, which is not contingent upon the completion of the [**REDACTED**].

HEALTHCARE SERVICE MARKET IN CHINA

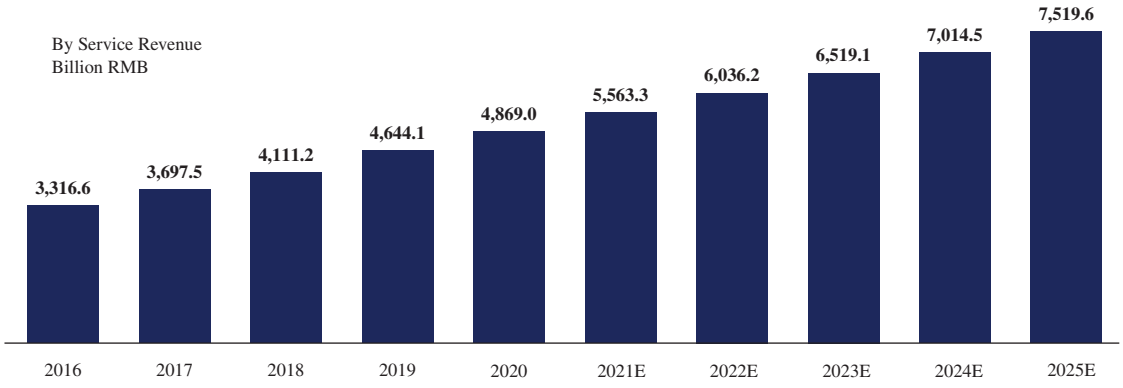
Overview of the Healthcare Service Market in China

The healthcare service market in China refers to the provision of medical, remedial or care services, including the provision of inpatient and outpatient testing and treatment of human diseases or dysfunction as well as dispensing of drugs or medical devices for treatment. Healthcare service providers in China consist of primary medical institutions (including Class I hospitals, unrated hospitals and other medical institutions, such as maternity & child medical institutions, centers for disease control and special disease prevention agencies), secondary medical institutions (including Class II hospitals) and tertiary medical institutions (including Class III hospitals).

The potential of China's healthcare service market is tremendous. From 2016 to 2020, the total healthcare service market in China has increased from RMB3,316.6 billion to RMB4,869.0 billion, representing a CAGR of 10.1%. However, the total healthcare expenditure as a percentage of GDP in China is relatively low as compared to that of developed countries. The total healthcare expenditure in China only accounted for 7.1% of its GDP in 2020, whereas the total healthcare expenditure in the United States and Japan accounted for 19.2% and 12.4% of their respective GDP in 2020, respectively. Furthermore, China only had a per capita national healthcare expenditure of US$745.8 in 2020, compared to US$12,114.8 per capita in the United States and US$5,407 per capita in Japan. Driven by the increasing awareness of healthcare and the aging population, the total healthcare service market in China is forecasted to reach RMB7,519.6 billion by 2025, which represents a CAGR of 9.1% from 2020 to 2025.

Healthcare Service Market in China, 2016-2025E

Period	CAGR
2016-2020	10.1%
2020-2025E	9.1%



Source: National Bureau of Statistics of China, Frost & Sullivan Analysis

China's Healthcare Service Providers

By the end of 2020, there were 35,394 hospitals in China. With regard to the ownership, China's hospitals are mainly categorized as public hospitals primarily being not-for-profit hospitals organized by the government and private hospitals (primarily being for-profit hospitals organized by enterprises and other non-government institutions). In terms of hierarchy of hospitals, China's hospitals are categorized as rated and unrated hospitals, of which there were 25,652 and 9,742 as of December 31, 2020, respectively. For rated hospitals, they were further categorized as Class III hospitals (tertiary hospitals), Class II hospitals (secondary hospitals) and Class I hospitals, of which there were 2,996, 10,404 and 12,252 in China as of the end of 2020, respectively. Class III hospitals are at the highest level, typically having more than 500 beds, providing high-level specialist medical and healthcare services to several regions and performing advanced teaching and research tasks. Class II hospitals typically have 100 to 499 beds, providing regional medical and healthcare services. Class I hospitals are hospitals providing medical and healthcare services for communities, typically having 10 to 99 beds. Each tier hospitals are further divided into three grades – Grade A, B and C. These grades are evaluated according to the technique level, medical equipment, management level, service quality, among others.

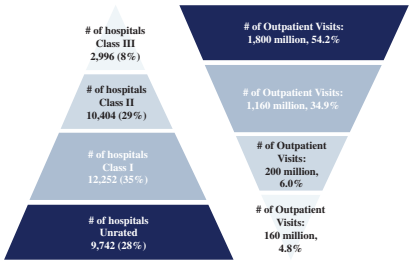
Pain Points of the Healthcare Service Market in China

Uneven Distribution of Medical Resources

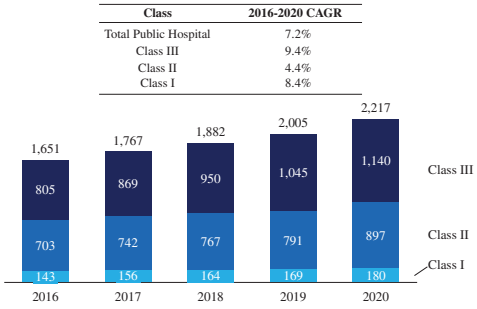
There is an uneven distribution of medical resources and diagnosis demands in China. China's medical resources are concentrated in Class III hospitals, and patients prefer to seek healthcare services in these hospitals, which leads to (1) an uneven concentration of medical resources and diagnosis demands in Class III hospitals, while a large proportion of patients only have common or chronic diseases and they can be diagnosed and treated well in Class I

and Class II hospitals; and (2) insufficient medical resources (including medical professionals and technology) in China's primary medical institutions. From 2016 to 2020, there were more doctors in Class III hospitals in total than in Class II and Class I hospitals combined. The following diagrams sets forth the number of doctors in Class III, Class II and Class I hospitals.

Uneven Distribution of Medical Resources and Diagnosis Demands, 2020



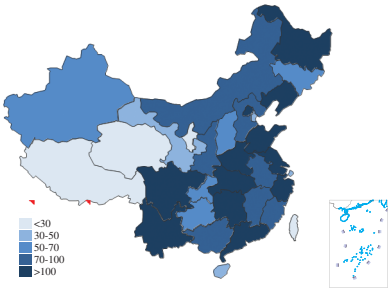
Number of Certified (Assistant) Doctors by Hospital Class, 2016-2020



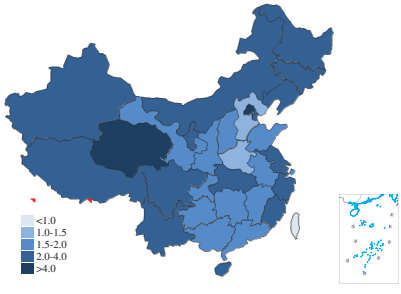
Source: National Health Commission of China, Frost & Sullivan Analysis

In addition, medical resources are distributed unevenly among different geographical regions in China. Medical resources are concentrated in the economically developed regions, which aggravates the insufficiency of medical resources in under-developed regions. In 2020, in developed regions such as Beijing, Shanghai and Guangzhou, there are more than 100 Class III hospitals in each city. On the other hand, in relatively under-developed provinces, there are fewer Class III hospitals in each province, and, on average, less than four Class III hospitals per million population. The following diagrams set forth the geographical distribution of Class III hospitals in China.

Geographic Distribution of Class III Hospitals in China, 2020



# of Class III Hospitals Per Million Population in China, 2020



Source: National Health Commission of China, Frost & Sullivan Analysis

Lack of Standardized Quality Management

Currently, there is a lack of standardized quality management across different medical institutions, typically in China's primary medical institutions. Most Class I and unrated hospitals do not have adequate experience, awareness, standards and guidelines to establish a sound quality management system and provide high-quality medical services, such as diagnostic testing, which leads to difficulty in mutual recognition of diagnostic results with

Class II or Class III hospitals. As a result, patients' referral and transfer is costly and inefficient, as the referee hospital may need to conduct a new set of diagnostic testing to understand the patients' condition. Due to the potential duplicated diagnosis expenses, patients prefer to go to secondary or tertiary medical institutions directly.

Key Roles of Diagnostic Testing

Diagnostic testing is key to an effective operation of the HDTS and is critical for the reformation of China's healthcare system. Through diagnostic testing, patients can be directed to appropriate hospitals which will focus medical resources on appropriate patients, and thus the hospitals' efficiency can be improved.

Diagnostic testing is a medical procedure that involves the entire lifecycle of medical service from disease prevention, treatment to prognosis. The establishment of standardized diagnostic testing can not only improve testing accuracy, but also help hospitals enhance their diagnostic capacities, and further improve their service quality significantly throughout this lifecycle.

Although diagnostic tests only account for a small portion of time and medical costs from the patients' perspective, it will assist the doctors to better understand the health condition of the patients, enabling them to make medical decisions and provide the most suitable treatment plans. According to Frost & Sullivan, diagnostic test results can generally influence approximately 70%-80% of decisions made by doctors. As such, diagnostic tests will also significantly influence the time and costs involved in the treatment after diagnosis. Efficient and accurate diagnostic test results generally will lead to efficient distribution of medical resources.

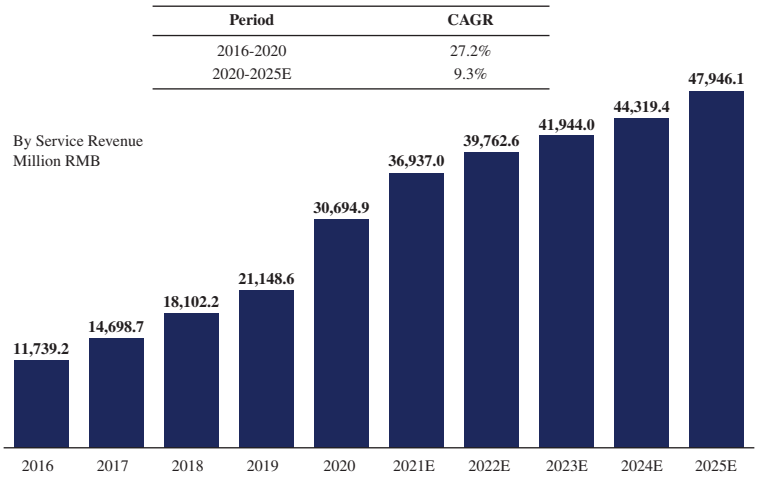
Diagnostic testing is therefore becoming increasingly important in medical institutions and to medical institution alliances. Diagnostic testing nowadays covers a wide range of therapeutic areas, including but not limited to infectious disease, pathology, genetic disease, hematologic disease, maternity and neurology. In addition, diagnostic tests lay the foundation of several areas that are becoming increasingly important in recent years, such as genetic reproduction and pathological diagnosis and treatment.

MEDICAL OPERATION SERVICE MARKET IN CHINA

Overview

Medical operation services primarily relate to diagnostic testing services provided to medical institutions which can be divided into diagnostic outsourcing services and diagnostic testing services for medical institution alliances. With the enactment of favorable policies and growing awareness of healthcare in China, China's medical operation service market has experienced rapid growth, increasing from RMB11,739.2 million in 2016 to RMB30,694.9 million in 2020 at a CAGR of 27.2%. It is expected that China's medical operation service market will continue its significant growth, reaching RMB47,946.1 million in 2025 at a CAGR of 9.3% from 2020 to 2025. The following chart illustrates the historical and forecasted market size of China's medical operation services.

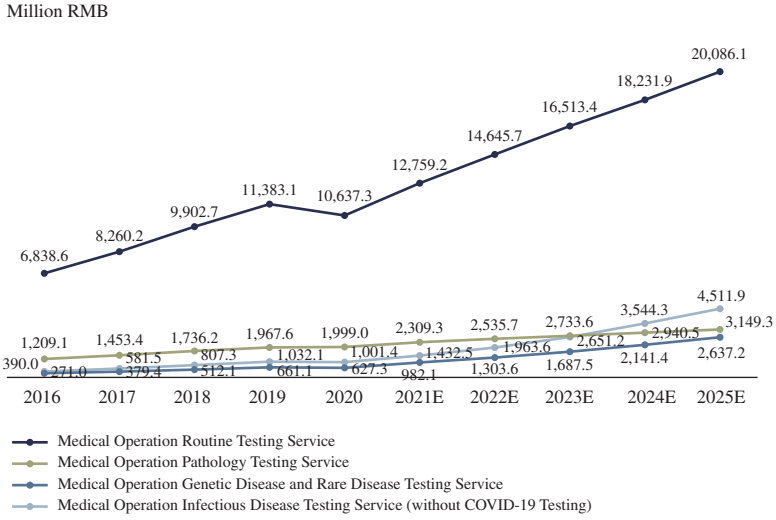
Medical Operation Service Market in China, 2016-2025E



Source: Annual reports, Company Website, China Health Statistic Yearbook, Expert Interviews, Frost & Sullivan Analysis

Generally, there are four major types of diagnostic tests, namely routine testing, pathology testing, genetic disease and rare disease testing and infectious disease testing. Pathology testing, genetic disease and rare disease testing and infectious disease testing generally have higher technical and operational requirements. As such, medical institutions often engage medical operation service providers for these tests. The following chart summarizes the historical and forecasted market size for each major type of diagnostic tests.

Period, CAGR	Medical Operation Routine Testing	Medical Operation Pathology Testing	Medical Operation Genetic Disease and Rare Disease Testing	Medical Operation Infectious Disease Testing (without COVID-19 Testing)
2016-2020	11.7%	13.4%	23.3%	26.6%
2020-2025E	13.6%	9.5%	33.3%	35.1%



Source: Frost & Sullivan Analysis

History of ICLs in China

An ICL is a medical institution which 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 the 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 testing 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' test samples to large hospitals for diagnosis.

- *Exploration stage (1994-2004)*

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, the 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 the Notice on Further Reforming and Improving Medical Institutions and Doctors' Approval Work (《關於進一步改革完善醫療機構、醫師審批工作的通知》) 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 in the late 2019, the government has issued many regulations on standardizing the management and quality control systems of ICLs to improve their level of accuracy and consistency. In February 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. Due to increasing demand and favorable policies, the number of ICLs in China increased from approximately 100 in 2012 to over 1,800 in 2020.

According to the Frost & Sullivan Report, ICL has significant market potential in China. In terms of numbers of ICLs, as of December 31, 2020, there were more than 1,800 ICLs in China, comparing to 6,800 ICLs in the United States. In terms of testing capacity, leading ICLs in China can provide approximately 3,500 testing items, comparing to approximately 5,000 testing items in Europe and the United States. Moreover, the geographic spread-out of the ICLs are highly concentrated in China in particular in the first- and second-tier cities. It is hard for many medical institutions to find qualified ICLs nearby and therefore they have to conduct diagnostic tests themselves even if it is time- and cost-consuming for them to do so. In particular, for diagnostic tests with relatively high technical and operational requirements, especially pathology tests, genetic disease tests and infectious disease tests, lower class medical institutions do not have the required technical and operational capabilities to perform such tests, but many of the medical institutions are located in areas that do not have qualified ICLs nearby and have to rely on the diagnostic testing capacities and capabilities from Class II/III hospitals for these tests. As a result, in terms of the total number of medical tests in 2020, the ICLs only have a penetration rate of 6% in China, compared to the penetration rate of 50% and 35% in Europe and the United States, respectively. With the growing number of ICLs in China and the potential growth of the medical institution alliances, it is expected that more medical institutions will choose to engage medical operation service providers for diagnostic testing services. To support the growth of ICLs in China, the PRC government has introduced a series of healthcare reforms, such as the Measures for the Administration of Clinical Laboratories in Medical Institutions (《醫療機構臨床實驗室管理辦法》), in order to regulate this industry and to support the growth and investment in ICLs.

Key Drivers

The growth of medical operation service market is expected to be primarily driven by the following factors:

- *Favorable government policies*. The PRC government has promulgated several policies to support the development of the HDTS and the medical institution alliances to promote proper allocation of medical resources. These positive government policies are expected to drive the future growth of medical operation service market in China.

- *Lack and uneven distribution of medical resources.* Under the HDTS, primary medical institutions will take more responsibility in day-to-day diagnosis and medical treatment operations. Primary medical institutions will need diagnostic testing related supports to improve their overall capability to meet patients' medical demands.

- *Unmet demand for chronic disease management and rehabilitation*. The PRC government is paying more attention to chronic disease management and rehabilitation. Different from acute disease or incurable disease, chronic disease need to be managed in long term in a scientific way. It is important for primary medical institutions to take the major responsibility in chronic disease management and rehabilitation. Primary medical institutions will need diagnostic testing related supports to fulfill their obligations under chronic disease management and rehabilitation. However, many primary medical institutions do not have such capabilities and need third parties' supports to build up their diagnostic testing operations.

Future Trends

The primary future trends of medical operation service market in China include the following, indicating significant development potential and unmet demands:

- *Development of the HDTS.* The PRC government is promoting the development and efficient operation of the HDTS. With the development of the HDTS, Class I and Class II hospitals will play more important roles in patients' diagnosis in China. As a result, proper diagnostic testing and information sharing are required to identify patients' need and allocate medical resources among different classes of hospitals.

- *Integration of medical operation services.* It is expected that medical operation services in China will experience integration in the future as hospitals will prefer market players that has a comprehensive portfolio of diagnostic services to facilitate the distribution of medical resources and demands. As such, market players that can provide integrated diagnostic services are expected to benefit the most from this.

- *Increasing number of on-site diagnostic centers.* As medical institution alliances are still at their early stages in China, currently only a few companies can provide technical supports needed for on-site diagnostic centers. It is expected that with the growing number of on-site diagnostic centers, there will be more market players to provide such services and existing leading companies in this market will benefit the most from their first-mover advantages.

- *Improvement of diagnostic capability and capacity at primary hospitals.* Under an efficient HDTS, primary hospitals play an increasingly important role in dealing with common and chronic diseases, which will present significant demands for medical services, and will need to build up their diagnostic capacity in these hospitals. As such, it is expected that the diagnostic capabilities and capacities at these hospitals will further improve in the future.

- *Improvement of standardization and quality control*. Standardization and quality control are the foundations of diagnostic testing. Medical institutions' and ICLs' diagnostic capabilities are only sustainable if they have established standardization and quality control protocols and rules and market players that have established such protocols and rules will benefit the most from this.

- *Increasing number of infectious disease diagnostic tests.* With the growing awareness of infectious diseases, it is expected that the number of infectious disease diagnostic tests will significantly increase. In particular, the COVID-19 pandemic has increased market demands for COVID-19 nucleic acid tests. It is expected the growing number of infectious disease diagnostic tests will further drive the growth of China's medical operation service market.

Key Entry Barriers

- *In-depth understanding of healthcare services and mass diagnostic testing*. The proper performance of diagnostic testing services requires in-depth understanding of the industry and the need of hospitals. Successful diagnostic testing service providers generally have over ten years' experience in the industry, which is critical to their ability to offer diagnostic testing consultancy. It is challenging for new entrants to understand the industry practice and to establish creditability and reliability in diagnostic testing in a short time.

- *Standardized and modularized complex diagnostic procedures.* Diagnostic testing service providers need to establish and comply industry standards and procedures to ensure testing accuracy and service quality. Such standards and procedures include specimen collection, readings of testing result, testing result turnaround time and data integrity. As it generally takes time to establish and revise these standards and procedures, it is difficult for new entrants to establish a standardized system in order to ensure testing accuracy and service quality in a relatively short time.

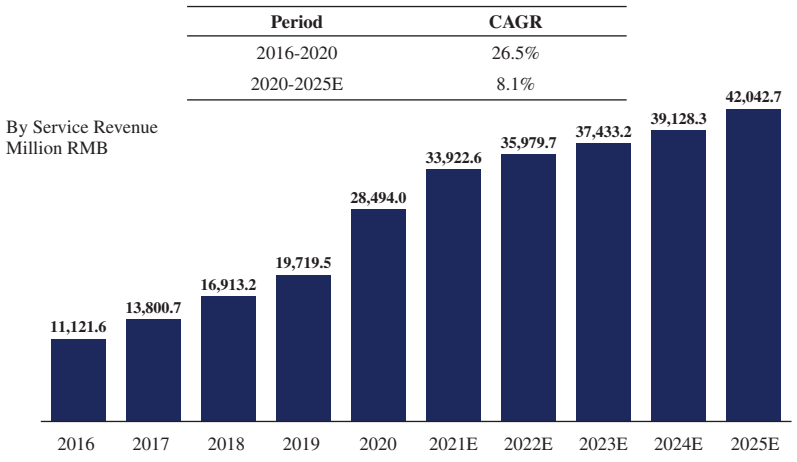
- *Understanding in regulatory framework.* Diagnostic testing service providers need to ensure their compliance with industry laws and regulations. In addition, the practice require Medical Institution Practice License issued by the local health administrations. Due to the strict standard to obtain such license, new entrants need to hire medical professionals and procure specialized testing facilities to operate the business, with significant amount of investments.

DIAGNOSTIC OUTSOURCING SERVICE MARKET IN CHINA

Overview

Accurate and efficient diagnosis forms the basis of precision medicine. As a result, hospitals have to build up their diagnostic testing practice to enhance their clinical and pathological diagnostic capabilities. However, diagnostic testing is a time- and cost-consuming process and it may not be cost-effective for hospitals to conduct all of such tests themselves. As such, there is significant market demand for ICLs that can provide standardized and modularized one-time diagnostic testing services. Driven by this, the size of China's diagnostic outsourcing service market has experienced rapid growth, growing from RMB11,121.6 million in 2016 to RMB28,494.0 million in 2020. It is expected that the diagnostic outsourcing service market will reach RMB42,042.7 million in 2025. The following chart illustrates the historical and forecasted market size of China's diagnostic outsourcing service market.

Diagnostic Outsourcing Service Market in China, 2016-2025E



Source: Annual reports, Company Website, China Health Statistic Yearbook, Expert interviews, Frost & Sullivan Analysis

Diagnostic outsourcing services aim to provide a one-time solution for medical institutions that are lack of or short of diagnostic capabilities and capacities instantly. For medical institutions that do not have their own diagnostic capabilities and capacities, they are substantially relying on diagnostic outsourcing services for the provision of diagnostic tests. In recent years, with the support of favorable government policies which have stimulated the development of diagnostic testing services for medical institution alliances, medical institutions have the opportunity to work with medical operation service providers to perform diagnostic testing on-site at the corresponding diagnostic center so that the test samples collected at the medical institutions do not need to be delivered to the ICLs for testing. Instead, the medical institutions can complete the testing at these diagnostic centers. Therefore, it is

expected that the growth of the diagnostic outsourcing service market in China will significantly slow down in the future and eventually take less market share in China's medical operation service market as compared to the diagnostic testing services for medical institution alliances market.

Key Drivers

The growth of China's diagnostic outsourcing service market is expected to be driven by the following factors.

- ***Aging population.*** The population in China has aged rapidly, with the number of people aged above 65 grew at a CAGR of 5.4% from 2016 to 2020 and is expected to grow further at a CAGR of 5.4% from 2020 to 2025 and reach 240.7 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.

- ***Increasing end customer demands.*** Currently, public hospitals in China are generally operating above their capacity. National Healthcare Security Administration has implemented many regulations 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》). As a result, more and more public hospitals are outsourcing their clinical testing services to third-party providers to reduce its burden caused by the overwhelming demand. More stringent cost control in both public and private hospitals also leads to the outsourcing of clinical tests.

- ***Medical insurance coverage.*** 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 is devoted to continuously expanding medical insurance coverage for tests outsourced to ICLs, which is expected to further encourage testing outsource to ICLs from hospitals. 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 in each year, respectively. Owing to ICLs' cost-saving capabilities, the government intended to increase its recognition of ICLs by connecting them into the medical insurance system.

- ***Favorable policies under healthcare reform.*** Chinese government had carried out a series of healthcare reforms and introduced favorable policies aiming to reshape the clinical laboratory industry and to stimulate the diagnostic outsourcing service. For example, in 2013, the NHFPC issued The Catalogue of Clinical Testing Items, which standardized the development of routine and esoteric testing. 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 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 to decrease repeat testing, lower test prices, and reduce the growth of healthcare expenditure in public hospitals to 10% by the end of 2017. Later in 2017, in the 13th Five-Year Plan for Biology Industries Development, genetic sequencing, big data and other technologies are encouraged to be used to achieve precision medicine, prevention, diagnosis and treatment in cancer, hereditary diseases and other diseases.

Entry Barriers

We believe the following are the major entry barriers for China's diagnostic outsourcing service market.

- ***Technology.*** The development of ICLs requires sufficient research investment and operation experience. New technologies, including novel gene sequencing platform, automated lab system and better logistics system evolve rapidly and enjoy wider application in the ICL industry. As a result, new ICL market participants may encounter difficulties in developing diagnostics technology, cold-chain logistics, operation system and other technologies.

- ***Relationship with medical institutions.*** Cooperation with medical institutions are vital. It is difficult for new ICLs to establish new client relationships with medical institutions. Medical institutions normally do not change ICLs during their ordinary course of business because of the high switching cost given the need for short turnaround time, strict quality control and the amount of time, money and effort needed to customize testing services.

- ***Talent recruiting.*** ICLs require professional and experienced team for both research and operation. New ICLs may face difficulties in recruiting appropriate talents.

Future Trends

We believe China's diagnostic outsourcing service market is expected to experience the following trends.

- ***Technology advancement.*** Advancement in technology has been affecting 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 this 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.

DIAGNOSTIC TESTING SERVICES FOR MEDICAL INSTITUTION ALLIANCES MARKET IN CHINA

Overview

To address the limitation in diagnostic outsourcing services, in recent years many hospitals tend to use a new service model to build up their diagnostic capacities within the medical institution alliances. Under the new model, the medical institution and the medical operation service provider will collaborate and establish an on-site diagnostic center at the medical institution and they will work together to manage the daily operation of this center. To facilitate diagnostic testing in these diagnostic centers, the service provider will also provide various technical supports to assist their diagnostic testing operations. Therefore, medical institutions have the opportunity to efficiently and timely perform diagnostic tests on site. Further, given that the technical supports provided by the service provider, such as provision of testing equipment and technicians, are crucial for the operation of the on-site diagnostic centers, medical institutions tend not to terminate their collaboration with the service providers. In the meantime, the collaboration also creates opportunities for the service providers' nearby ICLs to provide other diagnostic testing services for these medical institutions if the centers are not capable of providing them as per the service agreements.

Since 2017, as part of the healthcare reform, the PRC government has established a series of policies to support the local integration of China's healthcare system in the context of HDTS. Under the HDTS, patients with common and chronic diseases are encouraged to seek treatment in primary medical institutions, while patients with critical conditions or complex diseases that are beyond the ability of primary medical institutions should be treated in secondary or tertiary medical institutions. Further, first diagnosis shall be primarily performed at primary medical institutions and an efficient referral system will direct patients to the most suitable medical institution for treatment. Medical institution alliances refer to regional healthcare systems consisting of primary, secondary and tertiary medical institutions, under which medical resources can be shared efficiently, aiming to improve the service quality of primary medical institutions, promote the optimal allocation of medical resources, allocate patients to the appropriate hospitals depending on their medical conditions, and balance the uneven distribution of medical resources and diagnosis demands in China. In particular, medical institutions are encouraged to strengthen regional medical resources sharing by setting up diagnostic centers to provide same quality services for themselves, and promote mutual recognition of diagnostic results. Primary medical institutions can then easily direct patients to secondary or tertiary medical institutions within the same medical institution alliance. As such, medical institution alliances can help the HDTS improve its overall medical service capacity. In recent years, the PRC government has promulgated a series of regulations to promote the development of medical institution alliances, including the *Guidance on Promoting Medical Institution Alliances in China (關於推進醫療聯合體建設和發展的指導意見)* issued by the State Council in April 2017 and the *Interim Measures on Medical Institution Alliance Management (醫療聯合體管理辦法(試行))* issued by the National Health Commission of the PRC on July 2020 ("**Measures**"). Pursuant to the Measures, medical institutions are encouraged to join medical institution alliances to enhance the HDTS in China.

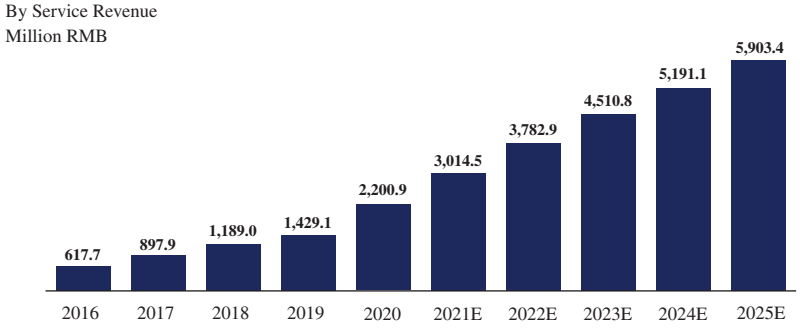
A medical institution alliance normally consists of a lead hospital (being a Class II/III hospital) and several member hospitals that need supports or resources from the lead hospital. Under the medical institution alliances, most patients shall first visit lower-tiered medical institutions for diagnosis and shall only be directed to higher-tiered hospitals within the medical institution alliances if the lower-tiered medical institution is not capable of treatment. By way of the collaboration among different tiers of medical institutions and to promote the optimal allocation of medical resources, patients with common and chronic diseases are encouraged to seek treatment in primary medical institutions, while patients with critical conditions or complex diseases that are beyond the ability of primary medical institutions should be treated in secondary or tertiary medical institutions, which then also have the potential to improve their efficiency. However, this collaborative process calls for market demand for standardized and professional diagnostic testing capabilities as most member hospitals currently lack such expertise or experience. Traditionally, different medical institutions have to engage different ICLs to perform diagnostic tests and the testing results may vary due to different diagnostic capabilities of different ICLs, which creates significant risks in HDTS. In order to address this, a diagnostic center will be established at the lead hospital on-site and member hospitals may use such a center by delivering their test samples to it. It is much more efficient for the lead hospital to engage a provider of diagnostic testing services for medical institution alliances to establish an on-site diagnostic center that can

benefit the whole alliance. Further, in order to better serve medical institution alliances, key services are needed, including but not limited to building up diagnostic centers, professional medical expertise, diagnostic quality and technical standardization, information sharing, supply-chain management and pharmaceutical cold chain logistics. In view of the continuous policy support for medical institution alliances, establishing on-site diagnostic centers has become an effective solution to the pain points of current healthcare service market in China, and corresponding diagnostic testing services for medical institution alliances are expected to develop rapidly as well.

With the introduction of favorable policies (including the Guidance on Promoting Medical Institution Alliances in China by the State Council in April 2017, the Implementation Methods to Advance Covid-19 Nucleic Acid Tests issued by the Disease Protection Bureau of China Center for Disease Control in June 2020; the Interim Measures on Medical Institution Alliance Management issued by NHC in July 2020; and Notice on Continuous Improvement in the Management of Clinical Use of Antimicrobial Drugs issued by National Health Commission in July 2020) and the growing awareness of healthcare among the population, the total market size of diagnostic testing services for medical institution alliances in China shows an increasing trend. In 2020, the market size of diagnostic testing services for medical institution alliances in China was RMB2,200.9 million, compared to a market size of RMB617.7 million in 2016, showing a CAGR of 37.4% from 2016 to 2020. The market size is expected to grow up to RMB5,903.4 million in 2025, representing a CAGR of 21.8% from 2020 to 2025.

Diagnostic Testing Services for Medical Institution Alliances Market in China, 2016-2025E

Period	CAGR
2016-2020	37.4%
2020-2025E	21.8%



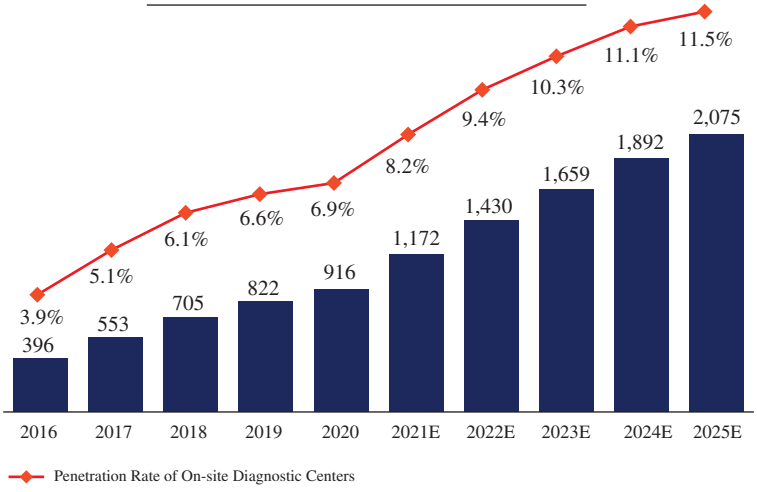
Note: Market size only includes medical testing service income.

Source: Annual reports, Company Website, China Health Statistic Yearbook, Expert Interviews, National Bureau of Statistics of China, Frost & Sullivan Analysis

As of December 31, 2020, there were 916 on-site diagnostic centers established and under contract to be established, increasing from 396 as of December 31, 2016 at a CAGR of 23.3%. The cumulative number of on-site diagnostic centers is expected to reach 2,075 by 2025, representing a CAGR of 17.8% from 2020. Substantially all of these diagnostic centers will be located in developed areas with high population density in China, such as Southern China, Eastern China and Central China. The penetration rate of on-site diagnostic centers in China is expected to increase from 6.9% in 2020 to 11.5% in 2025 in Class III and II hospitals.

Cumulative Number of On-site Diagnostic Centers, 2016-2025E

Period	CAGR
2016-2020	23.3%
2020-2025E	17.8%



Note: Number of on-site diagnostic centers only includes those that have entered into collaboration agreements with third-party medical operation service providers and that generate medical testing service income. It also only includes the on-site diagnostic centers in Class III and II hospitals.

Source: Annual reports of the listed companies, expert interviews, Frost & Sullivan Analysis

Key Drivers

The growth of China's diagnostic testing services for medical institution alliances market is expected to be driven by the following factors.

- ***Expansion of China's healthcare service market.*** China's healthcare service 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 10.1% from RMB3,316.6 billion in 2016 to RMB4,869.0 billion in 2020, and is expected to further grow at a CAGR of 9.1% and reach RMB7,519.6 billion by 2025.

- ***Uneven distribution of medical resources.*** Medical resources in China are concentrated in class III hospitals. In 2020, Class III hospitals accounted only for 8.0% of the total number of hospitals in China, while receiving 54.2% of the total outpatient visits. The severe concentration of medical resources and diagnosis demand have caused poor patient experiences. Under the HDTS, primary medical institutions will take more responsibility in medical institution alliances. Due to a lack of emergency response capacity, incomplete drugs and equipment, and a shortage of specialist physicians, primary medical institutions will need diagnostic testing related supports to improve their overall capability to meet patients' medical demands.

- ***Increasing outpatient visits.*** Outpatient visits has grown at a CAGR of 0.4% from 2016-2020. The total number of outpatient visits in China reached 3,323 million in 2020. Due to the high outpatient visit number in hospitals, there is a significant demand for ICLs and on-site diagnostic centers, thereby generating large revenue and potentially higher profitability for ICLs.

Entry Barriers

We believe the following are the major entry barriers for China's diagnostic testing services for medical institution alliances market.

- ***Sufficient and Professional Support.*** The development of diagnostic testing services for medical institution alliances market in China requires sufficient investment. Service providers in this market need provide various technical supports, such as provision of testing equipment and technicians, to assist the medical institution to establish its diagnostic capacities. It is challenging for new entrants to assist in establishing an on-site diagnostic center in a short time.

- ***Relationship with medical institutions.*** It is difficult for new ICLs to establish new client relationships with medical institutions. Medical institutions normally do not change ICLs during their ordinary course of business because of the high switching cost given the need for short turnaround time, strict quality control and the amount of time, money and effort needed to customize testing services.

Future Trends

We believe China's diagnostic testing services for medical institution alliances market is expected to experience the following trends.

- ***Demand for diagnostic capacities in primary hospitals.*** Under an efficient HDTS, primary hospitals play an increasingly important role in dealing with common and chronic diseases, which will present significant demands for medical services, and will need to build up their diagnostic capacity in these hospitals. As such, it is expected that the diagnostic capacities at these hospitals will further enhance in the future.

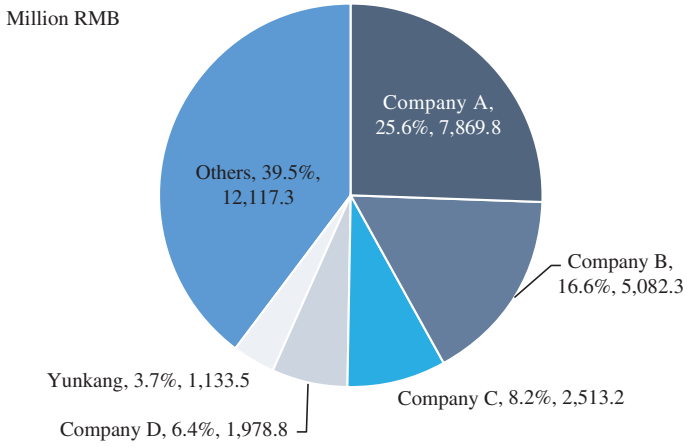
- ***Increasing number of on-site diagnostic centers.*** As medical institution alliances are still at their early stages in China, currently only a few companies can provide technical supports required for diagnostic centers. As of December 31, 2020, there were 916 on-site diagnostic centers established and under contract to be established, increasing from 396 as of December 31, 2016 at a CAGR of 23.3%. The cumulative number of on-site diagnostic centers is expected to reach 2,075 by 2025, representing a CAGR of 17.8% from 2020. The penetration rate of on-site diagnostic centers in China is expected to increase from 6.9% in 2020 to 11.5% in 2025 in Class III and II hospitals. It is expected that with the growing number of on-site diagnostic centers, there will be more market players to provide such services and existing leading companies in this market will benefit the most from their first-mover advantages.

COMPETITIVE LANDSCAPE

Our Ranking

The medical operation service market in China is very fragmented. In 2020, Yunkang had a market share of 3.7% in China's medical operation service market in terms of revenue. The following chart illustrates the major medical operation service providers in China in terms of revenue in 2020.

Major Medical Operation Service Companies in China by Revenue, 2020



Source: Annual reports, Company Website, Expert interview, Frost & Sullivan Analysis

Starting from 2020, COVID-19 tests have contributed to a significant portion of China's medical operation service market. Yunkang had a revenue of RMB525.9 million from COVID-19 tests from diagnostic outsourcing services and diagnostic testing services for medical institution alliances in 2020. The following table illustrates the top market players for COVID-19 tests and non-COVID-19 tests in China's medical operation service market.

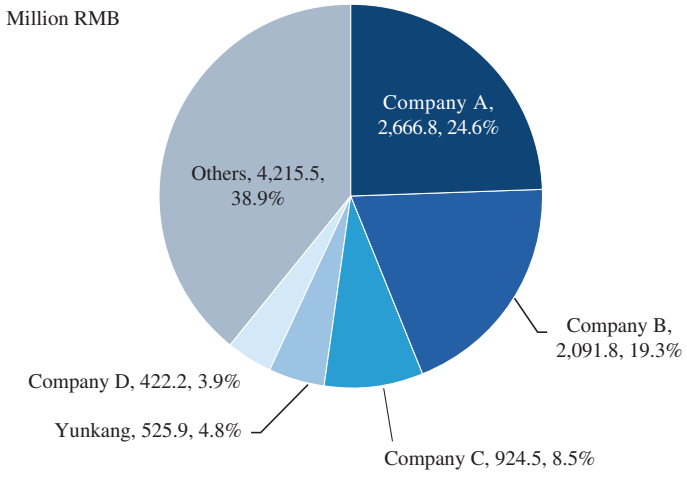
Company	2020 COVID-19 Test Revenue/Million RMB*	2020 Non-COVID-19 Test Revenue/Million RMB*
Company A	2,666.8	5,203.0
Company B	2,091.8	2,990.5
Company C	924.5	1,588.7
Company D	422.2	1,556.6
Yunkang	525.9	607.6

Note:

* It does not take into account diagnostic testing services for non-medical institutions such as financial institutions and insurance companies.

The following chart illustrates the market size and market share of these medical operation service providers for COVID-19 tests.

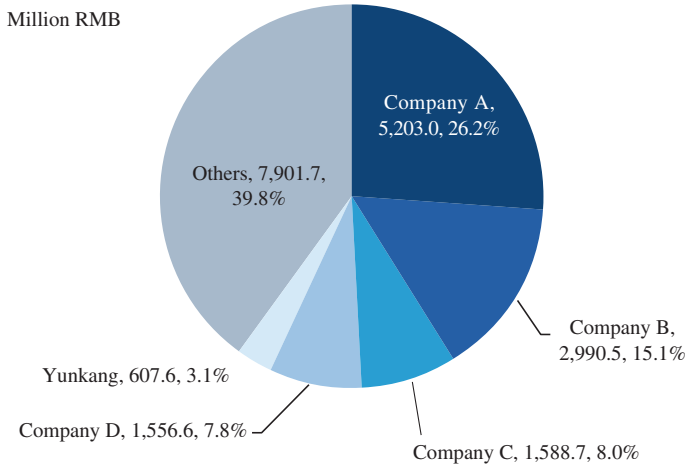
Breakdown of China Medical Operation COVID-19 testing Service Market, 2020



Source: Frost & Sullivan Analysis

The following chart illustrates the market size and market share of these medical operation service providers for non-COVID-19 tests.

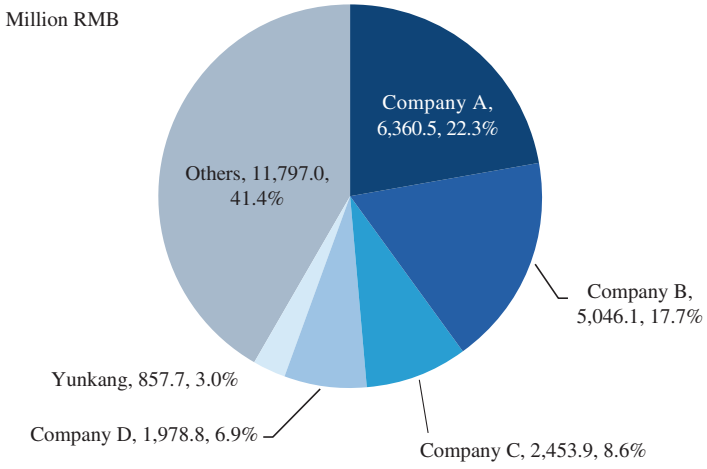
Breakdown of China Medical Operation Service Market without COVID-19 Testing, 2020



Source: Frost & Sullivan Analysis

In 2020, there were over 800 market players in China's diagnostic outsourcing service market, among which Yunkang had a market share of 3.0% in terms of revenue. The five largest market players in China's diagnostic outsourcing service market accounted for approximately 60% of the entire market in terms of revenue in 2020. The following chart illustrates the major market players in China's diagnostic outsourcing service market.

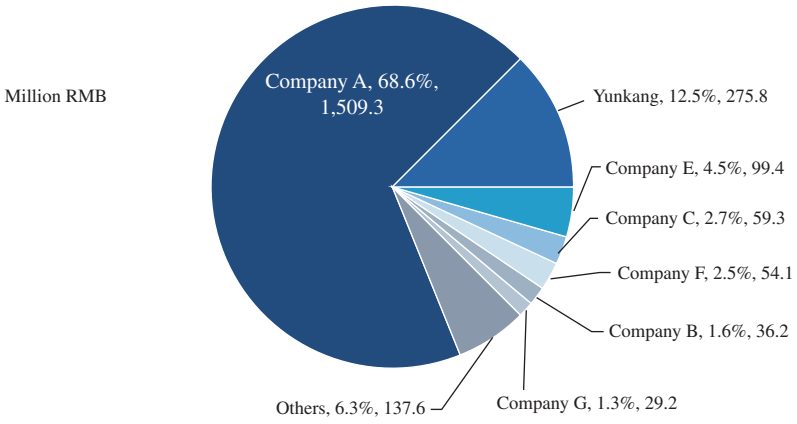
Providers of Diagnostic Outsourcing Services in China by Revenue, 2020



Source: Annual reports, Company Website, Expert interview, Frost & Sullivan Analysis

The diagnostic testing services for medical institution alliances market is highly concentrated, with the seven largest market players accounting for a market share of approximately 93.7% and the largest market player accounting for a market share of approximately 68.6%, in terms of revenue in 2020. In 2020, Yunkang had a market share of 12.5% in China's diagnostic testing services for medical institution alliances market in terms of revenue. The following chart sets forth major market players in China in the diagnostic testing services for medical institution alliances market.

Providers of Diagnostic Testing Services for Medical Institution Alliances in China by Revenue[(Note)], 2020



Note: The market size here only takes into account the medical testing service income.

Source: Annual reports, Company Website, Expert interviews, Frost & Sullivan Analysis

The details of these competitors are set forth as follows.

Company	Background
Company A	Headquartered in Guangzhou and founded in 2003, Company A is a diagnostic testing service provider with over 35 ICLs in China. Company A is an independent clinical laboratory service company specializing in third-party diagnostic testing and pathological diagnosis. Its main business is to provide outsourcing services to various medical institutions. Company A is listed on the Shanghai Stock Exchange.
Company B	Headquartered in Hangzhou and founded in 2001, Company B is a diagnostic testing service provider with over 35 ICLs in China. Company B's main business covers diagnostic testing services, R&D of diagnostic technology, production and marketing of diagnostic products, contract research organization ("CRO"), health management, and so on. Company B is listed on the Shenzhen Stock Exchange.

Company	Background
Company C	Headquartered in Hangzhou and founded in 2004, Company C is a diagnostic testing service provider with over 25 ICLs in China. Company C's main business covers diagnostic testing services, research service, health management, pathology consultation service, and so on.
Company D	Headquartered in Shenzhen and founded in 1999, Company D is a diagnostic testing service provider with over 20 ICLs in China. Company D's main business is to provide scientific research services and integrated solutions for precision medicine testing to scientific research institutes, corporates, medical institutions, and social health organizations. Company D is listed on the Shenzhen Stock Exchange.
Company E	Headquartered in Shanghai and founded in 2008, Company E is a diagnostic testing service provider with over 10 ICLs in China. Company E's main business is to provide diagnostic services such as screening, early diagnosis, accurate classification, sensitive drug screening, efficacy monitoring and prognosis judgment for tumors, women and children, cardiovascular, infection and other common diseases for domestic and foreign medical institutions, enterprises and individuals.
Company F	Headquartered in Wuhan and founded in 2003, Company F is a diagnostic service provider with over five ICLs in China. Company F's main business is to provide esoteric testing services for medical institutions. Company F is listed on the Stock Exchange.
Company G	Headquartered in Chaozhou and founded in 2003, Company G is a diagnostic service provider with over 20 ICLs in China. Company G's main business is to provide diagnostic testing services and nucleic acid molecular diagnostic products for medical institutions. Company G is listed on the Shenzhen Stock Exchange.

COST STRUCTURE

Yunkang's major cost component is diagnostic equipment and reagents. According to Frost & Sullivan, the unit prices of reagents have been continuously decreasing since 2017. For example, the purchase prices of reagents for luminescent diagnostics, biochemical diagnostics, molecular diagnostics, microbiological diagnostics, and immunodiagnostics have been reduced by an average of 15% for the five years from 2017 to 2020. In addition, the average market price of immunofixation electrophoresis reagent, which is widely used in hematology testing, decreased from approximately RMB79 per unit in 2017 to RMB72 per unit in 2020. Another example is tuberculosis specific T-cell detection kit/interferon gamma release assay (TB-IGRA), a reagent that is widely used in infectious disease testing, the average market price of which decreased from approximately RMB146 per unit in 2017 to RMB96 per unit in 2020. The prices of major diagnostic reagents are expected to gradually decrease in the future. With respect to diagnostic equipment and reagents for COVID-19 tests, in 2021, the average market prices have experienced slight decrease primarily due to the increasing number of qualified suppliers, but their prices are expected to remain relatively stable in the foreseeable future.

Our business operations are subject to extensive supervision and regulations by the PRC government. This section provides a summary of certain aspects of PRC laws and regulations, which are relevant to our business and operations in the PRC, particularly in relation of: (1) the reform of medical institutions affecting our ability to implement our current business strategy to expand our operations; (2) the classification and management of medical institutions, medical test laboratory, medical devices and technology, medical professionals, environmental protection and labor protection regulating our day-to-day operations and affect our compliance costs; (3) medical incidents which may affect our potential liabilities arising from day-to-day operations; and (4) taxation and foreign exchange matters which may affect our operating results and business.

REGULATIONS ON THE REFORM OF MEDICAL INSTITUTIONS

Opinions on Further Encouraging and Guiding the Establishment of Medical Institutions by Social Capital (《關於進一步鼓勵和引導社會資本舉辦醫療機構意見》)

On November 26, 2010, the General Office of the State Council promulgated the Notice of the General Office of the State Council on Forwarding the Opinions of the National Development and Reform Commission (the "**NDRC**"), the Ministry of Health (the "**MOH**") and other Ministries on Further Encouraging and Guiding the Establishment of Medical Institutions by Social Capital (《關於進一步鼓勵和引導社會資本舉辦醫療機構意見》) (the "**Notice**"). The Notice set out the following measures with respect to expanding the scope for social capital to set up medical institutions, including: social capital is permitted and encouraged to set up various medical facilities, social capital may apply for establishing and operating either for-profit medical institutions (the "**PMIs**") or not-for-profit medical institutions (the "**NMIs**") according to its purposes; priority shall be given to social capital when adjusting or increasing medical and health resources; to reasonably determine the scope of practice for NMIs; overseas medical institutions, enterprises and other economic organizations are permitted to establish medical institutions together with domestic medical institutions, enterprises or other economic organizations in the form of equity or cooperation joint venture.

Opinions on Accelerating the Development of Setup Medical Institutions by Social Capitals (《關於加快發展社會辦醫的若干意見》)

Opinions on Accelerating the Development of Setup Medical Institutions by Social Capitals (《關於加快發展社會辦醫的若干意見》), which was promulgated by the National Health and Family Planning Commission (the "**NHFPC**") and the State Administration of Traditional Chinese Medicine (the "**SATCM**") on December 30, 2013, stipulates the policies to support the development of private-invested medical institutions, including but not limited to the (i) gradual relaxation of investment in medical institutions by foreign capital; (ii) relaxation of requirements for service sectors, allowing social capital's investment in the areas which are not explicitly prohibited; and (iii) acceleration of the approval procedures regarding the establishment and operation of private hospitals.

Circular on Further Improving the Key Work concerning the Construction of the Graded Diagnosis and Treatment System (《關於進一步做好分級診療制度建設有關重點工作的通知》)

Circular on Further Improving the Key Work concerning the Construction of the Graded Diagnosis and Treatment System (《關於進一步做好分級診療制度建設有關重點工作的通知》), which was promulgated by the NHC and SATCM on August 7, 2018, stipulates the policy to promote the development of the Graded Diagnosis and Treatment system, and in the process of planning and layout of the medical institution syndicate (醫療聯合體, the "**MIS**"), it is imperative to incorporate the social forces to establish medical institutions into the MIS. For the qualified social forces to establish medical institutions, they can take the lead to establish the MIS.

Administration Measures of Medical Institution Syndicate (For Trial Implementation) (《醫療聯合體管理辦法(試行)》)

Administration Measures of Medical Institution Syndicate (For Trial Implementation) (《醫療聯合體管理辦法(試行)》), which was promulgated by the NHC and SATCM on July 9, 2020, stipulates the policy to promote the construction of MIS and encourage the transformation of the development mode of medical institutions from disease treatment to health as key. MIS includes but is not limited to urban medical groups, county-level medical communities, specialist alliances, and telemedicine collaboration networks. Private-invested medical institutions are encouraged to participate in the MIS voluntarily.

REGULATIONS ON THE CLASSIFICATION AND MANAGEMENT OF MEDICAL INSTITUTIONS

Opinions on Implementing Classification Administration of Urban Medical Institutions (《關於城鎮醫療機構分類管理的實施意見》)

The Opinions on Implementing Classification Administration of Urban Medical Institutions (《關於城鎮醫療機構分類管理的實施意見》), jointly promulgated by the MOH, SATCM, Ministry of Finance (the "**MOF**") and NDRC on July 18, 2000 and came into effect on September 1, 2000, provides that medical institutions in the PRC are mainly identified as PMIs and NMIs, and NMIs is further divided into public NMIs and private NMIs. PMIs may distribute their profit to their investors as economic returns. Based on its marketing needs, PMIs have the discretion to set the fees and prices for their medical and healthcare services.

The Administrative Measures on Medical Institutions and its Implementation Measures (《醫療機構管理條例》及其實施細則)

The Administrative Measures on Medical Institutions (《醫療機構管理條例》), which was promulgated on February 26, 1994 by the State Council, came into effect on September 1, 1994 and amended on February 6, 2016, and its Implementation Measures, which were promulgated by the MOH on August 29, 1994 and amended on November 1, 2006, June 24, 2008 and February 21, 2017, hospitals, health centers, sanatoriums, outpatient departments, clinics, health clinics, health posts (rooms) and first aid stations are medical institutions. The establishment of a medical institution by any entity or individual must be reviewed and approved by health administrative departments of people's governments at or above the county level and obtain the Medical Institution Practising Certificate (醫療機構執業許可證).

REGULATIONS ON SUPERVISION OF MEDICAL DEVICES

Regulations Measures on the Supervision and Administration of the Business Operations of Medical Devices (《醫療器械經營監督管理辦法》)

The Measures on the Supervision and Administration of the Business Operations of Medical Devices (《醫療器械經營監督管理辦法》) (the "**Measures on Medical Devices**"), which was promulgated by CFDA on July 30, 2014 and amended on November 17, 2017, applies to any business activities of medical devices as well as the supervision and administration thereof conducted within the territory of the PRC. Pursuant to the Measures on Medical Devices, CFDA shall be responsible for the supervision and administration of nationwide business operations concerning medical devices. Medical devices are divided into three classes depending on the degree of risks of medical devices. Entities engaged in distribution of Class III medical devices shall obtain a medical device operating license and entities engaged in distribution of Class II medical devices shall complete filings with the competent local MPA, while entities engaged in distribution of medical devices of Class I are not required to conduct any filing or obtain any license.

Regulations on Supervision and Administration of Medical Devices (《醫療器械監督管理條例》)

In the PRC, medical devices are classified into three different categories, Class I, Class II and Class III, based on the invasiveness of and risks associated with each medical device. According to the Regulations on Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) promulgated by the State Council on January 4, 2000, last amended and became effective on June 1, 2021, for Class I medical devices, the record-filing management shall be implemented, while for Class II and Class III devices, the registration management shall be implemented. To engage in the operation of Class II medical devices, an operating enterprise shall make a record-filing with the relevant authority. To engage in the operation of Class III medical devices, an operating enterprise shall apply for the Medical Device Operation License (《醫療器械經營許可證》).

REGULATIONS ON MEDICAL TEST LABORATORY

Notice of the National Health and Family Planning Commission on Printing and Distributing Basic Standards and Management Norms for Medical Laboratory (Trial) (《國家衛生計生委關於印發醫學檢驗實驗室基本標準和管理規範(試行)的通知》)

Pursuant to the Basic Standards and Management Norms of Medical Laboratory (Trial) (《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 for the purpose of diagnosis, management, prevention or treatment of diseases and health assessment, shall be regulated as a medical institution. The establishment and operation of a medical test laboratory shall apply for an approval from NHC or its local counterparts to obtain a medical institution practicing license.

Measures for the Administration of Clinical Laboratories in Medical Institutions (《醫療機構臨床實驗室管理辦法》)

Measures for the Administration of Clinical Laboratories in Medical Institutions (《醫療機構臨床實驗室管理辦法》) which was promulgated on February 27, 2006 and revised on July 10, 2020 by NHC, stipulates that the medical inspection laboratories shall establish and operate a medical inspection quality management system, abide by relevant technical specifications and standards, including standard operating procedures for medical inspection items, standard operating and maintenance procedures for inspection instruments, performance verification or confirmation procedures, etc., and continuously improve inspection quality. Among all, the clinical laboratories of medical institutions shall participate in the inter-laboratory quality evaluation of clinical laboratory organized by the inter-laboratory quality evaluation institution.

The Measures for the Administration of Clinical Gene Amplification Testing Laboratories in Medical Institutions (《醫療機構臨床基因擴增檢驗實驗室管理辦法》)

The Measures for the Administration of Clinical Gene Amplification Testing Laboratories in Medical Institutions (《醫療機構臨床基因擴增檢驗實驗室管理辦法》) as promulgated by the MOH in December 6, 2010, provides the requirements for medical institutions to carry out clinical gene amplification test techniques. A clinical gene amplification testing laboratory refers to a laboratory that detects specific DNA or RNA by amplification to perform disease diagnosis, treatment monitoring and prognosis determination. The MOH is responsible for supervising and administering clinical gene amplification testing laboratories in medical institutions nationwide. The health administrative authorities at the provincial level are responsible for supervising and administering clinical gene amplification testing laboratories in medical institutions within their respective administrative regions. This regulation also provides the examination and establishment of clinical gene amplification testing laboratories, laboratory quality management and laboratory supervision and management.

Regulation on the Bio-safety Management of Pathogenic Microbe Labs (《病原微生物實驗室生物安全管理條例》)

Regulation on the Bio-safety Management of Pathogenic Microbe Labs (《病原微生物實驗室生物安全管理條例》) which was promulgated by State Council of the PRC on November 24, 2014 and amended on March 19, 2018, stipulates that the state implements classified management of pathogenic microorganisms and classified management of laboratories. The state implements unified laboratory biosafety standards. According to the laboratory's biosafety protection level for pathogenic microorganisms, and in accordance with the provisions of the national laboratory biosafety standards, the laboratory is divided into level 1, level 2, level 3 and level 4. Level I and Level II laboratories are not allowed to engage in highly pathogenic microorganism experiments. Level 3 and Level 4 laboratories shall be approved by the laboratory state.

Catalogue of Clinical Examination Items in Medical Institutions (《醫療機構臨床檢驗項目目錄》) & 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》)

Pursuant to the Catalogue of Clinical Examination Items in Medical Institutions (《醫療機構臨床檢驗項目目錄》) promulgated by NHFPC on June 4, 2007 and amended on August 5, 2013, a medical test laboratory shall register its clinical testing items with the NHC at the provincial level after technical verification passed by the center for clinical laboratories at the provincial level. 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 the NHFPC on February 25, 2016, for clinical examination items that are not listed in the Catalogue of Clinical Examination Items in Medical Institutions, but have clear clinical significance, good specificity and sensitivity, and reasonable price and benefit, they should be demonstrated in time to meet clinical needs. In the process of introducing new clinical examination items, medical institutions shall reasonably set up examination procedures, optimize procedures, improve efficiency, and facilitate the timely application of examination items that meet clinical needs.

REGULATION OF 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 the NHC or its local counterpart within fifteen working days after the first clinical application of such technologies.

REGULATIONS ON MEDICAL PRACTITIONERS OF MEDICAL INSTITUTIONS

The Law on Practicing Physicians of the People's Republic of China (《中華人民共和國執業醫師法》)

Pursuant to the Law on Practicing Physicians of the People's Republic of China (《中華人民共和國執業醫師法》) promulgated by the SCNPC on June 26, 1998, became effective on May 1, 1999 and amended on August 27, 2009, medical physicians in the PRC must obtain licenses of medical professional qualifications. Qualified physicians and assistant physicians must register with the relevant health administrative authorities at county level or above. After registration, physicians may practice in medical institutions of their registered location under the type of registered specialty to provide the relevant medical, preventive or healthcare services.

Administrative Measures for the Registration of Practicing Physicians (《醫師執業註冊管理辦法》)

Pursuant to the Administrative Measures for the Registration of Practicing Physicians (《醫師執業註冊管理辦法》) promulgated by the NHFPC on February 28, 2017 and became effective on April 1, 2017, medical physicians must register and obtain the Physician Practicing Certificate (醫師執業證書) before they commence practice and, those who are not registered or have not obtained the Physician Practicing Certificate are not allowed to engage in medical, preventive and healthcare services. The registration details of practicing physicians include place of practice, type of registered specialty and scope of practice. The place of practice refers to the county and provincial administrative region of the medical, preventive and medical institutions where the physician is practicing. For practicing physician who wants to practice in multiple institutions within the same place of practice, he/she shall determine a specific institution as the main practicing institution, apply for registration with the competent health authority which approved the aforesaid institution's operation; as to other institutions where the practitioner is to practice, the practising physician shall apply the record filing with the health authorities competent to approve the institutions' operation and indicate the name of the institutions.

Notice on Certain Opinions on Promoting and Standardizing Multi-site Practice of Physicians from Ministry of Health (《關於印發<推進和規範醫師多點執業的若干意見>的通知》)

The Notice on Certain Opinions on Promoting and Standardizing Multi-site Practice of Physicians from MOH (《關於印發<推進和規範醫師多點執業的若干意見>的通知》) promulgated by 5 departments, including the NHFPC, on November 5, 2014, and became effective on the same date, stipulates clinical physicians, dentists and Chinese medicine physicians are permitted for practicing at multiple sites. Physicians practicing in multiple sites shall have intermediary or above technical skills and has been in the same profession for more than five years. Practicing physicians practicing outside of their first practice site shall practice the same registered specialty as their first practice site and the scope of practice shall be the same as Class II diagnosis and treatment of the first practice site.

Regulations on Nurses (《護士條例》)

Pursuant to the Regulations on Nurses (《護士條例》) promulgated by the State Council on January 31, 2008 and became effective on May 12, 2008 and amended on March 27, 2020, a nurse must obtain the Nurse Practising Certificate, which is valid for five years. The number of nurses deployed to a medical institution shall not be less than the standard number as prescribed by the competent health administration authority.

Administrative Measures for the Registration of Practicing Nurses (《護士執業註冊管理辦法》)

Pursuant to the Administrative Measures for the Registration of Practicing Nurses (《護士執業註冊管理辦法》) promulgated by the MOH on May 6, 2008 and became effective on May 12, 2008 and amended on January 8, 2021, nurses must register and obtain the Nurse Practicing Certificate before they practice nursing at the registered practicing place.

Regulations on Medical Institutions Rendering Remote Medical Services

The Opinions on Promoting Telemedicine Services in Medical Institutions (《關於推進醫療機構遠程醫療服務的意見》) which was promulgated by NHFPC on August 21, 2014, require medical institutions to actively promote the development of telemedicine services as an important means to optimize the allocation of medical resources, realize the subsidence of high-quality medical resources, establish a graded diagnosis and treatment system, and solve the problem of difficult medical treatments for the masses.

On July, 17, 2018, NHC and NATCM jointly issued the Administrative Regulations on Remote Medical Services (Trial) (遠程醫療服務管理規範(試行)) (the "**Remote Medical Services Regulations**").

The Remote Medical Service Regulations regulate the following two scenarios of remote medical services:

(a) upon the invitation of another medical institution (the "inviting institution"), one medical institution (the "invited institution") provides medical related technical services to the patients of the inviting institution by means of information technology (e.g. telecommunication, computer and Internet technology), and

(b) the inviting institution or a third-party institution sets up an Internet remote medical services platform, and the invited institution registers itself as a medical institution on such platform. The inviting institution posts requests on the platform, and the invited institution or another medical institution responds to such requests on its own initiative or as per the matching of the platform and then provides medical related technical services to the patients of the inviting institution by means of information technology (e.g. telecommunication, computer and Internet technology).

REGULATIONS ON MEDICAL INCIDENTS

The Tort Liability Law of PRC (《中華人民共和國侵權責任法》), which was promulgated by the SCNPC on December 26, 2009 and came into effect on July 1, 2010, provides that, if a medical institution, its medical personnel are at fault for damage inflicted on a patient during the course of diagnosis and treatment, the medical institution will be liable for compensation. Medical institution shall liable and pay for the damage caused by the failure of the medical personnel to fulfill their statutory obligations in the course of diagnosis and treatment. On May 28, 2020, the Civil Code of the PRC (《中華人民共和國民法典》) was adopted by the third session of the 13th National People's Congress, which became effective on January 1, 2021 and simultaneously replaced the Tort Liability Law of the PRC. The Civil Code of the PRC provides that if a medical institution or its medical personnel is at fault for damage inflicted on a patient during the course of diagnosis and treatment, the medical institution will be liable for compensation, which further clarifies that either the medical institution or its medical personnel is at fault, the medical institution should bear the relevant responsibilities.

Regulations on Prices of Medical 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 NDRC, the NHFPC and the Ministry of Human Resources and Social Security, the price of healthcare services provided by non-public medical institutions shall be set with reference to the market price. Non-public medical institutions which are for-profit in nature may set the price list for their healthcare services at their own discretion. Non-public medical institutions which are non-for-profit in nature shall set the price list for their healthcare services according to the *National Standard Price List of Healthcare Services* (《全國醫療服務價格項目規範》).

The Regulations on Handling Medical Incidents (《醫療事故處理條例》)

The Regulations on Handling Medical Incidents (《醫療事故處理條例》), which was promulgated by the State Council on April 4, 2002 and came into effect on September 1, 2002, provides a legal framework and specific regulations regarding the prevention, identification, compensation and penalties of or relating to cases involving personal injury to patients caused by medical institutions or medical personnel due to malpractice.

REGULATIONS ON ENVIRONMENTAL PROTECTION RELATED TO MEDICAL INSTITUTIONS

Environmental Protection Law of PRC (《中華人民共和國環境保護法》) and 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》)

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》) promulgated by the SCNPC on December 26, 1989 and became effective on the same day, amended on April 24, 2014 and became effective on January 1, 2015, the waste discharge licensing system has been implemented in the PRC and entities that discharge medical sewage to water bodies directly or indirectly shall obtain a waste discharge license. Furthermore, installations for the prevention and control of pollution at a construction project must be designed, built and commissioned together with the principal part of the project.

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 the SCNPC on October 28, 2002, became effective on September 1, 2003 and amended on July 2, 2016 and December 29, 2018, the State implements administration by classification on the environmental impact of construction projects according to the level of impact on the environment. The construction entity 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 purpose. 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 entity is prohibited from commencing construction works.

Regulations on the Management of Medical Waste (《醫療廢物管理條例》), and the Implementation Measures of the Management of Medical Waste (《醫療衛生機構醫療廢物管理辦法》)

According to the Regulations on the Management of Medical Waste (《醫療廢物管理條例》), which was 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 was promulgated by the MOH on October 15, 2003 and came into effect on the same day, medical or health institution shall register medical wastes, manage medical wastes under classification and undertake management of duplicate forms for transfer of hazardous waste in accordance with the Catalogue of Classified Medical Wastes (《醫療廢物分類目錄》), and 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 health 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 discharging standards are met.

REGULATIONS RELATING TO VALUE-ADDED TELECOMMUNICATION SERVICES

The Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) (the "**Telecommunications Regulations**"), promulgated by the State Council on September 25, 2000 and amended on July 29, 2014 and February 6, 2016, provide a regulatory framework for telecommunications services providers in the PRC. The Telecommunications Regulations require telecommunications services providers to obtain an operating license prior to the commencement of their operations. The Telecommunications Regulations categorize telecommunications services into basic telecommunications services and value-added telecommunications services. According to the Catalog of Telecommunications Business (2015 version) (《電信業務分類目錄(2015年版)》), attached to the Telecommunications Regulations, which was promulgated by the Ministry of Information Industry of the PRC (the "MII", which is the predecessor of the MIIT) on February 21, 2003 and amended by the MIIT on December 28, 2015 and June 6, 2019, information services provided via fixed network, mobile network and Internet fall within value-added telecommunications services. Foreign direct investment in telecommunications companies in China is governed by the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (revised in 2016) (《外商投資電信企業管理規定(2016修訂)》), which was promulgated by the State Council on December 11, 2001 and amended on September 10, 2008 and February 6, 2016. The regulations require foreign-invested value-added telecommunications enterprises in China to be established as Sino-foreign equity joint ventures, which the foreign investors may acquire up to 50% of the equity interests of such enterprise. In addition, the main foreign investor who invests in a foreign-invested value-added telecommunications enterprise operating the value-added telecommunications business in China must demonstrate a good track record and experience in operating a value-added telecommunications business, provided such investor is a major one among the foreign investors investing in a value-added telecommunications enterprise in China. Moreover, foreign investors that meet these requirements must obtain approvals from the MIIT and the MOFCOM or their authorized local counterparts, which retain considerable discretion in granting approvals, for its commencement of value-added telecommunication business in China.

Regulations on the Provision of Internet Content Services

The Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) (the "**Internet Measures**"), which was promulgated by the State Council on September 25, 2000 and amended on January 8, 2011, set out guidelines on the provision of Internet information services. The Internet Measures classified Internet information services into commercial Internet information services and non-commercial Internet information services and a commercial operator of Internet content provision services must obtain a value-added telecommunications business operating license for the provision of Internet information services from the appropriate telecommunications authorities. The Administrative Measures for Telecommunications Business Operating Licensing (《電信業務經營許可管理辦法》), which was promulgated by the MIIT on March 5, 2009 and amended on July 3, 2017, became effective on September 1, 2017, regulate a commercial operator of value-added telecommunications services must first obtain a value-added telecommunications business operating license, from the MIIT or its provincial level counterparts.

REGULATIONS ON FOREIGN INVESTMENT IN CHINA

Company Law of the People's Republic of China (《中華人民共和國公司法》)

The Company Law of the People's Republic of China (《中華人民共和國公司法》), which was promulgated by the SCNPC on December 29, 1993 and came into effective on July 1, 1994, amended on December 25, 1999 and came into effective on the same day, amended on August 28, 2004 and came into effective on the same day, amended on October 27, 2005 and came into effective on January 1, 2006, amended on December 28, 2013 and came into effective on March 1, 2014, amended on October 26, 2018 and came into effective on the same day, provides that companies established in China may take the form of limited liability company or joint stock company with limited liability. Each company has the status of a legal person and owns the assets itself. The Company Law applies to foreign-invested companies unless relevant laws provide otherwise.

Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》)

On March 15, 2019, the 2nd meeting of the 13th SCNPC 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 (the "**Foreign Investors**"), including the following: (1) Foreign Investors establishing foreign-invested enterprises in China alone or collectively with other investors; (2) Foreign Investors acquiring shares, equities, properties or other similar rights of Chinese domestic enterprises; (3) Foreign Investors investing in new projects in China alone or collectively with other investors; and (4) Foreign Investors investing through other ways prescribed by laws and regulations or the State Council. The State adopts the management system of pre-establishment national treatment and negative list for foreign investment. The pre-establishment national treatment refers to granting to foreign investors and their investments, in the stage of investment access, the treatment no less favorable than that granted to domestic investors and their investments; the negative list refers to special administrative measures for access of foreign investment in specific fields as stipulated by the State. The State will give national treatment to foreign investments outside the negative list. The negative list will be released by or upon approval by the State Council. After the FIL came into effect, the FIL 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 on Sino-Foreign Contractual Joint Ventures (《中外合作經營企業法》) and the Wholly Foreign-Owned Enterprise Law of the PRC (《中華人民共和國外資企業法》), became the legal foundation for foreign Investment in the PRC.

Catalogue of Industries for Guiding Foreign Investment and Special Administrative Measures for Access of Foreign Investment (Negative List) (《外商投資產業指導目錄》及《外商投資准入特別管理措施(負面清單)》)

The Catalogue of Industries for Guiding Foreign Investment (Amended in 2017) (《外商投資產業指導目錄》(2017年修訂)) ("**2017 Catalog**") was promulgated by the NDRC and the MOC on 28 June 2017 with effect from 28 July 2017. For the purpose of regulating foreign investment, the 2017 Catalog divides all industries into two categories, namely: (a) industries where foreign investment is encouraged; and (b) industries subject to special administrative measures for access of foreign investment. On 28 June 2018, the NDRC and the MOC jointly promulgated the Special Administrative Measures for Access of Foreign Investment (Negative List) (《外商投資准入特別管理措施(負面清單)》) ("**Negative List**"), with effect from 28 July 2018, to replace the previous list of industries subject to special administrative measures for access of foreign investment under the 2017 Catalog. The Negative List is amended from time to time and the recent revision was published on 23 June 2020. Unless otherwise provided in the PRC Laws, foreign investment in areas not listed on the Negative List is permitted and treated equally as domestic investment. On December 27, 2020, the MOC and the NDRC jointly promulgated the Catalog of Industries Encouraging Foreign Investment (2020) (《鼓勵外商投資產業目錄(2020年版) 》), which became effective on January 27, 2021 and replaced the previous list of the industries where foreign investment is encouraged under the 2017 Catalog. The latest revision to the Negative List was published on 27 December 2021 (the "**2021 Negative List** or the "**Negative List on Access to Foreign Investment**"). According to the 2021 Negative List, the genetic testing business engaged in by the Company still falls within the scope of "development and application of genetic diagnosis and treatment technologies" in the "prohibited category" for foreign investment. Article 6 of the Interpretation Note of the 2021 Negative List ("**Article 6**") provides that "where a domestic enterprise engaged in the business in the prohibited areas of the Negative List on Access to Foreign Investment seeks to issue and list its shares overseas ("**Overseas Issuance and Listing by a Domestic Enterprise under 2021 Negative List**"), it shall complete the examination process and obtain approval of the relevant competent authorities of the State, and the foreign investor shall not participate in the operation and management of the enterprise, and its shareholding percentage shall be subject to the relevant provisions on the administration of domestic securities investment by foreign investors." However, the 2021 Negative List itself does not provide a clear definition of the Overseas Issuance and Listing by a Domestic Enterprise under 2021 Negative List, or an explicit guidance of its scope, in particular, whether a company's listing with a VIE structure falls within its scope for the purpose of Article 6.

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. As such, our PRC Legal Advisers are of the view that

a listing adopting VIE structure through contractual arrangement, such as ours, does not fall within the scope of Article 6. Although the Draft VIE Regulations were issued on December 24, 2021, as of the Latest Practicable Date, there are no laws, regulations or regulatory documents cited by either the CSRC or other relevant industry authorities in effect that would explicitly require the Company to comply with any approval, verification or filing procedures for the [**REDACTED**]. Our PRC Legal Advisors advised that the [**REDACTED**] is not required to obtain the examination and approval from the CSRC and/or the relevant industry authorities in accordance with the relevant laws and regulations currently in effect.

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》) and its Supplementary Provisions

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》), which was jointly promulgated by the MOH and the Ministry of Foreign Trade and Economic Cooperation on May 15, 2000 and came into effect on July 1, 2000, and its Supplementary Provisions allow foreign investors to partner with Chinese medical entities to establish a medical institution in China by means of equity joint venture or cooperative joint venture. Establishment of equity joint venture or cooperative joint venture shall meet certain requirements, including the total investment sum shall not be less than RMB20 million and the equity percentage of the Chinese partner in the joint venture shall not be less than 30%. Establishment of equity joint venture or cooperative medical institutions shall be subject to approval by relevant authorities.

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》)

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》), which was jointly promulgated by the MOFCOM and five other departments and commissions on August 8, 2006, came into effect on September 8, 2006 and subsequently amended by the MOFCOM on June 22, 2009 (the "M&A Regulations"), requires that foreign investors acquiring domestic companies by means of asset acquisition or equity acquisition shall comply with relevant foreign investment industry policies and shall be subject to approval by relevant commerce authorities.

REGULATIONS RELATING TO LAND USE RIGHTS OF REAL ESTATE PROPERTY

According to the Civil Code of the PRC (《中華人民共和國民法典》), properties referred to in this law include real estate property and personal property. The creation, alteration, transfer or termination of the property right of real estate property shall be subject to registration in accordance with the law. The certificate of ownership of real estate property shall be the evidence for the rights holder's ownership of real estate. Construction land use rights may be created through assignment or allocation, as well as other means. Where construction land use rights are created through invitation to tender, auction, agreement, or

other means, the parties concerned shall enter into a written contract regarding the assignment of such rights. 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.

Pursuant to the Land Administration Law of the PRC (《中華人民共和國土地管理法》), the land of the PRC is subject to the socialist public ownership, namely, ownership by the whole people or collective ownership of the working people. The State shall prepare an overall land utilization plan to specify land use, classifying land into agricultural land, construction land, or unused land. Any entity or individual must use land in strict accordance with the purposes of land use as specified in the overall land utilization plan. Any entity or individual that needs land for the purposes of construction must apply for the use of state-owned land in accordance with law. Construction entities utilizing state-owned land shall generally obtain said land by means of compensation such as assignment. When using state-owned land, construction institutions shall do so 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.

REGULATIONS ON FOREIGN EXCHANGE

The principal regulation governing foreign currency exchange in China is the Foreign Exchange Administration Rules of the PRC (《中華人民共和國外匯管理條例》), or the Foreign Exchange Administration Rules. The Foreign Exchange Administration Rules were promulgated by the State Council on January 29, 1996 and became effective on April 1, 1996 and were subsequently amended on January 14, 1997 and August 5, 2008. Under these rules, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loans unless the prior approval by the competent authorities for the administration of foreign exchange is obtained.

Under the Foreign Exchange Administration Rules, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of State Administration of Foreign Exchange, or SAFE, for paying dividends by providing certain evidencing documents (board resolutions, tax certificates, etc.), or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain foreign currency (subject to a cap approval by SAFE) to satisfy foreign exchange liabilities. In addition, foreign exchange transactions involving overseas direct investment or investment and trading in securities, derivative products abroad are subject to registration with the competent authorities for the administration of foreign exchange and approval or filings with the relevant government authorities (if necessary).

According to the Circular on the Management of Offshore Investment and Financing and Round Trip Investment By Domestic Residents 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 Circular

No. 37, which is promulgated on July 4, 2014 and with effect from the same day, (i) a PRC resident shall register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle, or an overseas SPV, that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing; and (ii) 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 in the overseas SPV's PRC resident shareholder, name of the overseas SPV, term of operation, or any increase or reduction of the contributions by the PRC resident, share transfer or swap, and merger or division.

Pursuant to Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》), which was promulgated on February 13, 2015 and implemented on June 1, 2015, the initial foreign exchange registration for establishing or taking control of a SPV by domestic residents can be conducted with a qualified bank, instead of the local foreign exchange bureau.

REGULATIONS ON INTELLECTUAL PROPERTY

Trademark

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》) which was promulgated on August 23, 1982 and subsequently amended on February 22, 1993, October 27 2001, August 30, 2013, April 23, 2019 and took effect on November 1, 2019 as well as the Implementation Regulation of the PRC Trademark Law (《中華人民共和國商標法實施條例》) adopted by the State Council on August 3, 2002 and revised on April 29, 2014. In the PRC, registered trademarks include commodity trademarks, service trademarks, collective marks and certification marks. The Trademark Office of National Intellectual Property Administration handles trademark registrations and grants a term of 10 years to registered trademarks, renewable every 10 years where a registered trademark needs to be used after the expiration of its validity term.

Patent

According to the Patent Law of the PRC (《中華人民共和國專利法》), promulgated by the SCNPC on March 12, 1984 last amended and became effective on June 1, 2021 and the Implementing Rules of the Patent Law of the PRC (《中華人民共和國專利法實施細則》), promulgated by the China Patent Bureau Council on January 19, 1985, and further amended of December 21, 1992, June 15, 2001, December 28, 2002, January 9, 2010 and came into effect on February 1, 2010, the term "invention-creations" refers to inventions, utility models and designs. The duration of a patent right for inventions shall be 20 years and the duration of a patent right for utility models and designs shall be 10 years, both commencing from the filing date. In the event that a dispute arises due to a patent being exploited without the prior authorization of the patentee, that is to say an infringement upon the patent right of the patentee.

Copyright

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》) last amended and became effective on June 1, 2021, Chinese citizens, legal person or any other organization shall be entitled to copyright of its work by this law whether or not such work is published or not. Copyright covers the following forms of creative works: literature, art, natural science, engineering technology works, writing, narration, music, drama, opera, dance and acrobatic works, fine art and architectural works, photography, films and cinematography works, drawings of engineering designs and product designs, maps, illustrations other graphic works and model works; computer software and other works as prescribed by laws and administrative regulations. Perpetrator infringing on copyright or copyright related rights shall be held liable for actual damage to obligee, and may be fined, and the illegal income, pirate copies and properties used for illegal activity may be confiscated.

The Measures for the Registration of Computer Software Copyright (《計算機軟件著作權登記辦法》), which was promulgated by the National Copyright Administration on February 20, 2002, and came into effect on the same day, regulates the registration of software copyright, the exclusive licensing contract and assignment contracts of software copyright. The National Copyright Administration is mainly responsible for the registration and management of national software copyright and designates the China Copyright Protection Center as the agency for software registration. The China Copyright Protection Center will grant certificates of registration to computer software copyright applicants.

Domain Name

Pursuant to the Internet Domain Name Management Measures (《互聯網域名管理辦法》) released by the MIIT on August 24, 2017 and effective from November 1, 2017, domain name registration shall be conducted through domain name registration management service institutions, on the basis of "first apply first register", unless otherwise specified by the implementation rules for a particular domain name. Domain name registration management service institution should enter into individual domain name registration agreement with applicant. Domain name holder should notify domain name registration management service institution any alteration in registration information other than that of the holder and apply for registration information change within thirty days after the alteration according to alteration recognition method selected at application.

Regulations Related to Data Protection

The Basic Standards and Practice of Medical Test Laboratory (for Trial Implementation) (《醫學檢驗實驗室基本標準和管理規範(試行)》), which was promulgated by the NHC and came into force on July 20, 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)》) as promulgated by the NHC in 2014 sets forth the operational measures for patient privacy protection in medical institutions. The 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.

REGULATIONS RELATING TO DATA SECURITY AND PERSONAL INFORMATION PROTECTION

Data Security

On April 13, 2020, the Cyberspace Administration of China, the NDRC and several other administrations jointly promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the "**Review Measures**"), which became effective on June 1, 2020. The Review Measures establishes the basic framework for national security reviews of network products and services and provides the principal provisions for undertaking cybersecurity reviews. On December 28, 2021, the Cyberspace Administration of China, jointly with the relevant authorities, published the Measures for Cybersecurity Review (2021) (《網絡安全審查辦法(2021)》), which took effect on February 15, 2022 and replaced the Review Measures and stipulates that operators of critical information infrastructure purchasing network products and services, and data processors (together with the operators of critical information infrastructure, the "Operators") carrying out data processing activities that affect or may affect national security, shall conduct a cybersecurity review. Pursuant to the Measures for Cybersecurity Review (2021), any operator who controls more than one million users' personal information must go through a cybersecurity review by the cybersecurity review office if it seeks to be listed in a foreign country.

The SCNPC promulgated the Data Security Law of the PRC (《中華人民共和國數據安全法》) (the "**Data Security Law**") on June 10, 2021, which came into effect on September 1, 2021. The Data Security Law applies to data processing activities, including the collection, storage, use, processing, transmission, availability and disclosure of data, and security supervision of such activities within the territory of the PRC. Where data processing activities outside the territory of the PRC damage national security, public interests or the legitimate rights and interests of PRC citizens and organizations, such activities shall be subject to legal liabilities. The PRC would also establish a data security review system, under which data processing activities that affect or may affect national security shall be reviewed. According to the Data Security Law, whoever carries out data processing activities shall establish a sound data security management system throughout the whole process, organize data security education and training, and take corresponding technical measures and other necessary measures to ensure data security. Important data shall also be categorized and protected more strictly. The Data Security Law also requires formulating the important data catalogs to

enhance the protection of important data. As of the Latest Practicable Date, Chinese governments did not promulgate the important data catalogs or establish the measures for the cross-border transfer of import data.

The Administrative Provisions on Security Vulnerability of Network Products (《網絡產品安全漏洞管理規定》) (the "**Provisions**") was jointly promulgated by the Ministry of Industry and Information Technology, the Cyberspace Administration for China and the Ministry of Public Security on July 12, 2021 and came into effect on September 1, 2021. Network product providers, network operators as well as organizations or individuals engaging in the discovery, collection, release and other activities of network product security vulnerability are subject to the Provisions and shall establish channels to receive information of security vulnerability of their respective network products and shall examine and fix such security vulnerability in a timely manner. In response to the Cyber Security Law, network product providers are required to report relevant information of security vulnerability of network products with the Ministry of Industry and Information Technology within two days and to provide technical support for network product users. Network operators shall take measures to examine and fix security vulnerability after discovering or acknowledging that their networks, information systems or equipment have security loopholes. According to the Provisions, the breaching parties may be subject to monetary fine as regulated in accordance with the Cyber Security Law. Since the Provisions is relatively new, uncertainties still exist in relation to its interpretation and implementation.

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 "**Safe Protection Regulations**") which came into effect on September 1, 2021. Pursuant to the Safe Protection Regulations, 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 Safe Protection Regulations provide specific requirements for the responsibilities and obligations of the operator: (i) the operator shall establish and improve the cyber security protection system and responsibility system, and ensure the input of manpower, financial and material resources; (ii) the operator shall set up a special security management department, and review the security background of the person in charge of the special security management department and the personnel in key positions; (iii) the operator shall guarantee the operation funds of the special security management department, allocate corresponding personnel, and have the personnel of the special security management department participate in the decision-making relating to cyber security and informatization; (iv) the operators shall give priority to the purchase of safe and reliable network products and services; network products and services procured that may affect the national security shall be subject to the security review in accordance with the national provisions on network security. The Safe Protection Regulations clarity the measures for

dealing with the failure of key information infrastructure operators to perform their responsibilities for security protection, such as imposing fines. Since the Group is not operator of critical information infrastructure, the Safe Protection Regulations is inapplicable to the Group.

Personal Information Protection

The Personal Information Protection Law of the PRC (《中華人民共和國個人信息保護法》) (the "**Personal Information Protection Law**"), issued on August 20, 2021 by the SCNPC, provided a comprehensive personal information protection system, under which in case of any personal information processing, individual prior consent must be obtained except in other circumstances stipulated therein to the contrary. Further, any data processing activities in relation to sensitive personal information including biometrics, religious beliefs, specific identities, medical health, financial accounts, whereabouts, personal information of teenagers under fourteen years old and other personal information once leaked or illegally used might easily lead to the infringement of personal dignity or harm of personal and property safety, are only allowed provided such activities are purpose-specified, highly necessary and strictly protected. Personal information processors who use personal information on automated decision-making must ensure the transparency of decision-making and the fairness and impartiality of the results and may not impose unreasonable differential treatment in terms of transaction prices and other transaction conditions. In addition, cross-border personal information transmission is restricted unless certain requirements in the Personal Information Protection Law have been satisfied, including security review organized by the national cyberspace department and other conditions specified by the laws, regulations and the national cyberspace department.

REGULATIONS RELATING TO OVERSEAS LISTING

On December 24, 2021, the CSRC, together with other relevant government authorities in China issued the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)), and the Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (境內企業境外發行上市備案管理辦法(徵求意見稿)) ("**Draft VIE Regulations**"). The Draft VIE Regulations required that a PRC domestic enterprise seeking to issue and list its shares overseas shall complete the filing procedures and submit the relevant information to CSRC. The Draft VIE Regulations also proposed a number of regulatory requirements for listing applicants adopting a variable interest entity structure through contractual arrangements. As of the Latest Practicable Date, the Draft VIE Regulations were in draft form and had not come into effect.

REGULATIONS ON TAX

Enterprise Income Tax

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法》) effective from January 1, 2008 and amended on December 29, 2018 and the Implementation Provisions for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得税法實施條例》) effective on January 1, 2008 and amended on April 23, 2019, companies are classified into resident companies and non-resident companies. Enterprise Income Tax rate is 25%, or 20% for non-resident company which hasn't set up organization or operating site, or its income from established organization or operating side is not really connected to such organization or site, judging by the source of its income within China territory. High and new technology company encouraged by the government shall be accorded with 15% income tax.

Pursuant to the Announcement on Issues Regarding Implementation of Preferential Income Tax Policy for High and New Technology Companies (《關於實施高新技術企業所得税優惠政策有關問題的公告》) released on June 19, 2017 by State Administration of Taxation or the SAT, company qualified as high or new technology company shall entertain preferential tax from the year indicated on the certificate for high and new technology company, and file for registration with taxation agency of jurisdiction according to relevant provisions. On expiration of the qualification as high and new technology company, income tax shall be temporarily levied pursuant to a rate of 15% before renewal of the qualification; if such qualification shall not be obtained before the end of the year, the shortage shall be made up according to relevant provisions.

Withholding Income Tax

Pursuant to the Arrangement between Inland and Hong Kong S.A.R. Regarding Avoidance of Double Taxation on Income and Prevention of Tax Evasion agreed between SAT and Hong Kong S.A.R. (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) on August 21, 2006, and four conventions implemented as of June 11, 2008, December 20, 2010, March 9, 2016 and December 6, 2019, if Hong Kong resident holds at least 25% of the registered capital of a company in China, the withholding income tax rate applicable to the Chinese company for dividends payable to the Hong Kong resident is 5%. In all other cases, the withholding income tax rate applicable to the Chinese company for dividends payable to the Hong Kong resident is 10%.

Value-Added Tax

Pursuant to the Provisional Regulations on Value-Added Tax of the PRC (《中華人民共和國增值稅暫行條例》) last amended on November 19, 2017, and its Implementation Rules (《中華人民共和國增值稅暫行條例實施細則》) promulgated by the Ministry of Finance, or the MOF and last amended on October 28, 2011, tax payers 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, the MOF and the SAT jointly issued the Circular of Full Implementation of Business Tax to Value-added Tax Reform (《關於全面推開營業稅改徵增值稅試點的通知》) which confirms that business tax will be completely replaced by the VAT from May 1, 2016. Medical services provided by medical institutions shall be exempted from the VAT.

Pursuant to Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (《財政部、稅務總局關於調整增值稅稅率的通知》) issued by the MOF and SAT on April 4, 2018 and effective on May 1, 2018, the applicable VAT for VAT-taxable sales activities or imported goods are adjusted respectively from 17% and 11% to 16% and 10%.

On March 20, 2019, the MOF, the STA and the General Administration of Customs 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 Announcement 39, which came into effect on April 1, 2019, to further slash VAT rates. According to 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 ON EMPLOYMENT AND SOCIAL WELFARE

Employment

The relevant labor laws in China include the Labor Law of the PRC (《中華人民共和國勞動法》), the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), Interim Provisions on Labor Dispatch (《勞務派遣暫行規定》), the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), the Provisional Measures for Company Employee Birth Insurance (1995) (《企業職工生育保險試行辦法》), the Provisional Regulations for the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), and Regulations on Management of Housing Provident Fund (《住房公積金管理條例》) and other laws and regulations released from time to time by relevant governmental departments.

Pursuant to the Labor Law of the PRC (《中華人民共和國勞動法》) implemented on January 1, 1995 and last amended on December 29, 2018 by the SCNPC, enterprises and institutions must establish and improve work safety and health system, strictly enforce national regulations and standards on work safety and health, and carryout work safety and health education for workers. Working safety and health facilities must meet national standard. Enterprises and institutions must provide workers with working safety and health conditions meeting national provisions and relevant articles on labor protection.

Pursuant to the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) effective from January 1, 2008 and amended on December 28, 2012 by the SCNPC, or the Labor Contract Law, enterprise or organization which will establish or has established employment relationship with workers should make it official with written employment contract. No enterprise or institution may force workers to work over time, and employer should pay over-time fee to workers in line with relevant national provisions.

Pursuant to the Interim Provisions on Labor Dispatch and the Labor Contract Law (《勞務派遣暫行規定》), which were implemented by the Ministry of Human Resources and Social Security on March 1, 2014, employers may employ dispatched workers in temporary, auxiliary or substitutable positions only which shall not exceed 10% of the total number of its workers. If the employer violates the relevant labor dispatch regulations, the labor administrative department shall order it to make corrections within a time limit; if it fails to make corrections within the time limit, penalty shall be imposed on the basis of more than RMB5,000 and less than RMB10,000 per person.

Social Insurance and Housing Provision

Pursuant to the Work-related Injury Insurance Regulations (《工傷保險條例》) effective from January 1, 2004 and amended on December 20, 2010 by the State Council, and Provisional Measures for Enterprise Employee Birth Insurance (《企業職工生育保險試行辦法》) released on December 14, 1994 by Labor Ministry (now the Ministry of Human Resources and Social Security), the Decision on the Establishment of Unified Basic Pension System for Enterprise Employees (《關於建立統一的企業職工基本養老保險制度的決定》)

released on July 16, 1997 by the State Council, the Decision on the Establishment of Basic Medical Insurance System for Urban Employees (《關於建立城鎮職工基本醫療保險制度的決定》) promulgated by the State Council on December 14, 1998, the Regulations on Unemployment Insurance (《失業保險條例》) released by the State Council on January 22, 1999, the Provisional Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》) released by the State Council on January 22, 1999 and amended on March 24, 2019, and the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) effective from July 1, 2011, and amended on December 29, 2018 by the SCNPC, employer should purchase social insurance policies for employees, including basic pension policy. Basic medical insurance policy, unemployment insurance policy, maternity insurance policy and work-related injury insurance policy. Employer failing to make timely and full payment for social insurance shall be demanded by social security authority of jurisdiction to furnish payment plus overdue surcharge within designated time period. If such employer shall fail to make up for overdue payment within designated time period, related administrative department shall enforce punitive measures on the employer.

Pursuant to Regulations on Management of Housing Provident Fund (《住房公積金管理條例》) released in 1999 and last amended on March 24, 2019 by the State Council, enterprises should file for housing provision payment registration with housing provision management center, and set up housing provision account for employees at trusted bank after audited by the center. Enterprises should make timely and full payment for employee housing provision.

OVERVIEW

The history of our Group can be traced back to 2008 when Yunkang Industry was established in Tianjin under the name of Gaoxin Daan Health Industry Investment Co., Ltd. (高新達安健康產業投資有限公司) by Da An Gene and Gaoxin Yangguang. Da An Gene is a biomedical company listed on the Shenzhen Stock Exchange (stock code: 002030) and primarily engaged in the research and development, production and sales of clinical test reagents and instruments as well as the provision of clinical test services to national chain independent medical laboratories in China. Da An Gene is controlled by The People's Government of Guangzhou Municipality (廣州市人民政府). Gaoxin Yangguang is an investment holding company wholly-owned by Mr. Zhang Yong. Guosen Securities Co., Ltd. (國信證券股份有限公司), where Mr. Zhang Yong previously worked at, was involved in Da An Gene's conversion into joint stock company and therefore Mr. Zhang Yong established a good relationship with Da An Gene. Our Company was incorporated as an exempted company in the Cayman Islands on July 20, 2018. For further details of the incorporation and major shareholding changes of our Company, see "—Major Shareholding Changes of Our Group—Our Company" below.

KEY MILESTONES

The following is a summary of our Group's key corporate and business development milestones.

Year	Event
2008	Yunkang Industry was established in Tianjin, the PRC, with Guangzhou and Shanghai ICLs.
2010	We built up an ICL service network covering Guangdong, Shanghai, Sichuan, Anhui, Jiangxi and Yunan through six ICLs.
2013	We cooperated with the CLSI and commenced the construction of the quality and technical standard guidance system.
2014	We undertook the "Technology Benefiting the People Project" (科技惠民計劃) of the Ministry of Science and Technology and constructed the model system of graded diagnosis and treatment of Guangdong Province.
2015	We were approved as a national pilot for clinical application of high-throughput gene sequencing. We led the construction of the national genetic testing demonstration center.

Year	Event
2018	We took the lead in undertaking the "2018 Internet Plus, artificial intelligence innovation and development and digital economy pilot major projects" (2018年"互聯網+"、人工智能創新發展和數字經濟試點重大工程) of the NDRC and established a digital economy industry innovation center.
2018	Our Company was incorporated in the Cayman Islands.
2020	We were recognized by relevant authorities as the core participant of the national nucleic acid testing for the COVID-19.

MAJOR SHAREHOLDING CHANGES OF OUR GROUP

Our Company

Our Company was incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on July 20, 2018 with an authorized share capital of US$50,000 divided into 500,000,000 ordinary shares with a par value of US$0.0001 each. Upon completion of the Reorganization, our Company will become the holding company of our Group. See "—Reorganization" below for details.

On February 3, 2021, YK Development, Huizekx Limited, Mr. Zhang Yong and SPDB HK entered into a share purchase agreement (the "**Share Purchase Agreement**"), pursuant to which SPDB HK purchased 100,000 ordinary Shares at a consideration of approximately US$9.75 million (equivalent to RMB63.0 million) from YK Development (the "**Pre-[REDACTED]**"). Please see "—Pre-[**REDACTED**]" below for details.

Our Principal Subsidiaries and Consolidated Affiliated Entities

We conduct our business mainly through our Consolidated Affiliated Entities and subsidiaries. The following table sets out the information of our principal subsidiaries and Consolidated Affiliated Entities.

Name of Subsidiary/ Consolidated Affiliated Entity	Date of Incorporation	Place of Incorporation	Principal business activities
Yunkang Industry	May 28, 2008	PRC	holding company of subsidiaries engaged in diagnostic testing services involving clinical genetic testing service

Name of Subsidiary/ Consolidated Affiliated Entity	Date of Incorporation	Place of Incorporation	Principal business activities
Yunkang Health	July 15, 2010	PRC	supporting services including information technology, medical logistics and medical equipment procurement services
Guangzhou Clinic	January 29, 2019	PRC	medical outpatient services

Yunkang Industry

On May 28, 2008, Yunkang Industry was established in Tianjin with an initial registered capital of RMB136.66 million and previously known as Gaoxin Daan Health Industry Investment Co., Ltd. (高新達安健康產業投資有限公司). Upon establishment, Yunkang Industry was held as to 60% and 40% by Da An Gene and Gaoxin Yangguang. Da An Gene is a biomedical company listed on the Shenzhen Stock Exchange (stock code: 002030) and primarily engaged in the research and development, production and sales of clinical test reagents and instruments as well as the clinical test service of national chain independent medical laboratories in China. Gaoxin Yangguang is an investment holding company wholly-owned by Mr. Zhang Yong.

Pursuant to a capital increase agreement entered into between Yunkang Industry and Mouduanshan on July 5, 2015, Mouduanshan subscribed for the increased registered capital of Yunkang Industry of RMB20.499 million, for a total consideration of approximately RMB378 million. The consideration was determined after arms' length negotiations between the parties with reference to the net asset value and the profitability and growth prospects of Yunkang Industry, and was fully paid in cash. Immediately after such capital increase, the registered capital of Yunkang Industry was increased from RMB136.66 million to RMB157.159 million, and Yunkang Industry was held as to 52.18%, 34.78% and 13.04% by Da An Gene, Gaoxin Yangguang and Mouduanshan, respectively.

On December 5, 2015, the then shareholders of Yunkang Industry resolved to introduce nine investors, namely Tongfu Zhongchuang, Guangzhou Anjianxin, Yujiang Anjin, Heyuan Rongwei, Guangzhou Huigang, Dacheng Innovative Capital Management Co., Ltd. (大成創新資本管理有限公司) ("**Dacheng Capital**"), Kefeng Touan, Hengqin Haochuang, and Shenzhen Tiancheng Chuangfu Equity Investment Center (Limited Partnership) (深圳市天成創富股權投資中心(有限合伙)) ("**Tiancheng Chuangfu**") (collectively the "**Investors**"). Pursuant to the capital increase agreement entered into among Yunkang Industry, the then shareholders of Yunkang Industry and the Investors, the Investors subscribed and paid up the increased registered capital of the Yunkang Industry of approximately RMB17.46 million at a consideration of RMB460 million. The consideration was determined after arms' length negotiations between the parties with reference to the net asset value and the profitability and

growth prospects of Yunkang Industry, and was fully paid in cash. Immediately after such capital increase, the registered capital of Yunkang Industry was increased to approximately RMB174.62 million. Details of the investment amount and shareholding percentage of each investor are set out below.

Investor	**Investment amount** *(RMB in millions)*	**Percentage of shareholding**
Tongfu Zhongchuang	160.0	3.48%
Guangzhou Huigang	107.5	2.34%
Guangzhou Anjianxin	48.0	1.04%
Heyuan Rongwei	46.0	1.00%
Dacheng Capital	45.0	0.98%
Hengqin Haochuang	23.0	0.50%
Tiancheng Chuangfu	14.0	0.30%
Kefeng Touan	11.5	0.25%
Yujiang Anjin	5.0	0.11%
Total	460.0	10.00%

Pursuant to a series of share transfer agreements entered into among relevant investors, (i) on April 29, 2016, Guangzhou Huigang transferred 0.25%, 0.1304% and 0.8696% equity interest in Yunkang Industry held by it to Hengqin Jinjunying Investment Management Center (Limited Partnership) (横琴晉均贏投資管理中心(有限合伙)) ("**Hengqin Jinjunying**"), Guangzhou Qiyi and Guangzhou Guoju at a consideration of RMB11.5 million, RMB6.0 million and RMB40.0 million, respectively; (ii) on April 29, 2016, Tiancheng Chuangfu transferred all equity interest in Yunkang Industry held by it to Guangzhou Huigang at a consideration of RMB14.0 million; (iii) on September 30, 2017, Dacheng Capital transferred all equity interest in Yunkang Industry held by it to Kangcheng Daan at a consideration of RMB45.0 million; and (iv) on December 28, 2018, Hengqin Jinjunying decided not to roll over its interest in Yunkang Industry to offshore shareholding due to its strategic adjustment and transferred all equity interest in Yunkang Industry held by it to Mr. Lan Fu, a limited partner of Hengqin Jinjunying, at a consideration of RMB11.5 million, the amount of which was the

same as Hengqin Jinjunying's initial acquisition costs. Hengqin Jinjunying is controlled by Mr. Deng Jiangbao (鄧江寶) and Mr. Yang Ruiqin (楊瑞芹), both of whom are Independent Third Parties. The shareholding of each investor upon completion of above share transfers is set out below.

Investor	Percentage of shareholding
Da An Gene	46.96%
Gaoxin Yangguang	31.30%
Mouduanshan	11.74%
Tongfu Zhongchuang	3.48%
Guangzhou Huigang	1.39%
Guangzhou Anjianxin	1.04%
Heyuan Rongwei	1.00%
Kangcheng Daan	0.98%
Guangzhou Guoju	0.87%
Hengqin Haochuang	0.50%
Kefeng Touan	0.25%
Mr. Lan Fu	0.25%
Guangzhou Qiyi	0.13%
Yujiang Anjin	0.11%

As a step of the Reorganization, Kangcheng Daan and Hengqin Haochuang entered into an equity transfer agreement with Gaoxin Yangguang on February 18, 2021 and February 20, 2021, respectively, pursuant to which Kangcheng Daan and Hengqin Haochuang transferred their interest in Yunkang Industry to Gaoxin Yangguang at a consideration of approximately RMB48.8 million and RMB24.9 million. On December 29, 2020, Guangzhou Qiyi entered into an equity transfer agreement with Guangzhou Huigang, pursuant to which Guangzhou Qiyi transferred its interest in Yunkang Industry to Guangzhou Huigang at a consideration of RMB6.5 million. On April 30, 2021, Kefeng Touan entered into an equity transfer agreement with Gaoxin Yangguang, pursuant to which Kefeng Touan transferred its interest in Yunkang Industry to Guangzhou Huigang at a consideration of approximately RMB12.46 million.

Please refer to "—Reorganization—Steps of the Reorganization—Onshore Reorganization—Step 5: Share transfer of Yunkang Industry" for details.

Conversion into a Joint Stock Company

Pursuant to the resolution passed by the shareholders' general meeting of Yunkang Industry on October 11, 2017, Yunkang Industry was converted into a joint stock company on October 27, 2017 with its name changed to Yunkang Health Industry Investment Co., Ltd. (雲康健康產業投資股份有限公司). The authorized share capital of Yunkang Industry was RMB920 million divided into 920,000,000 Shares of RMB1.00 each.

The Concert Party Agreement

On September 27, 2018, Gaoxin Yangguang entered into a concert party agreement (the "**Concert Party Agreement**") with seven of the then shareholders of Yunkang Industry, namely Mouduanshan, Tongfu Zhongchuang, Guangzhou Huigang, Heyuan Rongwei, Kangcheng Daan, Hengqin Haochuang and Hengqin Jinjunying (collectively the "**Other Concert Parties**", together with Gaoxin Yangguang, the "**Concert Parties**"). On December 28, 2018, Hengqin Jinjunying transferred its interests in Yunkang Industry to Mr. Lan Fu, and Mr. Lan Fu undertook to assume all rights and obligations of Hengqin Jinjunying under the Concert Party Agreement on the same day. Pursuant to the Concert Party Agreement, each of the Other Concert Parties agreed to act in concert with Gaoxin Yangguang, at general meetings of Yunkang Industry, by way of (i) exercising its voting rights based on the opinion of Gaoxin Yangguang, or (ii) entrusting Gaoxin Yangguang with full power to exercise its shareholder rights. Accordingly, Gaoxin Yangguang is entitled to control 50.64% of the voting rights at the general meetings of Yunkang Industry. On March 31, 2021, Gaoxin Yangguang entered into a supplemental agreement to the Concert Party Agreement with Mouduanshan, Tongfu Zhongchuang, Guangzhou Huigang, Heyuan Rongwei and Mr. Lan Fu, pursuant to which, the Concert Party Agreement will be valid for an indefinite period unless the parties are no longer the shareholders of Yunkang Industry.

Yunkang Health

On July 15, 2010, Yunkang Health was established with an initial registered capital of RMB1.0 million. Upon establishment, it was owned as to 90% by Yunkang Industry and 10% by Guangzhou Daan. Its registered capital was increased from RMB1.0 million to RMB10.0 million in September 2015 and further increased to RMB50.0 million on April 2016. In April 2016, Guangzhou Daan transferred 10% equity interest of Yunkang Health held by it to Yunkang Industry at a consideration of RMB100,000. As a step of the Reorganization, all shares of Yunkang Health were transferred to WFOE on February 10, 2021. Please refer to "—Reorganization" below for details.

Guangzhou Clinic

On January 29, 2019, Guangzhou Clinic was established with an initial registered capital of RMB3.0 million in Guangzhou. Upon establishment, it was wholly-owned by Guangzhou Yunkang. As a step of the Reorganization, Guangzhou Yunkang transferred 30% shares of Guangzhou Clinic to Yunkang Industry on January 15, 2021. Please refer to "—Reorganization" below for details.

Guangzhou Yunkang

On May 5, 2014, Guangzhou Yunkang was established with an initial registered capital of RMB1.0 million. Upon establishment, it was wholly-owned by Yunkang Industry. On April 19, 2016, Yunkang Industry transferred all interest in Guangzhou Yunkang to Yunkang Health. Guangzhou Yunkang is the holding company of Guangzhou Clinic and has no substantive business.

Guangzhou Daan

On February 28, 2006, Guangzhou Daan was established with an initial registered capital of RMB10.0 million held by Da An Gene. Its registered capital increased to RMB20.0 million on October 11, 2006. On July 19, 2008, Da An Gene transferred all interest in Guangzhou Daan to Yunkang Industry. Guangzhou Daan is mainly engaged in providing clinical diagnostic testing services.

Investment in Guangzhou Daan by CDB Development Fund

In order to obtain additional financing to support the business growth of Guangzhou Daan, CDB Development Fund, Yunkang Industry, Da An Gene and Guangzhou Daan entered into an investment agreement on December 9, 2015 (the "**Investment Agreement**"), pursuant to which CDB Development Fund agreed to contribute RMB40 million to Guangzhou Daan, among which RMB1,317,200 was recorded as the registered capital with the remaining funds allocated to the capital reserve. Upon completion of such capital increase on July 6, 2016, Guangzhou Daan was held as to 93.82% and 6.18% by Yunkang Industry and CDB Development Fund respectively. CDB Development Fund can exercise its shareholder's rights in respect of its shareholding in Guangzhou Daan.

Set out below are the salient terms of the Investment Agreement:

(i) Redemption Right. CDB Development Fund is entitled to a redemption right, pursuant to which CDB Development Fund has the right to require Yunkang Industry, the then direct shareholder of Guangzhou Daan, to repurchase the equity interest held by CDB Development Fund in Guangzhou Daan by instalments at a price equal to the consideration paid by CDB Development Fund at the time of its investment;

(ii) Redemption Timetable. Yunkang Industry shall by phase repurchase the equity interest held by CDB Development Fund in Guangzhou Daan during the period from December 6, 2021 to December 6, 2030, regardless of whether CDB Development Fund exercises its redemption right as disclosed above. Yunkang Industry shall repurchase the equity interest at the consideration of RMB1.0 million in Guangzhou Daan in each year from 2021 to 2029, and repurchase the remaining equity interest in Guangzhou Daan at the consideration of RMB31.0 million on December 6, 2030. Notwithstanding the above timetable, Yunkang Industry is entitled to repurchase the equity interest held by CDB Development Fund at its volition, provided that it shall notify CDB Development Fund in writing one month prior to the intended repurchase. The Company confirmed that such repurchase will not result in any material adverse impact on the Group;

(iii) Annual Interest. CDB Development Fund is entitled to an annual interest of 1.2% of its initial investment amount in Guangzhou Daan, which shall be paid by Guangzhou Daan as dividends;

(iv) Special Rights. CDB Development Fund is entitled to certain special rights under the Investment Agreement, including liquidation preference, right of first refusal, co-sale rights, as well as pre-emptive rights and information rights that are in line with the shareholders' rights as stipulated under the PRC Company Law; and

(v) Special Resolutions. Certain events require the passing by a majority of not less than two-third of votes cast by shareholders of Guangzhou Daan at its general meetings, including among others (a) amending the articles of association, increasing or decreasing the registered capital, merger, division, dissolution or otherwise altering the form of Guangzhou Daan; (b) establishing any subsidiary of Guangzhou Daan; and (c) other events that may have material adverse effects on the rights of CDB Development Fund under the Investment Agreement.

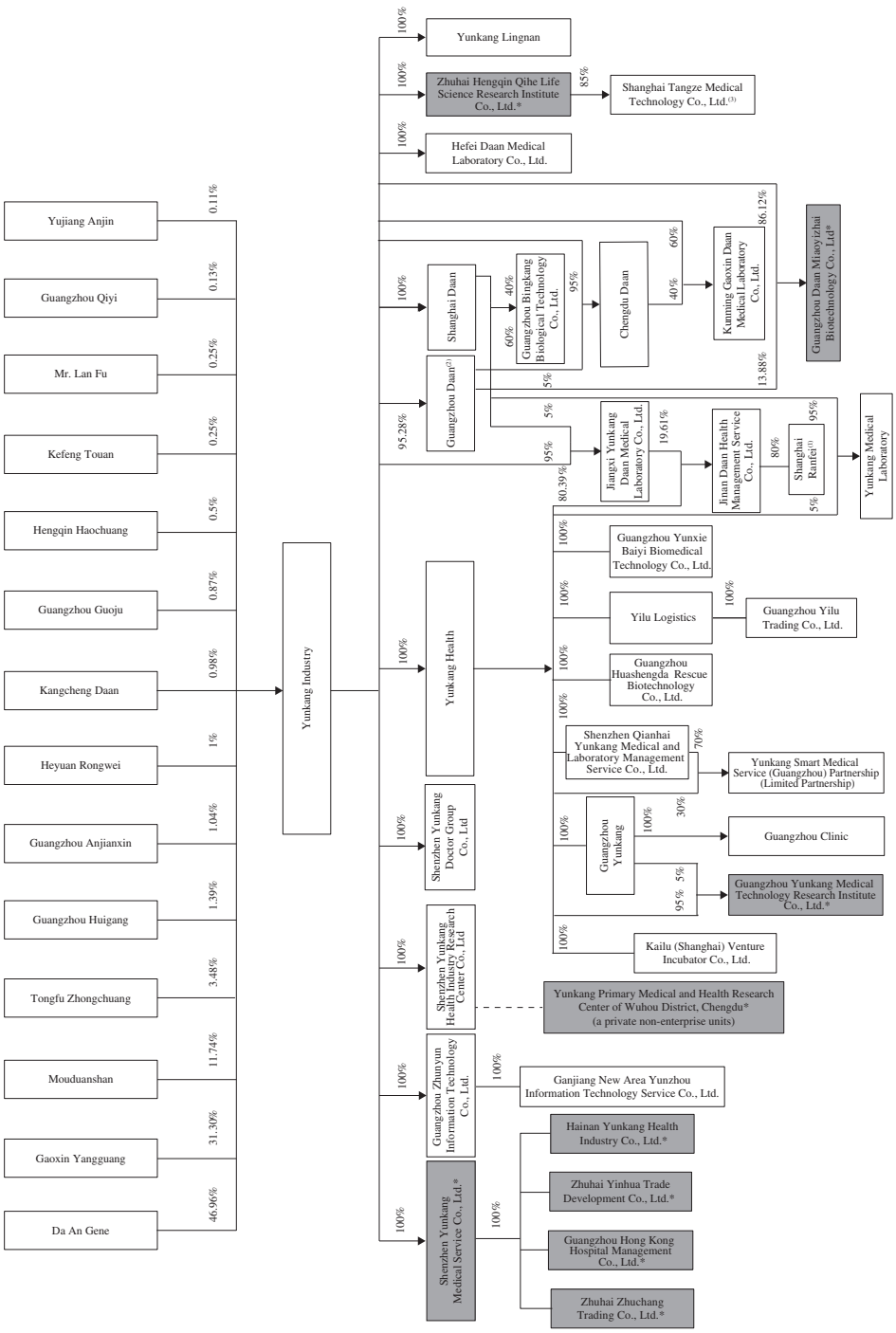
As of the Latest Practicable Date, we have paid RMB1.0 million to CDB Development Fund for the repurchase of equity interest in Guangzhou Daan held by CDB Development Fund.

Pursuant to the Investment Agreement, our Group is obliged to repurchase the equity interest held by CDB Development Fund in Guangzhou Daan in accordance with the schedule stated in the Investment Agreement and our Group does not have any unconditional right not to delivering cash to settle our obligation. As such, the investment made by CDB Development Fund in Guangzhou Daan has fulfilled the criteria of financial liabilities under relevant accounting standards and has been recognized as a borrowing in our consolidated financial statements.

REORGANIZATION

Corporate Structure Immediately before the Reorganization

The following chart sets forth a simplified shareholding structure of our Group immediately before the Reorganization:



Notes:

* Subsidiaries to be disposed of or deregistered during the Reorganization

(1) The remaining 20% equity interest in Shanghai Ranfei is held by Mr. Mu Min, a manager of Guangzhou Daan.

(2) On November 26, 2019, Yunkang Industry subscribed for the increased registered capital of Guangzhou Daan of RMB6.586 million at a consideration of RMB200.0 million. Upon completion, Guangzhou Daan was held as to 95.28% and 4.72% by Yunkang Industry and CDB Development Fund, respectively. But the attributable equity interest of Guangzhou Daan is regarded as being held by our Company as to 100% as the investment in Guangzhou Daan by CDB Development Fund is recognized as a borrowing in our financial statements.

(3) The remaining 15% equity interest in Shanghai Tangze Medical Technology Co., Ltd. is held by Mr. Xu Guoli, a manager of Guangzhou Daan.

Steps of the Reorganization

In preparation for the [**REDACTED**], we underwent the following principal steps for the Reorganization:

Offshore Reorganization

Step 1: Incorporation of shareholders' SPVs

In order to subscribe for the Shares, each of the Registered Shareholders set up an offshore SPV, details of which are set out as below:

No.	Registered Shareholder	Offshore Affiliate
1	Da An Gene	Daan International
2	Gaoxin Yangguang	Huizekx Limited
3	Mouduanshan	Mouduans Limited
4	Tongfu Zhongchuang	Tongfuzc Limited
5	Guangzhou Huigang	WJJR Investment Limited
6	Guangzhou Anjianxin	Anjianxin Limited
7	Heyuan Rongwei	Source Capital RW Limited
8	Guangzhou Guoju	Handclass Industries Limited
9	Mr. Lan Fu	Jin Jun Ying Limited
10	Yujiang Anjin	Aagen Limited

On July 12, 2018, YK Development was incorporated in the BVI as a limited liability company and was held as to 70% and 30% by Huizekx Limited and Mouduans Limited.

Step 2: Incorporation of offshore holding companies

Our Company was incorporated in the Cayman Islands under the Cayman Companies Act as an exempted company with limited liability on July 20, 2018 with an authorized share capital of US$50,000 divided into 500,000,000 ordinary shares with a par value of US$0.0001 each. Immediately after the incorporation, our Company allotted and issued 7,000, 1,000, 1,000 and 1,000 shares at par value to Huizekx Limited, Mouduans Limited, Tongfuzc Limited and WJJR Investment Limited, respectively. On March 26, 2019, our Company allotted and issued 3,000, 1,000 and 1,000 shares at par value to Huizekx Limited, Aagen Limited and Jin Jun Ying Limited.

YK HK was incorporated as a direct wholly-owned subsidiary of our Company in Hong Kong on August 14, 2018.

Each of our Company and YK HK has been an investment holding company without substantive business operations since incorporation.

Step 3: Subscription of Shares of our Company

On October 22, 2019, a share subscription agreement was entered into among our Company, Daan International, YK Development, Huizekx Limited, Handclass Industries Limited, Aagen Limited and Anjianxin Limited, pursuant to which:

- our Company allotted and issued 4,695,650 Shares to Daan International, which is a wholly-owned subsidiary of Da An Gene, at par value;
- our Company allotted and issued 5,060,120 Shares to YK Development at par value;
- our Company allotted and issued 104,350 Shares to Anjianxin Limited, at par value;
- our Company allotted and issued 86,960 Shares to Handclass Industries Limited at par value;
- our Company allotted and issued 28,040 Shares to Huizekx Limited at par value; and
- our Company allotted and issued 9,870 Shares to Aagen Limited at par value.

Step 4: Share allotment and transfer of YK Development

On October 22, 2019, a share subscription agreement was entered into among YK Development, Huizekx Limited, Tongfuzc Limited, WJJR Investment Limited, Jin Jun Ying Limited, Mouduans Limited and Source Capital RW Limited, pursuant to which, Huizekx Limited, Mouduans Limited, Tongfuzc Limited, WJJR Investment Limited, Jin Jun Ying Limited and Source Capital RW Limited subscribed for 3,208,250, 1,143,910, 347,830,

139,130, 25,000 and 100,000 shares of YK Development at par value of US$0.0001 each, respectfully. On the same date, Mouduans Limited, Tongfuzc Limited, WJJR Investment Limited and Jin Jun Ying Limited transferred all the Shares held by them to YK Development.

On February 3, 2021, Huizekx Limited transferred all Shares held by it to YK Development at a consideration of par value. Upon the share transfer Huizekx Limited no longer directly held equity interest in our Company. On the same date, YK Development allotted and issued 25,000 and 13,040 Shares to Huizekx Limited and WJJR Investment Limited of a nominal or par value of US$0.0001 each, respectively.

Onshore Reorganization

Step 1: Establishment of the WFOE

On July 10, 2019, Guangzhou Yunkang Health Technology Co., Ltd. (廣州雲康健康科技有限公司) ("**WFOE**") was established in the PRC as a wholly foreign owned enterprise with a registered capital of RMB100 million and it is wholly-owned by YK HK.

Step 2: Contractual Arrangements

On October 22, 2019, the WFOE entered into a series of Contractual Arrangements with Yunkang Industry and the Registered Shareholders, which were restated and amended on December 29, 2020 and February 24, 2021. Pursuant to the Contractual Arrangements our Group acquired effective control over Yunkang Industry and consolidated the results of Yunkang Industry. Please refer to "Contractual Arrangements" for details.

Step 3: Share transfer of Yunkang Health

On February 10, 2021, a share transfer agreement was entered into between WFOE and Yunkang Industry, pursuant to which Yunkang Industry transferred all shares of Yunkang Health held by it to the WFOE. Upon completion, Yunkang Health became a wholly-owned subsidiary of the WFOE.

Step 4: Share transfer of Guangzhou Clinic

On December 25, 2020, a share transfer agreement was entered into between Guangzhou Yunkang and Yunkang Industry, pursuant to which Guangzhou Yunkang transferred 30% shares of Guangzhou Clinic held by it to Yunkang Industry. Upon completion of the above share transfer on January 15, 2021, Guangzhou Clinic is held as to 70% and 30% by Guangzhou Yunkang and Yunkang Industry, respectively.

Step 5: Share transfer of Yunkang Industry

On February 18, 2021, Kangcheng Daan and Gaoxin Yangguang entered into an equity transfer agreement, pursuant to which Kangcheng Daan transferred its interest in Yunkang Industry to Gaoxin Yangguang at a consideration of approximately RMB48.8 million, which was fully paid on February 22, 2021 in cash. On February 20, 2021, Hengqin Haochuang and Gaoxin Yangguang entered into an equity transfer agreement, pursuant to which Hengqin Haochuang transferred its interest in Yunkang Industry to Gaoxin Yangguang at a consideration of approximately RMB24.9 million, which was fully paid on February 23, 2021 in cash. The above-mentioned consideration were determined through arm's length negotiation between the parties with reference to a valuation report issued by an Independent Third Party valuer. On December 29, 2020, Guangzhou Qiyi entered into an equity transfer agreement with Guangzhou Huigang, pursuant to which Guangzhou Qiyi transferred its interest in Yunkang Industry to Guangzhou Huigang at a consideration of RMB6.5 million. The consideration was determined through arm's length negotiation between the parties with reference to a valuation report issued by an Independent Third Party valuer and fully settled on December 29, 2020 in cash.

On April 30, 2021, Kefeng Touan entered into an equity transfer agreement with Gaoxin Yangguang, pursuant to which Kefeng Touan agreed to transfer its interest in Yunkang Industry to Guangzhou Huigang at a consideration of approximately RMB12.46 million. The consideration was determined through arm's length negotiation between the parties with reference to a valuation report issued by an Independent Third Party valuer and fully settled on May 8, 2021 in cash.

Upon completion of the share transfers, Kangcheng Daan, Hengqin Haochuang, Kefeng Touan and Guangzhou Qiyi (together, the "**Former Shareholders**") will no longer hold any interest in the Group. The Former Shareholders did not intend to be involved in the [**REDACTED**] process primarily due to their own difficulties in completing the overseas direct investment registration required pursuant to the Administrative Measures for the Overseas Investment of Enterprises (企業境外投資管理辦法) promulgated by the NDRC and Administrative Measures for Overseas Investment Management (境外投資管理辦法) promulgated by the MOFCOM. Mr. Shao Zuxiang, an ultimate beneficial owner of Guangzhou Qiyi, is the uncle of Ms. Shao Jiaru, an ultimate beneficial owner of Guangzhou Huigang. Save for the above and to the best knowledge of the Company, the Former Shareholders, their shareholders, directors or senior management, or any of their respective associates, do not have any past or present business, employment, family or financing relationships with our Company, our subsidiaries, our shareholders, directors or senior management, or any of their respective associates.

Step 6: Disposal and deregistration of certain PRC subsidiaries

In order to streamline our corporate structure, our Group disposed and deregistered a number of entities within our Group did not have any material business operations or hold any material assets. The table below sets forth the information of subsidiaries which were deregistered.

Name of the subsidiary	Date of deregistration
Zhuhai Hengqin Qihe Life Science Research Institute Co., Ltd. (珠海橫琴齊合生命科學研究院有限公司)	March 3, 2021
Guangzhou Daan Miaoyizhai Biotechnology Co., Ltd. (廣州達安妙醫齋生物科技有限公司)	February 2, 2021
Guangzhou Huashengda Rescue Biotechnology Co., Ltd. (廣州華生達救援生物技術有限公司)	January 28, 2021
Yunkang Primary Medical and Health Research Center of Wuhou District, Chengdu (成都市武侯區雲康基層醫療衛生研究中心) (a private non-enterprise units)	February 22, 2021
Yunkang Smart Medical Services (Guangzhou) Partnership (limited Partnership) (雲康智慧醫療服務(廣州)合夥企業(有限合夥))	June 24, 2021

For details of the disposals, please refer to "—Major Acquisitions, Disposals and Mergers."

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

In order to streamline our corporate structure and focus on the Group's diagnostic testing services business, our Group disposed of the following subsidiaries:

- On January 27, 2021, Yunkang Health, Guangzhou Yunkang and Zhuhai Hengqin Shiwei Kangjie Life Science Research Institute Co., Ltd. (珠海橫琴世衛康傑生命科學研究院有限公司) ("**Shiwei Kangjie**") entered into an equity transfer agreement, pursuant to which Yunkang Health and Guangzhou Yunkang transferred all the shares of Guangzhou Yunkang Medical Technology Research Institute Co., Ltd. (廣州雲康醫學科技研究院有限公司) ("**Yunkang Research Institute**") held by them to Shiwei Kangjie, which is owned as to 60% and 40% by Mr. Zhang Yong and Mr. Lin Yingjia, at a consideration of RMB665,000 and RMB35,000, respectively. Such consideration was determined after arm's length negotiation between the parties with reference to a valuation report issued by an Independent Third Party valuer and fully paid in cash on February 10, 2021. At the time of the disposal, Yunkang Research Institute was solvent. Yunkang Research Institute is mainly engaged in the research and development of testing kits. During the Track Record Period, as we did not have sufficient resources to fully engage in the development process of the testing kits, Yunkang Research Institute engaged third parties to conduct the research and development of testing kits and the employees of our Group supervised

the research and development schedule. The costs of such employees were charged at Yunkang Research Institute. After the disposal, our employees have no relationship with Yunkang Research Institute. Save for the above, there were no sharing of resources or facilities between our Group and Yunkang Research Institute during the Track Record Period and up to the Latest Practicable Date. The amount of net loss incurred by Yunkang Research Institute for the financial years ended December 31, 2018, 2019, 2020 and 2021 prior to the disposal were RMB15.4 million, RMB13.9 million, RMB0.6 million and RMB0.7 million. We and our Directors believe that the disposal of the research and development of testing kits business will not affect our business going forward since (i) such research of testing kits is still in an early stage and the research products would not be available for use by our Group within a short period of time; (ii) there are a lot of uncertainties inherent in the research which requires huge amount of capital support and there is a long process since the commencement of research to the obtaining of the relevant certificate such as the Medical Device Operation License (醫療器械經營許可證); (iii) our Group would focus on the provision of diagnostic testing services; and (iv) there are already testing kits well developed in the market so that they could easily satisfy the Group's needs for diagnostic tests. As such, the disposal of Yunkang Research Institute will not have any adverse impact on the Group's business going forward. During the Track Record Period, Yunkang Research Institute did not supply or sell any testing kits to the Group and no existing testing kit products used by the Group were developed by Yunkang Research Institute.

- On January 29, 2021, Yunkang Industry and Shiwei Kangjie entered into an equity transfer agreement, pursuant to which Yunkang Industry transferred all the shares of Shenzhen Yunkang Medical Service Co., Ltd. (深圳雲康醫學服務有限公司) ("**Yunkang Medical Service**") held by it to Shiwei Kangjie at a consideration of RMB84.3 million. Such consideration was determined after arm's length negotiation between the parties with reference to a valuation report issued by an Independent Third Party valuer and fully paid in cash on February 24, 2021. At the time of the disposal, Yunkang Medical Service was solvent. Yunkang Medical Service is primarily engaged in providing hospital management services to non-profit community health clinics. For details, please refer to "Relationship with our Controlling Shareholders—Delineation of Business—Yunkang Medical Service." During the Track Record Period, all the personnel who worked for Yunkang Medical Service were engaged by the Group. The costs of such employees were charged at Yunkang Medical Service. After the disposal, certain personnel was transferred to Yunkang Medical Service and our employees have no relationship with Yunkang Medical Institute. Save for the above, there were no sharing of resources or facilities between our Group and Yunkang Medical Service during the Track Record Period and up to the Latest Practicable Date. The amount of net loss incurred by Yunkang Medical Service for the financial years ended December 31, 2018, 2019 and 2020 prior to the disposal were RMB6.2 million, RMB6.3 million and RMB9.6 million. The net loss recorded by Yunkang Medical Service for the year ended December 31, 2021 prior to the disposal which was occurred in January 2021 was RMB0.08

million excluding the disposal gains net of tax of RMB10.20 million in respect of the sales of Yunkang Medical Service recognised in the Group. We believe that the disposal of Yunkang Medical Services will not affect our remaining business as (i) there is no synergy effect between management services for non-profit community health clinics and our Group's business; and (ii) the management services provided to non-profit community health clinics are not the business area that we would like to develop.

As of the Latest Practicable Date, the above disposals have been properly and legally completed and all necessary regulatory approvals have been obtained.

Save as disclosed above, during the Track Record Period and up to the Latest Practicable Date, our group did not conduct any major acquisitions or mergers.

PRE-[REDACTED]

Pursuant to the Share Purchase Agreement entered into among YK Development, Huizekx Limited, Mr. Zhang Yong and SPDB HK on February 3, 2021, SPDB HK purchased 100,000 ordinary Shares from YK Development at a consideration of approximately US$9.75 million (equivalent to RMB63.0 million).

The following table sets forth other key particulars of the Pre-[**REDACTED**]:

	Pre-[REDACTED]
Number of Shares subscribed for (before the Share Subdivision)	100,000 ordinary Shares
Date of agreement	February 3, 2021
Date on which the consideration was fully settled	February 5, 2021
Percentage of shareholding upon completion of the Pre-[**REDACTED**]	1%
Percentage of shareholding upon completion of the [**REDACTED**] (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**])	[**REDACTED**]%

	Pre-[REDACTED]
Valuation	RMB6.3 billion
Consideration paid	US$9.75 million (equivalent to RMB63.0 million)
Cost per share paid by the Pre-[**REDACTED**] (as adjusted after the Share Subdivision)	US$1.9504
Premium to the [**REDACTED**][(1)]	[**REDACTED**]%
Basis of determination of the consideration	The consideration of the Pre-[**REDACTED**] was determined after arm's length negotiation among the parties, taking into account the valuation conducted by the SPDB HK based on the valuation report prepared by an independent valuer on January 26, 2021 with reference to the business prospects, results of operation and financial condition of our Group
Use of proceeds from the Pre-[**REDACTED**]	Not applicable. The amount of consideration was paid to YK Development.
Lock-up	The Shares held by the Pre-[**REDACTED**] are not subject to a lock-up period after the [**REDACTED**].
Strategic benefits of the Pre-[**REDACTED**]	Our Directors are of the view that our Company can benefit from the strategic cooperation of the Pre-[**REDACTED**] with our Company, provide us with professional advice on our Group's development and improve our corporate governance, financial reporting and internal control, and also the Pre-[**REDACTED**]'s commitment to our Company as the [**REDACTED**] demonstrates the confidence in our Group and serves as an endorsement of our Group's performance, strength and prospects.

Note:

(1) Assuming the [**REDACTED**] is fixed at HK$[**REDACTED**], being the mid-point of the indicative [**REDACTED**].

Special Rights Granted to SPDB HK

SPDB HK was granted certain special rights under the Pre-[**REDACTED**] including (i) the right to receive financial statements and other information about our Company; (ii) the right to inspect facilities, records and books of our Company at any time; and (iii) the right to request YK Development or Huizekx Limited to repurchase all or a portion of the Shares held by SPDB HK upon its written request in the event of (A) the Company's failure to complete the [**REDACTED**] and [**REDACTED**] or a sale of all or more than 50% of the equity or assets of the Company on or before December 31, 2022; (B) any material breach of the Share Purchase Agreement; or (C) the Company's failure to deliver to SPDB HK its annual consolidated financial statements. All the above special rights granted to SPDB HK will be automatically terminated immediately prior to the [**REDACTED**], save for the repurchase right which was terminated on the date of filing first [**REDACTED**] and shall be reinstated upon the earliest of the withdrawal, rejection or lapse of [**REDACTED**] or the failure of [**REDACTED**] within nine months after the first termination of the repurchase right.

Information about SPDB HK

SPDB HK is a company incorporated in Hong Kong indirectly owned by Shanghai Pudong Development Bank Co., Ltd.. Shanghai Pudong Development Bank Co., Ltd. is a leading PRC bank incorporated on October 19, 1992 with the approval of the PBOC. Shanghai Pudong Development Bank Co., Ltd. was listed on the Shanghai Stock Exchange (stock code: 600000) on November 10, 1999. SPDB HK holds 16.67% interest in SPDB International Capital Limited, one of the Joint Sponsors for the [**REDACTED**].

Public Float

Immediately following the [**REDACTED**] (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**]), SPDB HK will be interested in approximately [**REDACTED**]% of the total issued share capital of our Company. Therefore, SPDB HK will not be a core connected person of our Company and the Shares held by SPDB HK will be counted towards the public float for the purpose of Rule 8.08 of the Listing Rules upon the [**REDACTED**].

Compliance with Interim Guidance and Guidance Letters

On the basis that (i) the consideration for the Pre-[**REDACTED**] was settled no less than 120 clear days before the [**REDACTED**]; and (ii) all the special right granted to SPDB HK as set out above will be automatically terminated immediately prior to the [**REDACTED**], the Joint Sponsors have confirmed that the Pre-[**REDACTED**] 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.

SHARE SUBDIVISION

On February 20, 2022, we conducted the Share Subdivision pursuant to which each share in our issued and unissued share capital was subdivided into fifty shares with par value US$0.000002 each, following which our issued share capital was 499,999,500 Shares with par value of US$0.000002 each.

FACILITY AGREEMENTS AND SECURITY DOCUMENTS

To repay the existing indebtedness owing to Shanghai Goldstate Brilliance Asset Management Co., Ltd. (上海金元百利資產管理有限公司) ("**Shanghai Goldstate**") pursuant to equity interest assignment and repurchase agreements incurred by Huize Kexiang, which owns 100% interest in Gaoxin Yangguang, YK Development as borrower, SPDB HK as lender, and Huizekx Limited and Mouduans Limited as guarantors, entered into the Offshore Facility Agreement on February 9, 2021, pursuant to which the lender extended a US$40 million loan facility to YK Development, among others, (i) 5,002,160 Shares owned by YK Development (equivalent to 50.02% of the total issued Shares as of the Latest Practicable Date) (the "[**REDACTED**] **Shares**"), 3,203,250 and 1,173,910 shares of YK Development owned by Huizekx Limited and Mouduans Limited, respectively, and 100% equity interest in Huizekx Limited owned by Mr. Zhang Yong; and (ii) the book debts, bank accounts, cash collateral, goodwill and uncalled capital and assigned agreements of Huizekx Limited, Mouduans Limited and YK Development (collectively "**Collaterals**") were charged as security interest in favour of the lender. With the consent of the lender, the above-mentioned security will be released before the [**REDACTED**]. The above existing indebtedness owing to Shanghai Goldstate was to refinance the original loan of RMB250 million obtained from Shanghai Futura Too Asset Management Limited (上海華富利得資產管理有限公司) ("**Shanghai Futura Too**") to Huize Kexiang in November 2016. The purpose of the original loan was to partially support the subscription obligation of Mouduanshan in the amount of approximately RMB378 million under the capital increase agreement entered between Yunkang Industry and Mouduanshan on July 5, 2015. Such subscription was completed in December 2016. Currently the loan owed to Shanghai Futura Too and Shanghai Goldstate have been fully repaid and Shanghai Futura Too and Shanghai Goldstate have no other relationships with the Group. Pursuant to the Offshore Facility Agreement, (i) subject to any extension of the repayment date, YK Development shall repay all outstanding principal amount, all accrued and unpaid interest and all other amounts due and payable with respect to the loan in full on the first anniversary of the date on which the loan was made (the "**Utilization Date**"). YK Development can request an extension of the repayment date to the second anniversary of the Utilization Date by way of delivering an extension agreement; and (ii) the interest period in relation to the loan is three months and the rate of interest for each interest period is 11.0% per annum. On February 9, 2022, the same parties entered into a New Offshore Facility Agreement pursuant to which the lender extended a US$40 million loan facility to YK Development to fund the repayment of all amounts outstanding under the Offshore Facility Agreement dated February 9, 2021. The US$40 million loan facility under the New Offshore Facility Agreement has been fully drawn down on February 11, 2022. The same Collaterals were charged as security interest in favour of the lender. Under the New Offshore Facility Agreement, the borrower may request certain security

documents (including the [**REDACTED**] Shares, 3,203,250 and 1,173,910 shares of YK Development owned by Huizekx Limited and Mouduans Limited and 100% equity interest in Huizekx Limited owned by Mr. Zhang Yong) to be released within 3 business days after the signing date of the [**REDACTED**]. It is expected that the security mentioned above will be fully released before the [**REDACTED**]. Upon the [**REDACTED**], the [**REDACTED**] Shares will be deposited into a custodian account which is to be held with SPDB International Securities Limited as custodian. The [**REDACTED**] Shares are expected to be pledged after the expiry of any statutory or contractual lock-up period that the borrower is required to comply with in respect of [**REDACTED**] in the [**REDACTED**] Shares.

In addition, to partly finance the purchase of minority stake in Yunkang Industry, Gaoxin Yangguang as borrower and SPDB Guangzhou Wuyang Branch as lender, entered into the Onshore Facility Agreements on February 20, 2021 and February 22, 2021, pursuant to which the lender extended an approximately RMB344.21 million loan to Gaoxin Yangguang. Pursuant to the Onshore Facility Agreements and the related security documents, among others, (i) 119,600,000 shares of Yunkang Industry held by Gaoxin Yangguang were pledged to SPDB Guangzhou Wuyang Branch; and (ii) Gaoxin Yangguang shall repay the total loan amounts in seven years from the date on which the loan was made and the rate of interest equals to the relevant loan prime rate for a period longer than five years announced by the People's Bank of China or its designated institute (中國人民銀行或其指定發佈人公佈的5年期以上貸款市場報價利率) ("**LPR**"). The above-mentioned share pledge was released in May 2021. As an alternative it is expected that after the expiry of any statutory or contractual lock-up period up to 250,108,000 Shares (equivalent to [**REDACTED**]% of the total issued Shares upon completion of the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised) held by YK Development will be pledged.

Based on the repayment schedule under the Onshore Facility Agreements, Gaoxin Yangguang does not have any repayment obligation in respect of the principal in the first year since the date of drawdown under the Onshore Facility Agreements. Sufficient deposit has been made in respect of the repayment under the Onshore Facility Agreements for the first year after the [**REDACTED**].

Pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange that it will observe its respective obligations, including to inform us in writing from time to time the number of Shares subject to the share charge during the term of the Facility Agreements. We will also inform the Stock Exchange as soon as we have been informed that the Shares under such share charge will be disposed of, and disclose such information by way of an announcement as soon as possible. Please also see "Risk Factors—Risks Relating to Our Operations—Certain equity interests of our Controlling Shareholders, shares in our Company and registered capital of Yunkang Industry are charged as security interests pursuant to the Facility Agreements and the related security documents. A default under such Facility Agreements could result in the enforcement of the security interests, which could materially and adversely affect our Controlling Shareholders' ownership in our Group."

PRC REGULATORY REQUIREMENTS

As confirmed by our PRC Legal Advisers, we have obtained and completed all necessary approvals, registrations and/or procedures in all material aspects from the relevant PRC regulatory authorities in respect of the steps of the Reorganization in relation to our PRC subsidiary as described above.

M&A Rules

According to the Regulations on Merger with and Acquisition of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定) (the "**M&A Rules**") jointly issued by the MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council, the SAT, the CSRC, SAIC and the State Administration of Foreign Exchange, or SAFE, on August 8, 2006, effective as of September 8, 2006 and amended on June 22, 2009, a foreign investor is required to obtain necessary approvals from MOFCOM or the department of commerce at the provincial level when it (i) acquires the equity of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (ii) subscribes the increased capital of a domestic enterprise so as to convert the domestic enterprise into a foreign-invested enterprise; (iii) establishes a foreign-invested enterprise through which it purchases the assets of a domestic enterprise and operates these assets; or (iv) purchases the assets of a domestic enterprise, and then invests such assets to establish a foreign invested enterprise. Our PRC Legal Adviser is of the opinion that prior MOFCOM approval for the [**REDACTED**] is not required because none of the incorporation or acquisition of the PRC subsidiaries of the Group involves the merger with or acquisition of the equity or asset of a PRC domestic enterprise, as described under the M&A Rules. However, there is uncertainty as to how the M&A Rules will be interpreted or implemented and we cannot assure you that relevant PRC governmental authorities, including the MOFCOM, would reach the same conclusion as our PRC Legal Adviser.

SAFE Circular 37

According to the SAFE Circular 37, PRC residents shall register with local branches of SAFE in connection with their direct establishment or indirect control of an offshore entity, or a special purpose vehicle, 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. The SAFE Circular 37 further requires amendment to the registration in the event of any changes with respect to the basic information of or any significant changes with respect to the special purpose vehicle. If the shareholders of the offshore holding company who are PRC residents do not complete their registration with the local SAFE branches, the PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the offshore company, and the offshore company may be restricted in its ability to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with SAFE registration and amendment requirements described above could result in liability under PRC law for evasion of applicable foreign exchange restrictions.

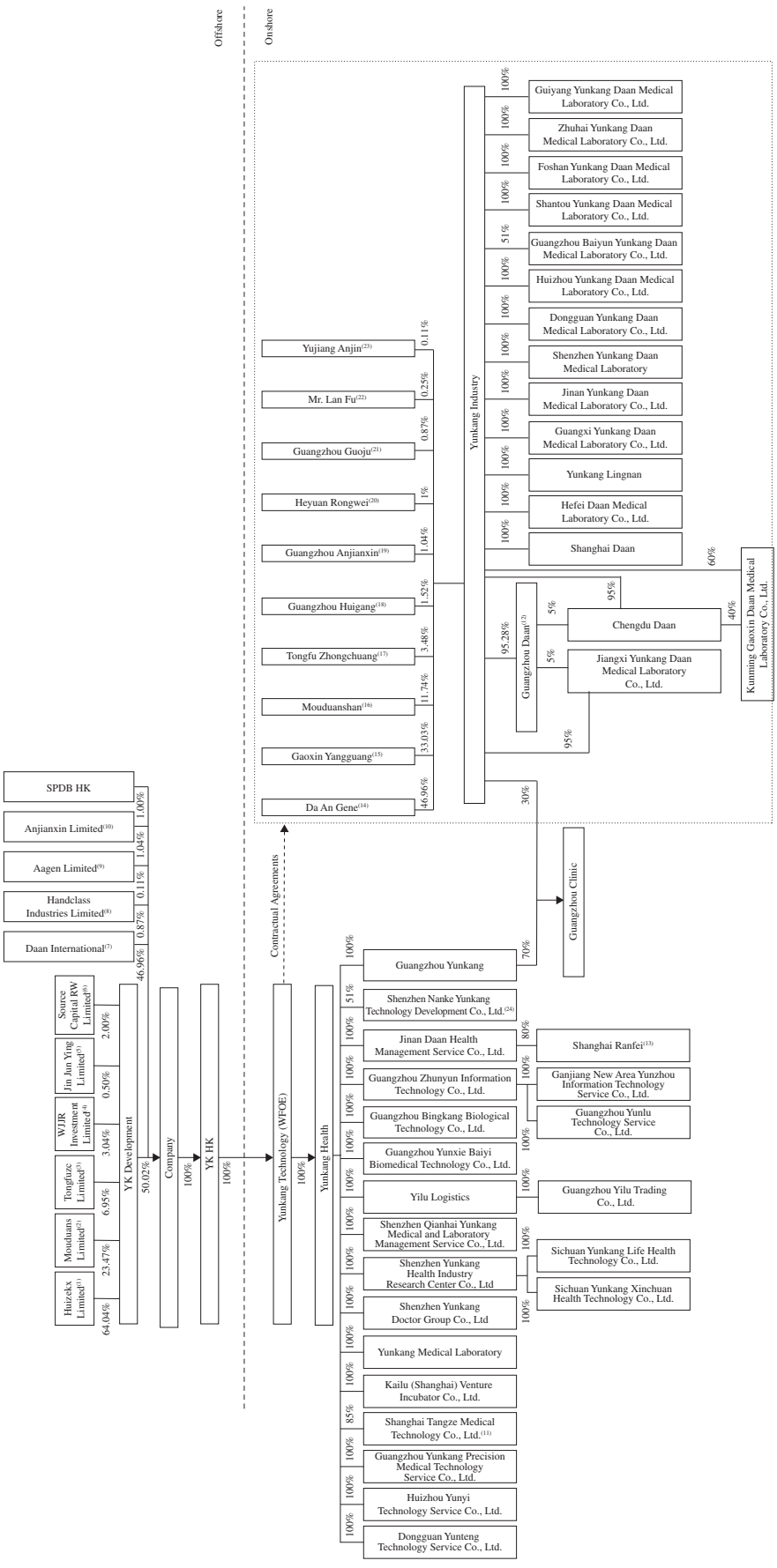
Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (the "**SAFE Circular 13**"), promulgated by SAFE and which became effective on June 1, 2015, the power to accept SAFE registration was delegated from local SAFE to local banks under SAFE Circular 37.

As of the Latest Practicable Date, each of our individual beneficial owners who is required to complete the registration under SAFE Circular 37 and SAFE Circular 13 has duly completed the foreign exchange registrations on July 3 2019 in relation to their offshore investments as PRC residents.

SHAREHOLDING AND CORPORATE STRUCTURE

After Completion of the Reorganization and Immediately Before the [REDACTED]

A simplified corporate structure of our Group immediately following the completion of the Reorganization and prior to the completion of the [REDACTED] is as follows:



Notes:

(1) Huizekx Limited is wholly-owned by Mr. Zhang Yong;

(2) Mouduans Limited is owned as to 80% and 20% by Mr. Wang Tieding, vice president of our Company, and Mr. Lin Yingjia, chief financial officer of our Company, respectively;

(3) Tongfuzc Limited is owned as to 50% and 50% by Mr. Zeng Weizhong and Mr. Huang Zemeng, respectively, who are Independent Third Parties;

(4) WJJR Investment is owned as to 50% and 50% by Ms. Luo Xingcui and Ms. Shao Jiaru, respectively, who are Independent Third Parties;

(5) Jin Jun Ying is wholly-owned by Mr. Lan Fu;

(6) Source Capital RW Limited is wholly-owned by Shanghai Yuanzhan Enterprise Management Consulting Limited Partnership (上海元綻企業管理諮詢合伙企業), which is owned as to 98% by Heyuan Rongwei;

(7) Daan International is a wholly-owned subsidiary of Da An Gene;

(8) Handclass Industries Limited is a wholly-owned subsidiary of Guangzhou Hi-tech Investment Group Co., Ltd (廣州高新區投資集團有限公司), which holds 100% equity interest of Guangzhou Guoju;

(9) Aagen Limited is owned as to 99.99% and 0.01% by Mr. Cheng Gang and Ms. Mo Zhuohua, respectively, who are Independent Third Parties;

(10) Anjianxin Limited is wholly-owned by Shanghai Anli Enterprise Management Consulting Partnership (Limited Partnership) 上海安磯企業管理諮詢合伙企業(有限合伙), which is owned as to 99.9% by Guangzhou Anjianxin;

(11) The remaining 15% equity interest in Shanghai Tangze Medical Technology Co., Ltd. is held by Mr. Xu Guoli, a manager of Guangzhou Daan;

(12) On November 26, 2019, Yunkang Industry subscribed for the increased registered capital of Guangzhou Daan of RMB6.586 million at a consideration of RMB200.0 million. Upon completion, Guangzhou Daan was held as to 95.28% and 4.72% by Yunkang Industry and CDB Development Fund, respectively. But the attributable equity interest of Guangzhou Daan is regarded as being held by our Company as to 100% as the investment in Guangzhou Daan by CDB Development Fund is recognized as a borrowing in our financial statements;

(13) The remaining 20% equity interest in Shanghai Ranfei is held by Mr. Mu Min, a manager of Guangzhou Daan;

(14) Da An Gene is controlled by The People's Government of Guangzhou Municipality (廣州市人民政府). It is a Registered Shareholder;

(15) Gaoxin Yangguang is wholly-owned by Mr. Zhang Yong. It is a Registered Shareholder and a party to the Concert Party Agreement;

(16) Mouduanshan is held as to 63.3%, 20% and 16.7% by Gaoxin Yangguang, Mr. Lin Yingjia and Mr. Wang Tieding, respectively. It is a Registered Shareholder and a party to the Concert Party Agreement;

(17) Tongfu Zhongchuang is owned as to 50% and 50% by Mr. Zeng Weizhong and Mr. Huang Zemeng, respectively, who are Independent Third Parties. It is a Registered Shareholder and a party to the Concert Party Agreement;

(18) Guangzhou Huigang is owned as to 50% and 50% by Yujiang County Yongsheng Investment Management Center (余江縣永聖投資管理中心) and Yujiang County Ganghong Investment Management Center (余江縣港宏投資管理中心), respectively, who are Independent Third Parties. It is a Registered Shareholder and a party to the Concert Party Agreement;

(19) Guangzhou Anjianxin is controlled by Mr. Cheng Gang, an Independent Third Party. It is a Registered Shareholder;

(20) Heyuan Rongwei is managed by its fund manager, Heyuan Capital Management Co., Ltd. (合源資本管理有限公司), which is in turn controlled by Sun Life Everbright Asset Management Co., Ltd. (光大永明資產管理股份有限公司). Heyuan Rongwei is a Registered Shareholder and a party to the Concert Party Agreement;

(21) Guangzhou Guoju is controlled by Management Committee of Guangzhou Economic & Technological Development District (廣州經濟技術開發區管理委員會). It is a Registered Shareholder;

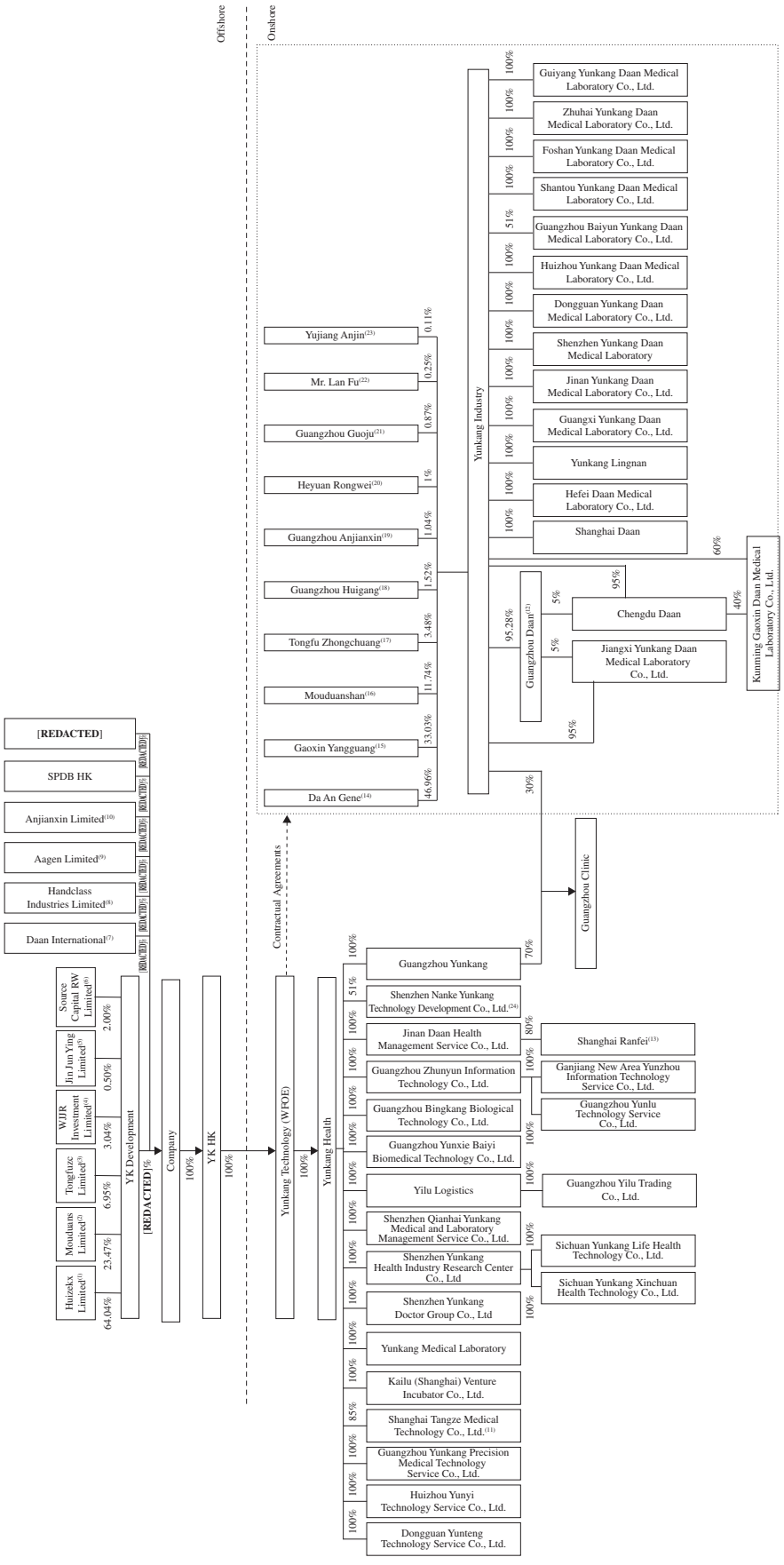
(22) Mr. Lan Fu is a Registered Shareholder and a party to the Concert Party Agreement;

(23) Yujiang Anjin is controlled by Mr. Cheng Gang, an Independent Third Party. It is a Registered Shareholder;

(24) The remaining 49% equity interest in Shenzhen Nanke Yunkang Technology Development Co., Ltd. is held by Nanke Chuangyuan Technology Development (Shenzhen) Co., Ltd (南科創園科技發展(深圳)有限公司), a limited company established in the PRC.

Immediately following the completion of the [REDACTED]

Immediately following the completion of the **[REDACTED]** (assuming the **[REDACTED]** is not exercised), a simplified corporate structure of our Group will be as follows:



Notes:

(1) Huizekx Limited is wholly-owned by Mr. Zhang Yong;

(2) Mouduans Limited is owned as to 80% and 20% by Mr. Wang Tieding, vice president of our Company, and Mr. Lin Yingjia, chief financial officer of our Company, respectively;

(3) Tongfuzc Limited is owned as to 50% and 50% by Mr. Zeng Weizhong and Mr. Huang Zemeng, respectively, who are Independent Third Parties;

(4) WJJR Investment is owned as to 50% and 50% by Ms. Luo Xingcui and Ms. Shao Jiaru, respectively, who are Independent Third Parties;

(5) Jin Jun Ying is wholly-owned by Mr. Lan Fu;

(6) Source Capital RW Limited is wholly-owned by Shanghai Yuanzhan Enterprise Management Consulting Limited Partnership (上海元綻企業管理諮詢合伙企業), which is owned as to 98% by Heyuan Rongwei;

(7) Daan International is a wholly-owned subsidiary of Da An Gene;

(8) Handclass Industries Limited is a wholly-owned subsidiary of Guangzhou Hi-tech Investment Group Co., Ltd (廣州高新區投資集團有限公司), which holds 100% equity interest of Guangzhou Guoju;

(9) Aagen Limited is owned as to 99.99% and 0.01% by Mr. Cheng Gang and Ms. Mo Zhuohua, respectively, who are Independent Third Parties;

(10) Anjianxin Limited is wholly-owned by Shanghai Anli Enterprise Management Consulting Partnership (Limited Partnership) 上海安礫企業管理諮詢合伙企業(有限合伙), which is owned as to 99.9% by Guangzhou Anjianxin;

(11) The remaining 15% equity interest in Shanghai Tangze Medical Technology Co., Ltd. is held by Mr. Xu Guoli, a manager of Guangzhou Daan;

(12) On November 26, 2019, Yunkang Industry subscribed for the increased registered capital of Guangzhou Daan of RMB6.586 million at a consideration of RMB200.0 million. Upon completion, Guangzhou Daan was held as to 95.28% and 4.72% by Yunkang Industry and CDB Development Fund, respectively. But the attributable equity interest of Guangzhou Daan is regarded as being held by our Company as to 100% as the investment in Guangzhou Daan by CDB Development Fund is recognized as a borrowing in our financial statements;

(13) The remaining 20% equity interest in Shanghai Ranfei is held by Mr. Mu Min, a manager of Guangzhou Daan;

(14) Da An Gene is controlled by The People's Government of Guangzhou Municipality (廣州市人民政府). It is a Registered Shareholder;

(15) Gaoxin Yangguang is wholly-owned by Mr. Zhang Yong. It is a Registered Shareholder and a party to the Concert Party Agreement;

(16) Mouduanshan is held as to 63.3%, 20% and 16.7% by Gaoxin Yangguang, Mr. Lin Yingjia and Mr. Wang Tieding, respectively. It is a Registered Shareholder and a party to the Concert Party Agreement;

(17) Tongfu Zhongchuang is owned as to 50% and 50% by Mr. Zeng Weizhong and Mr. Huang Zemeng, respectively, who are Independent Third Parties. It is a Registered Shareholder and a party to the Concert Party Agreement;

(18) Guangzhou Huigang is owned as to 50% and 50% by Yujiang County Yongsheng Investment Management Center (余江縣永聖投資管理中心) and Yujiang County Ganghong Investment Management Center (余江縣港宏投資管理中心), respectively, who are Independent Third Parties. It is a Registered Shareholder and a party to the Concert Party Agreement;

(19) Guangzhou Anjianxin is controlled by Mr. Cheng Gang, an Independent Third Party. It is a Registered Shareholder;

(20) Heyuan Rongwei is managed by its fund manager, Heyuan Capital Management Co., Ltd. (合源資本管理有限公司), which is in turn controlled by Sun Life Everbright Asset Management Co., Ltd. (光大永明資產管理股份有限公司). Heyuan Rongwei is a Registered Shareholder and a party to the Concert Party Agreement;

(21) Guangzhou Guoju is controlled by Management Committee of Guangzhou Economic & Technological Development District (廣州經濟技術開發區管理委員會). It is a Registered Shareholder;

(22) Mr. Lan Fu is a Registered Shareholder and a party to the Concert Party Agreement;

(23) Yujiang Anjin is controlled by Mr. Cheng Gang, an Independent Third Party. It is a Registered Shareholder;

(24) The remaining 49% equity interest in Shenzhen Nanke Yunkang Technology Development Co., Ltd. is held by Nanke Chuangyuan Technology Development (Shenzhen) Co., Ltd (南科創園科技發展(深圳)有限公司), a limited company established in the PRC.

OVERVIEW

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

Currently, diagnostic tests are widely applied in medical treatments as the test results can help identify an individual's medical issues and therefore form the basis for doctors to determine the most suitable treatment plan. Starting from 2008, we provide standardized diagnostic outsourcing services for medical institutions by performing diagnostic tests and conducting results analysis. Under this model, medical institutions send test samples to our ICLs for diagnostic testing and issuance of testing reports and pay us diagnostic service fees based on the types and quantities of tests performed at our ICLs. Leveraging our six ICLs in China, we have gradually grown to become a platform with a growing menu of over 2,000 tests and over 50 million diagnostic tests performed in 2021, accounting for a market share of 3.0% in China's diagnostic outsourcing service market in terms of revenue in 2020, according to Frost & Sullivan.

In the past decade, in response to certain policies promulgated by the PRC governments to promote and encourage medical institution alliances, many medical institutions formed alliances to improve their overall diagnostic testing capacities and capabilities. They started to establish diagnostic centers at their sites, especially at those lead hospitals. According to Frost & Sullivan, the widely used term "medical institution alliance" refers to regional healthcare system consisting of primary, secondary and tertiary medical institutions, under which medical resources, especially diagnostic capacities, can be shared efficiently, aiming to improve the service quality of primary medical institutions, promote the optimal allocation of medical resources, allocate patients to the appropriate hospitals depending on their medical conditions, and balance the uneven distribution of medical resources and diagnosis demands in China. Normally, there will be one lead hospital, usually being a Class III or Class II hospital, that will take lead of the operation and management of the medical institution alliance and its on-site diagnostic center usually being established at the lead hospital. Through the on-site diagnostic center, all the member hospitals can benefit from the standardized and professional diagnostic services by delivering test samples to the corresponding lead hospital. Driven by this, the cumulative number of on-site diagnostic centers in China increased from 396 as of 2016 to 916 as of 2020 at a CAGR of 23.3%, according to Frost & Sullivan. Through this model, medical institutions within the same medical institution alliance do not need to deliver test samples to different outsourced ICLs and may perform diagnostic testing on-site at the corresponding

diagnostic center. Further, member hospitals may also enjoy the service of the diagnostic center by sending test samples to the lead hospital and enjoy the same diagnostic service of the lead hospital without separately engaging ICLs. Observing these emerging medical needs, other than diagnostic testing services, we also provide technical supports such as assistance in daily operations, testing equipment and on-site technicians to lead hospitals for establishing and operating on-site diagnostic centers to facilitate the on-site testing services, coordination between lead and member hospitals, and etc. We started to provide diagnostic testing services for medical institution alliances at such on-site diagnostic centers in different medical specialties such as pathology, infectious disease and genetic disease in 2013. In return, we charge them diagnostic service fees based on the types and quantities of tests performed. Not only are the diagnostic tests conducted at these on-site diagnostic centers, but such collaboration also creates opportunities for our nearby ICLs to provide other diagnostic testing services for the member hospitals within the alliances if the centers are not capable of providing testing services, as per the service and collaboration agreements. As of December 31, 2018, 2019, 2020 and 2021 and the Latest Practicable Date, we had assisted in establishing and operating 79, 132, 199, 275 and 310 on-site diagnostic centers. We are developing and expanding our businesses and we served approximately 1.0% of all the medical institution alliances during the Track Record Period and up to the Latest Practicable Date. In 2020, we had a market share of 12.5% in China's diagnostic testing services for medical institution alliances market in terms of revenue, according to Frost & Sullivan.

We believe diagnostic expertise and standardized testing capabilities are crucial to our success. We are constantly adopting new technologies for testing, encompassing all major clinical laboratory technology platforms, including immunological detection, mass spectrometry, PCR, high-throughput sequencing, liquid chip, ultra-micro pathological morphology and digital pathology remote diagnosis. We are also committed to bringing international standards and guidelines to medical institutions in China. We are the only execution partner of CLSI's healthcare business with the joint objectives to improve the overall performance of clinical laboratories in China. We are also the only branch office of CLSI in China which enable us to enhance our diagnostic capability in accordance with international standards and demonstrating the recognition of our diagnostic testing capabilities.

We believe that the success of our business model is also evidenced in our broad and loyal network of medical institution customers. During the Track Record Period and up to the Latest Practicable Date, our network covered over 3,200 customers primarily consisting of hospitals and other medical institutions and served over 300 medical institution alliances. Our customers also consist of certain non-medical institutions, including financial institutions and insurance companies. By offering standardized and high caliber services to and closely collaborating with customers, we have enjoyed strong customer loyalty and stickiness, having worked with many of our major customers for over five years.

As a medical operation services provider in China, we have been able to achieve sustainable growth through our diagnostic expertise and strong standardization capabilities, a broad and loyal customer base, and an experienced management team. We believe these competitive strengths are difficult to replicate and we are well positioned to capture the significant growth potential of China's medical operation service market.

COMPETITIVE STRENGTHS

A medical operation services provider in China, strategically focused on diagnostic testing to capture significant market opportunities

We are a medical operation services provider in China providing professional and standardized diagnostic testing services through either ICLs or on-site diagnostic centers, which cover major medical specialties of pathology, infectious diseases and genetic diseases. In 2020, we had a market share of 3.7% in China's medical operation service market in terms of revenue, according to Frost & Sullivan.

Over the past decade, the PRC government has made significant efforts to reform the healthcare industry in China to address the uneven distribution of medical resources. The PRC government has endeavored to improve the technical capabilities and service quality of smaller and regional hospitals and other medical institutions to support an HDTS where patients are directed to the appropriate hospital or clinic based on their medical condition, instead of patients being concentrated in a handful of Class III hospitals in China. Under HDTS, first diagnosis shall be primarily performed at primary medical institutions, which need to have sufficient diagnostic capacities and capabilities so that patients can be referred to the most suitable medical institution for treatment. As such, the implementation of HDTS presents significant demands for medical operation services to enhance the diagnostic capacities and/or capabilities of medical institutions. We were one of the first movers in providing medical operation services for medical institutions in China to assist them under the backdrop of such reforms, according to Frost & Sullivan. We have participated in key projects, such as collaborating with CLSI to improve the capabilities, quality and sustainability of clinical laboratories in China and assisting in the development of medical institution alliances, regional associations of hospitals, community healthcare centers and clinics and other medical institutions aimed at optimizing the allocation of medical resources and building the health-focused HDTS in China. Driven by the healthcare reforms and the intensified need for diagnostic testing services of medical institutions, the PRC market for medical operation services is expected to grow from RMB30,694.9 million in 2020 to RMB47,946.1 million in 2025 at a CAGR of 9.3%, according to Frost & Sullivan.

We have strategically laid a foundation for our business through diagnostic testing, which is often an essential prerequisite to direct patients to the appropriate hospitals and other medical institutions. We aim to expand our portfolio of medical operation services based on the relationship developed with medical institutions through our diagnostic testing services. With over 13 years of ICL operations experience, we are well-positioned in helping medical institutions, especially Class II and smaller institutions, enhance their diagnostic capacities and quality by providing diagnostic testing services to them or assisting in building on-site diagnostic centers. As a result, we have become a platform of medical operation services in China, covering major medical specialties of pathology, infectious diseases and genetic diseases with a growing menu of over 2,000 tests, which covered over 70% of major diagnostic testing categories in the medical operation service market in 2020, according to Frost & Sullivan. We have developed a deep and broad network of over 200 on-site diagnostic centers.

We conduct an aggregate of over 50 million diagnostic tests in 2021 through our ICLs and on-site diagnostic centers. As we expand our business in medical operation services, we believe that our first-mover position in providing diagnostic testing services for medical institution alliances will enable us to capture significant market opportunities for future growth.

An expertise-driven platform in China, empowering hospitals to build up international-standard testing systems

We are an expertise-driven platform in China with the ability to empower hospitals to build up international-standard testing systems by offering a high level of expertise in diagnostic technologies, standards and operations. Leveraging our six ICLs, we have successfully built an expertise-driven platform with a testing menu of over 2,000 tests, which we believe forms a strategic advantage that sets us apart from competitors. We believe our diagnostic expertise and standardized testing capabilities are crucial to our historical success.

Diagnostic expertise. Since our inception in 2008, we have focused on applying the latest technologies in the medical operation services industry and developing a full suite of diagnostic capabilities to provide omni-scenario and customized solutions for our customers.

- *Technology expertise*. We are constantly adopting new technologies for diagnostic testing. Our ICLs are equipped with a full suite of diagnostic capabilities, encompassing all major clinical laboratory technology platforms, including immunological detection, mass spectrometry, PCR, high-throughput sequencing, liquid chip, ultra-micro pathological morphology and digital pathology remote diagnosis. In response to the COVID-19 pandemic, we have rapidly adopted COVID-19 diagnostic techniques at our Guangzhou and other clinical laboratories, which had an aggregate daily testing capacity of 380,000 tubes, and had tested over 90 million people as of the Latest Practicable Date.

- *Industry recognition*. We have gained widespread industry recognition for our diagnostic testing services, reflecting our market position and competitiveness. Our Guangzhou laboratory owns one of the few organizations in China recognized as a *National Genetic Testing Technology Application Demonstration Center* (國家基因檢測技術應用示範中心) by the NDRC. Our Guangzhou and Shanghai laboratories had passed the National Tumor Somatic Mutation High-sequencing Bioinformatics Detection Quality Evaluation (全國腫瘤體細胞突變高通量測序檢測生物信息學分析室間質量評價統計結果) organized by the National Center for Clinical Laboratories (國家衛生健康委臨床檢驗中心) in August 2020. Our Guangzhou laboratory was also among the first batch of laboratories to be appointed as high-throughput sequencing pilot centers for pre-natal and pathological testing and diagnosis projects by the PRC National Health Commission. Our Guangzhou laboratory was named as a biopharmaceutical engineering technology research center (醫藥生物工程技術研究中心) by the PRC Ministry of Health and a joint

engineering laboratory of the NDRC. Moreover, we have one of the pilot centers in China for the implementation of the new *Pharmaceutical Cold Chain Logistics Industry Standard* (藥品冷鏈物流運作規範).

- *Strategic partnerships*. We believe it is crucial to stay at the forefront of technological advancements and academic research. We collaborate with a number of renowned healthcare organizations and academic institutions in China and globally. For example, we collaborated with Fudan University (復旦大學) to implement an advanced healthcare reform initiative in health promotion and diagnostic testing. Under this five-year project, we worked with Fudan University to explore a feasible mechanism for developing collaborative services and promoting hierarchical diagnosis services, promote the industrialization of scientific research results and jointly train highly qualified personnel. Under the collaboration, Fudan University and us jointly organized training programs for medical institutions. In addition, we are collaborating with the American Telemedicine Association ("**ATA**") with respect to the application of advanced telemedical technologies in China. Through this collaboration, ATA and us agreed to jointly promote advanced telemedical technologies, products and methods in China and design telemedicine projects in China to establish demonstration and promotion bases of telemedicine research and application.

Strong standardization capabilities. Through empowering hospitals with high caliber standardized testing capabilities, we are able to not only drive industry standardization, but also become the collaborator of choice for medical institutions, which we believe can cement our position as a key participant in the diagnostic testing and medical operation services value chain in China. Our capabilities are demonstrated by the following:

- *International standards*. By helping hospitals establish international quality standards in diagnostic testing, we are able to achieve the rapid and scalable growth of our business. We are the only execution partner of CLSI's healthcare business and the only branch office of CLSI in China, which demonstrates our international standards and recognition. CLSI is a globally recognized not-for-profit standards development organization, whose standards are recognized by laboratories, accreditors and government agencies globally to improve medical laboratory testing. We are also the first and only company in China to participate in promoting the standards of the *PRC Grassroots Medical Laboratory Quality and Capability Standards Handbook* with CLSI, in order to advance the quality of grassroots medical care and promote the adoption of international standards, and in turn increase the overall recognition and capability of grassroots medical institutions in China to achieve optimal patient and resource allocation.

- *Industry accreditations.* We have obtained accreditation from the American Society for Clinical Pathology, the leading organization for pathology globally according to Frost & Sullivan, and our operations meet ISO quality standards, reflecting the international-level quality and global recognition of our diagnostic results.

According to Frost & Sullivan, we have the largest number of ICLs in China that hold both ISO15189 and CAP certifications. Our industry accreditations reflect our high level of quality and technical capability.

Committed to bringing international standards and guidelines to medical institutions in China, we started our business with a foundation in diagnostic testing and have since expanded our portfolio of medical operation services, which helps not only to establish a competitive barrier but also form a close and equal partnership with hospitals, and we believe has made us an indispensable part of the medical institution alliances we serve.

Diagnostic testing services for medical institution alliances enabling scalable and rapid business growth

We provide diagnostic testing services for medical institution alliances by assisting in establishment and operation of their on-site diagnostic centers in China, which we believe can facilitate better provision of our services with a deeper understanding of their demands and in turn become reliable sources of revenue in the future. We believe that this business model enables us to address the needs of key stakeholders in the healthcare system, from medical institutions at all levels in China to reallocate medical resources with the potential to improve their efficiency by conducting more diagnostic tests at these on-site diagnostic centers and focusing medical resources on appropriate patients, to the government in implementing healthcare reforms, and to patients that seek better quality and accessible healthcare services. Our ability to address these needs and integrate our services with the operation of the medical institution alliances instead of a single hospital will enhance the satisfaction of member hospitals and other medical institutions that we work with, which in turn, increases customer loyalty and enables us to develop a sustainable and growing business network.

Leveraging our standardized diagnostic services, we are able to apply international quality and technical standards in areas of clinical laboratory testing and telepathology to the on-site diagnostic centers. Our services are supported by six operating modules, namely, overall business planning, quality control, hierarchical diagnosis and treatment, marketing, smart logistics and supply chain. Supported by these functions, we are able to provide modularized diagnostic testing services at on-site diagnostic centers to meet each hospital's specific needs, while maintaining efficient and standardized day-to-day operation. Through standardized processes and workflows offered by our operating platforms, our customers can increase their diagnostic capacities, operational management and quality control, enabling them to scale up their operations and achieve standardization, addressing their needs.

We believe that the success of our business model is evidenced in the fast growth of diagnostic centers that we assisted in building. We have achieved scalability with the number of such diagnostic centers increasing from 79 as of year-end 2018 to 275 as of year-end 2021, at a CAGR of 51.6%. We are gradually expanding our presence in smaller cities and regions to cover more grassroot medical institutions, and have established representative offices with specialized personnel to rapidly respond to customer needs in 11 cities nationwide, which we believe will better serve these areas.

Loyal customer network with broad nationwide coverage

Through our self-operated ICLs and on-site diagnostic centers, we are able to provide services to and cover a broad network of medical institution customers in China. As of December 31, 2021, the hospitals we collaborated with were located across 31 provinces and municipalities in China, with a majority of such hospitals located in Guangdong province, where our headquarters are located. As of the Latest Practicable Date, we had also assisted in establishing and operating 310 on-site diagnostic centers.

We are also actively growing our network in the speciality areas of infectious diseases, tumors, genetics and reproduction. As our COVID-19 testing business grows, we aim to rapidly scale up on-site diagnostic centers in light of the significant market demand and build the largest infectious disease diagnostic network in China.

By offering standardized and high caliber services to and closely collaborating with our customers, we have enjoyed strong customer loyalty and stickiness. As of the Latest Practicable Date, over 60% of our major diagnostic outsourcing service customers have been doing business with us for five years or more. We generally sign three to five year contracts for the on-site diagnostic centers, reflecting long-term commitment and our solid relationship with our customers. Our customers' satisfaction is also reflected in the growing share of customers' wallet that we have been able to achieve, successfully cross-selling our services across disease areas. Through our Yunkang intelligent technology systems, which are specifically designed for the operations of on-site diagnostic centers, we are able to track the active users of our services in real time and provide timely services, especially by connecting directly with our customers' testing equipment, which we believe has also enhanced customer loyalty. Through our broad and highly loyal customer base, we believe we are able to achieve strong synergies across medical specialties, lower our operating cost and realize economies of scale, laying a solid foundation for our rapid and profitable growth going forward.

Experienced senior management and high caliber team

We are led by a senior management team with some of them having over 20 years of experience in the medical operation services industry. With a deep understanding of market demands, opportunities, trends and key technologies, our senior management team determines our strategic direction and leads our business growth. Our five-member senior management team comprises Mr. Zhang Yong, our chairman of the Board and chief executive officer, Mr. Wang Xubo, our executive vice president, Mr. Lin Yingjia, our chief financial officer, Mr. Hu Shanghua and Mr. Wang Tieding, each a vice president. These dedicated industry veterans have complementary skill sets in management, finance, business operations, human resources and administration to successfully manage and operate our business.

We believe that our technical personnel are the foundation of our success. To support our rapid development, we focus on continuously training and cultivating home grown professional talents. In 2016, we cooperated with Sun Yat-sen University and established Yunkang Medical and Health Management College program ("**Yunkang College**") to provide training on clinical

and pathological diagnostics. At Yunkang College, our employees will provide practical courses to its students from time to time and we may offer internship or full-time job opportunities to its students and graduates. We believe this program offers us the precious opportunities to attract young talents from one of the leading universities in China and also enhance our brand awareness. In 2020, 20% of Yunkang College's first graduating class joined us. We expect more graduates from Yunkang College to join us upon graduation to improve our talent reserve.

BUSINESS STRATEGIES

We strive to achieve our long-term goal of helping optimize medical resources allocation and accelerate industry transformation. In particular, we intend to implement the following business strategies:

Continue to expand and deepen our medical institution alliance network

We plan to ramp up efforts to expand our diagnostic testing services for medical institution alliances business. As of the Latest Practicable Date, there were 28 ongoing projects on on-site diagnostic centers with hospitals, which had not yet commenced operation as the relevant hospitals were undergoing internal approval procedures as of the same date. Normally, it takes two to three months for these medical institutions to complete their internal approval procedures. For certain hospitals that do not currently have diagnostic capacities, we intend to help them improve laboratories and help them manage and operate such laboratories. Over the next few years, we plan to primarily focus on pathology, genetic and infectious disease laboratories for medical institution alliances and further improve their precision medicine capability.

The initial investment amount for setting up each pathology diagnostic center and each infectious disease diagnostic center is expected to be approximately RMB600,000 and the initial investment amount for setting up each genetic disease diagnostic center is expected to be RMB2.0 million, with 95% of which will be used for equipment procurement and 5% for staff training and marketing related activities, which will be borne by us. Based on our previous experience, we currently expect that each of the on-site diagnostic centers will achieve investment payback within 18 months of commencement of operations, in anticipation of the growing demand for diagnostic testing services for medical institution alliances in China. The projected investment payback period is made based on the assumptions that (i) the revenue for the first year generated from each medical institution alliance corresponding to an on-site diagnostic center will generally be in line with that during 2020; (ii) the revenue generated from medical institution alliances corresponding to these diagnostic centers will grow by 15% to 20% annually, based on our observations in newly-established on-site diagnostic centers in 2021 and (iii) cost of revenue will account for approximately 50% to 55% of the revenue over the next five years.

We plan to establish more sales and customer service representative offices to serve our customers. We believe that increasing the coverage of our representative office network will enable our sales and marketing and after-sales customer service personnel to more closely interact with customers and develop stronger and deeper business relationships. We intend to conduct more in-person visits and create more frequent feedback and communication opportunities with customers. Through closer and more frequent communication, we hope to better understand customer needs and design and provide solutions to meet those needs, and in turn, maintain our market position.

We plan to invest approximately RMB800 million for this business strategy, which will be funded by a combination of net [**REDACTED**] from the [**REDACTED**], bank borrowings and our own funds. For details on the net [**REDACTED**] to be allocated for this purpose, see "Future Plans and Use of [**REDACTED**]."

Continue to upgrade and enhance our operational capabilities

We believe continuous upgrade and enhancement of our operational capabilities as a platform of medical operation services is critical for us to improve customer experience and plan to focus on the following areas:

- *Enhance local service capabilities*. We plan to strategically develop small-scale self-operated ICLs in select regions and areas in China near our major customers or based on market needs to better provide timely services for customers. We believe this will enable us to react more readily to customer demand and enhance customer satisfaction with faster turnaround.

  As compared to full-scale ICLs, these small-scale self-operated ICLs generally involve less initial investment amount and shorter investment payback period. Based on our experience, a full-scale ICL would cost approximately RMB30 million to RMB50 million based on the assumption that approximately 60% to 70% will be used for procurement of medical equipment and devices and technician recruitment, while the remaining will be used for facility and infrastructure preparation. To be in line with our previous experience, the initial investment amount for setting up a small-scale self-operated ICL will generally be approximately RMB14 million to RMB20 million on the basis that approximately 50% to 60% of the amount will be used for procurement of medical equipment and devices and the remaining will be used for leasing, infrastructure and facility preparation and technician recruitment.

  Based on our previous experience, we currently expect the small-scale self-operated ICL will achieve investment payback within three years. Such projected investment payback period is made based on the following assumptions: (i) the first year annual revenue for each small-scale self-operated ICL will be approximately RMB20 million and will continue to grow by 10% annually; (ii) cost of revenue accounted for approximately 70% of the revenue for the first year and will gradually decrease to below 65% and maintain relatively stable within the next five years; and (iii) staff

costs and logistics costs will continue to grow by 5% annually. For a full-scale ICL, based on our previous experience we currently expect that it will achieve investment payback within five to seven years, assuming that (i) the first year annual revenue for each full-scale ICL will be approximately RMB35 million to 40 million and will continue to grow by 10% to 20% annually; (ii) cost of revenue accounted for over 90% of the revenue for the first two years and maintained relatively stable at 70% to 80% over the next five years; and (iii) staff costs and logistics costs will continue to grow by 5% to 10% annually.

- *Digitalize diagnostic testing*. We aim to digitalize our testing services, including telepathology and intelligent imaging reading, among others, with the goal of improving our platform efficiencies and enhancing the ability to allocate medical resources, such as pathologists. In addition, we also plan to develop technical and operating systems to support our operations, such as an intelligent imaging reading system and an information technology system to connect medical institution alliances in China.

- *Pursue potential acquisition and investment opportunities*. In order to further enhance our operational capabilities, we may consider to acquire or invest in companies that have synergistic businesses with ours, such as upstream companies engaged in advanced diagnostic techniques, molecular biology, biotechnology and and their clinical applications. As of the Latest Practicable Date, we did not have any potential acquisition or investment targets.

- *Upgrade our headquarters*. To meet the needs of our growing business, we plan to upgrade our headquarters in Guangzhou. We own one parcel of land with an area of approximately 6,251 sq.m. We have entered into a collaboration agreement with a third-party developer for the construction and development of the new headquarters. Pursuant to this agreement, the developer shall construct a thirteen-floor building by October 30, 2022. The total consideration payable to the developer is approximately RMB284.9 million (excluding tax). The construction shall fulfill the applicable national quality standards. Upon completion, we will appoint a qualified responsible party to conduct acceptance examination. If any issues are identified during such examination, the developer shall be responsible for rectification for our follow-up examination. We plan to fund our new headquarters using our operating cash inflows and bank loans. To date, we have obtained the construction permit and initiated the preliminary construction. In addition to being our headquarters, we may also plan to use the property for ICLs and other medical operation services, subject to obtaining relevant governmental approvals. For details on the contractual arrangement with respect to our new headquarters, see "Contractual Arrangement—Background —Control of Yunkang Lingnan through the Contractual Arrangement."

Through these measures, we believe we can continue to increase our market share in the future. In particular, even if the market leader has already captured a significant market share, several regions, in particular lower-tiered cities in these regions, China still lack penetration of qualified ICLs or on-site diagnostic centers, for example, Central China. Further, although several regions, such as Southern China and Eastern China in these regions have qualified ICLs or on-site diagnostic centers, the medical operation service market is significantly under-served in light of the large number of medical institutions in these regions . As such, we plan to deepen our penetration in these areas where the current market leader does not have sufficient presence, and gradually expand to other areas in China to capture a larger market share in the future.

We plan to invest approximately RMB1 billion to RMB1.26 billion for this business strategy. Except for the headquarters upgrade, which will be funded by our own funds and bank borrowings, the remaining amount will be funded by the net [**REDACTED**] from the [**REDACTED**]. For details on the net [**REDACTED**] to be allocated for this purpose, see "Future Plans and Use of [**REDACTED**]."

Expand our portfolio of diagnostic capabilities

We plan to expand our portfolio of diagnostic capabilities, in particular, for tumors, genetic diseases, infectious diseases and pharmacogenetics. With respect to these areas, we plan to continue to enhance our diagnostic testing technologies, upgrade our equipment and recruit more personnel as appropriate to support our expansion. As we expand our diagnostic capabilities, we plan to market our services to more non-medical institution customers, such as corporations and government agencies, enhancing our ability to provide omni-scenario medical operation services for customers.

Through the continued expansion of our capabilities, we also endeavor to work with hospitals to provide precision medicine solutions to patients. Precision medicine aims to design patient-specific disease treatments and prevention methods that takes into account individual variability in genes, environment and lifestyle, which has the potential to shorten the treatment period and reduce post-treatment complications. In particular, targeted cancer therapy, an important area of precision medicine, is often guided by auxiliary diagnosis supported by independent lab testing. For example, the use of EGFR-TKIs, a type of targeted therapy for treating EGFR-positive non-small cell lung cancer, needs to be based on a positive EGFR mutation test. As cancer incidence in China continues to increase and targeted cancer therapies become more mainstream, the demand for ICL-based gene sequencing and auxiliary diagnosis services will also grow. Cancer incidence in China grew from 4.1 million in 2016 to 4.6 million in 2020, and is expected to continue to grow to 5.2 million in 2025, according to Frost & Sullivan. The NMPA has been continuously granting approval to new cancer drugs in recent years (e.g., 17 in 2018, 10 in 2019 and 16 in 2020), further driving the growth of China's cancer drug market and precision medicine market.

We believe that precision medicine will be a growing trend in the healthcare industry as more and more patients seek customized medical solutions. Diagnostic testing is crucial to enhance precision medicine as accurate diagnostic testing will enable physicians to understand

the characteristics of the patients to customize their treatment plan. Leveraging our experience and market leadership in diagnostic testing, we intend to be a first mover in capturing this industry opportunity. As the first step in implementing this strategy, we plan to enhance our genetic and pathology testing capabilities for oncology patients, and to help physicians to design patient-specific treatment plans. To strategically evaluate market opportunities in this field, we plan to establish an academic panel to design our business strategy and plan. The academic panel will consist of experts with abundant clinical experience in precision medicine, oncology treatment and genetics, experts with extensive experience in the technology relating to genetic testing and technology experts in diagnostic testing equipment. These panel members will hold regular meetings with our management team to provide latest trends in medical practice, technology breakthroughs and clinical pain points that can be addressed with diagnostic testing. Our management team will provide them an overview of the latest updates of our business plan and our service package, enabling them to be familiar with our business and operations. They will review our business plan and service package from clinical point of view and provide valuable insights to our management team, enabling us to constantly optimize our business plan and upgrade our service package.

We plan to invest approximately RMB180 million to RMB250 million for this business strategy, which will be funded by a combination of net [**REDACTED**] from the [**REDACTED**] and our own funds. For details on the net [**REDACTED**] to be allocated for this purpose, see "Future Plans and Use of [**REDACTED**]."

Continue to attract and train our talent pool

We plan to continue to attract and train up talented and experienced personnel to support our expanding business. In particular we plan to focus on technical and medical personnel, as well as management personnel, who we believe are the key backbone of our business. We intend to create an employee promotion and advancement system with a grade structure and corresponding compensation scheme. We also may put in place incentive schemes to motivate and align the interests of our employees in the future. We will also implement training programs for different departments to enhance their professional and technical knowledge. We also plan to invest more in Yunkang College to attract and cultivate more talents. We plan to invest approximately RMB100 million to RMB120 million for this business strategy, which will be funded by a combination of net [**REDACTED**] from the [**REDACTED**] and our own funds. For details on the net [**REDACTED**] to be allocated for this purpose, see "Future Plans and Use of [**REDACTED**]."

OUR MISSION AND ROLE IN THE HEALTHCARE SYSTEM IN CHINA

A major problem in China's healthcare system is the uneven distribution of medical resources. According to Frost & Sullivan, China's medical resources are mostly concentrated in large Class III hospitals. Patients, regardless of the seriousness of their condition, prefer to seek medical care in these large hospitals, even though some of the patients can be treated in smaller, regional hospitals. In 2020, over 54% of outpatient visits in China were conducted in

Class III hospitals, which only accounted for approximately 8% of the total number of hospitals in China, according to Frost & Sullivan. The uneven concentration of patients and medical resources puts a burden on the overall healthcare system in China.

In response to the uneven distribution of medical resources, the PRC government introduced the concept of medical institution alliances, which aims to optimize the allocation of medical resources. Medical institution alliances are regional associations of hospitals, which include Class I, II and III hospitals, community health clinics and other medical institutions (such as woman's and children's dispensaries, township health center and village clinics). Patients are directed to the appropriate member hospital, clinic or medical institution for treatment based on their medical condition. Class I and II hospitals and other medical institutions will primarily take on primary care and basic healthcare needs, while Class III hospitals will primarily handle complex medical cases and referral consultations from Class I and II hospitals and other medical institutions.

In order to direct patients to the appropriate hospitals and other medical institutions, hospitals have to build up their diagnostic testing practice to enhance their clinical and pathological diagnostic capability. However, diagnostic testing is a time- and cost-consuming process and it may not be efficient for hospitals to conduct these tests themselves. As such, there is significant market demand for ICLs that can provide standardized and modularized diagnostic testing services. Observing the tremendous opportunities, we have been providing diagnostic outsourcing services for medical institutions and to a lessor extent, non-medical institutions since our inception to meet their diagnostic needs arising during daily operations. In addition, in recent years with the support of favorable government policies, medical institutions have the opportunity to work with medical operation service providers to build up their diagnostic capacities within the medical institution alliances in a more efficient way as the test samples collected at the medical institutions do not need to be delivered to the ICLs for testing. Instead, the medical institutions can complete the testing at these on-site diagnostic centers. From 2013, we started to offer diagnostic testing services for medical institution alliances with the aim to provide an efficient solution for medical institutions and their medical institution alliances to build up on-site diagnostic capacities, ultimately to facilitate the operation of the medical institution alliances.

OUR SERVICES

Overview

Since our inception in 2008, we have been focusing on providing professional diagnostic testing services for medical institutions, and to a lesser extent, non-medical institutions through our six ICLs and an outpatient clinic to meet their diagnostic needs arising during daily operations. In the past decade of healthcare reforms and as medical institution alliances were introduced, where we realized the significant market need among medical institution alliances for our high quality medical operation services to enhance their diagnostic capacities, direct patients to the appropriate hospital or clinic and effectively reallocate medical resources. In order to address unmet needs and capture these market opportunities, we began to lay the

foundation for our services by developing our diagnostic capabilities and standards, as well as growing the network of on-site diagnostic centers, with the purpose of expanding our portfolio of medical operation services. In particular, we have focused our resources on developing our capabilities in pathology tests, genetic disease diagnostic tests and infectious disease diagnostic tests.

Business Model

Building on our diagnostic expertise and our established healthcare services network, our service portfolio mainly includes the following:

- *Diagnostic outsourcing services.* We offer diagnostic outsourcing services to hospitals, other medical institutions and public institutions. Hospitals need to conduct diagnostic testing on patients' test samples, which, considering the high volume of patients' test samples overall for various test types, can be time- and cost-consuming. As for other medical institutions and public institutions, they do not have the required capabilities to conduct diagnostic testing themselves. For these aforementioned reasons, these institutions do not generally conduct diagnostic testing by themselves. In response to these demands from hospitals, other medical institutions and public institutions, we provide a wide range of diagnostic testing services, including nucleic acid testing, genetic testing and diagnostic testing involving NGS technologies.

- *Diagnostic testing services for medical institution alliances.* In order to conduct on-site diagnostic testing, we provide technical supports for the set-up and daily operation of the on-site diagnostic centers. Depending on the capacities and capabilities of the diagnostic centers, diagnostic testing is either conducted at these diagnostic centers or our nearby ICLs. The technical supports include (i) setting-up or upgrading diagnostic centers; (ii) establishment of standard operating procedures for diagnostic testings; (iii) diagnostic consultation and staff training; (iv) provision of equipment; (v) smart Internet of things; and (vi) logistics assistance. In return, we charge them diagnostic service fees based on the types and quantities of tests performed on the test samples at these diagnostic centers together with our nearby ICLs if the centers are not capable of performing certain diagnostic tests. We normally enter into service and collaboration agreements with medical institutions, which set out not only the types of tests that need to be provided, but also the technical supports we would provide them. For each of the on-site diagnostic centers, we normally provide one to seven on-site technical staff(s) and the medical institution will also provide one to seven staff(s), and we normally provide major diagnostic testing equipment. Upon expiration of such agreement, if a medical institution decides not to renew such services, we will cease to provide technical supports, withdraw our on-site staff and require the medical institution to return all the equipment we provided. During the Track Record Period, we successfully renewed all but one of the service and collaboration agreements that has expired, as generally medical institutions prefer to engage third-party service providers for such services due to time and cost considerations.

- *Diagnostic testing services for non-medical institutions*. We offer diagnostic testing services for non-medical institutions (including financial institutions and insurance companies) which mainly include personalized diagnostic testing, medical report consultation services and hospital referral services. Through these services, we provide basic consultation based on the diagnostic testing report we issued and refer those patients to the suitable hospitals for future treatment that we consider appropriate. We primarily provide health management services offline where we conduct basic diagnostic testing and health checkup for individual customers at our outpatient clinic or locations requested by our customers.

The following table sets forth the breakdown of our revenue by customer type for the periods indicated.

	For the year ended December 31,							
	2018		2019		2020		2021	
	(RMB in thousands, except for percentages)							
Diagnostic outsourcing services								
– Infectious disease diagnostic tests	79,880	13.4%	93,052	13.7%	555,111	46.2%	732,058	43.1%
– COVID-19 tests	–	–	–	–	461,429	38.4	637,959	37.6
– Pathology tests	89,884	15.1	100,100	14.7	95,852	8.1	105,726	6.3
– Genetic disease diagnostic tests	187,758	31.4	179,825	26.6	126,236	10.5	101,697	6.0
– Routine diagnostic tests	91,756	15.4	90,128	13.3	80,534	6.7	84,793	5.0
Subtotal	449,278	75.3	463,105	68.3	857,733	71.5	1,024,274	60.4
Diagnostic testing services for medical institution alliances								
– Infectious disease diagnostic tests	13,061	2.2	28,501	4.2	104,709	8.7	388,874	22.9
– COVID-19 tests	–	–	–	–	64,467	5.4	327,623	19.3
– Pathology tests	25,628	4.3	47,379	7.0	75,941	6.3	101,827	6.0
– Genetic disease diagnostic tests	48,047	8.1	65,339	9.6	62,392	5.2	83,789	4.9
– Routine diagnostic tests	14,075	2.3	24,845	3.7	32,726	2.7	44,866	2.7
Subtotal	100,811	16.9	166,064	24.5	275,768	22.9	619,356	36.5
Diagnostic testing services for non-medical institutions								
– Non-COVID-19 tests	46,219	7.8	48,657	7.2	45,664	3.8	33,018	1.9
– COVID-19 tests	–	–	–	–	21,155	1.8	20,092	1.2
Subtotal	46,219	7.8	48,657	7.2	66,819	5.6	53,110	3.1
Total	596,308	100.0%	677,826	100.0%	1,200,320	100.0%	1,696,740	100.0%

The following table summarizes the number of diagnostic tests performed for each test type during the Track Record Period.

	For the year ended December 31,			
	2018	**2019**	**2020**	**2021**
	'000			
Diagnostic outsourcing services				
– Infectious disease diagnostic tests	1,363.5	1,411.4	7,659.1	32,987.9
– COVID-19 tests	–	–	6,202.0	31,466.3
– Pathology tests	1,353.5	1,267.1	1,135.5	1,166.8
– Genetic disease diagnostic tests	1,090.1	1,031.1	903.8	847.7
– Routine diagnostic tests	3,984.0	3,101.2	2,563.8	2,480.2
Subtotal	7,791.0	6,810.8	12,262.2	37,482.5
Diagnostic testing services for medical institution alliances				
– Infectious disease diagnostic tests	136.7	238.9	1,437.0	13,082.2
– COVID-19 tests	–	–	1,092.3	12,544.8
– Pathology tests	213.7	322.9	500.2	708.1
– Genetic disease diagnostic tests	216.0	327.5	359.2	472.5
– Routine diagnostic tests	210.6	384.6	542.3	870.1
Subtotal	777.0	1,273.9	2,838.7	15,132.9
Diagnostic testing services for non-medical institutions				
– Non-COVID-19 tests	242.9	166.7	160.4	119.0
– COVID-19 tests	–	–	158.2	461.0
Subtotal	242.9	166.7	318.5	580.0
Total	8,810.9	8,251.4	15,419.4	53,195.4

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

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

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

Our diagnostic testing portfolio primarily covers the following therapeutic areas.

- *Pathology tests.* Pathology tests primarily aim to discover and understand the nature of tumor. According to Frost & Sullivan, the number of new confirmed cancer cases in China increased from approximately 4.1 million in 2016 to approximately 4.6 million in 2020. Driven by factors including aging population and environmental factors, it is expected that there will be approximately 5.2 million confirmed cancer cases in 2025. Pathology tests are crucial for physicians to better understand the pathological condition of each patient, so that they can design the most suitable treatment plan.

- *Infectious disease diagnostic tests.* With the growing awareness of infectious diseases, we have gradually built up our service offerings for over 20 categories of infectious disease diagnostic tests, including hepatitis B virus, tuberculosis, human papillomavirus, EB virus, rabies virus and nucleic acid tests for respiratory pathogens (including COVID-19 virus), among others. In particular, COVID-19 testing has rapidly become a norm in daily life, as it is required for those in close

contact with confirmed COVID-19 cases, those engaging international and cross-regional travel, and those having been exposed in high-risk environments, such as airport employees and international courier staff. We started to offer COVID-19 testing (nucleic acid testing) as early as January 2020. Our Guangzhou laboratory was included by the Guangdong Provincial Health Commission (廣東省衛生健康委) in the first batch of medical institutions with the COVID-19 nucleic acid testing capability.

- *Genetic disease diagnostic tests.* Genetic disease diagnostic tests cover a wide range of genetic reproduction tests and screening tests. According to Frost & Sullivan, the PRC government aims to increase the testing capacity of genetic reproduction tests to cover more than 50% of new birth populations in the PRC by 2022. We therefore expect the demand for genetic reproduction testing will continue to grow in the foreseeable future. We offer genetic screening tests at pre-pregnancy, pregnancy and new-born stages. Genetic disease diagnostic tests aim to help hospitals establish genetic pathology data for each patient so that they can design the most suitable treatment plan for the patient, and detect and prevent infectious disease and hereditary birth defects at pre-pregnancy and pregnancy stages.

- *Routine diagnostic tests.* We also provide certain routine diagnostic tests for chronic kidney disease, blood disease, autoimmune disease and endocrine metabolism disease. Our routine diagnostic tests primarily cover a number of standard biochemical or immunology tests, which are useful in routine health checkups/examinations. Unlike other types of diagnostic tests provided by us, the medical equipment involved in routine diagnostic tests is fully automatic and can generate the test report automatically. It does not require sophisticated diagnostic or medical staff to interpret the report. After the test report is generated, our quality control personnels will follow our quality control requirements to ensure the accuracy of such tests.

Since our inception, we have focused on adopting new technologies for diagnostic testing and have established seven technology platforms as of the Latest Practicable Date, including:

- *Immunological detection technology platform*. Various immune-labeling technologies based on antigen-antibody specific reactions are used to detect infectious diseases, autoimmune diseases, prenatal and postnatal care, allergic diseases and tumor biomarkers.

- *Mass spectrometry technology platform*. Ultra-performance liquid chromatography-tandem mass spectrometry (UPLC-MS/MS), gas chromatography-mass spectrometry (GC-MS), inductively coupled plasma mass spectrometer (ICP-MS), matrix-assisted laser desorption ionization-time of flight mass spectrometry (MALDI)-TOF MS) and other technologies are used to perform genetic and metabolic disease detection, drug concentration detection, hormone and neurotransmitter detection, vitamin and organic acid determination, nutrient and toxic element determination, and microbial identification, among other things.

- *PCR technology platform*. A variety of nucleic acid detection technologies based on are used for genetic disease detection, molecular diagnosis of infectious diseases, individualized tumor treatment, drug gene detection, drug resistance gene detection and short tandem repeat detection, among other things.

- *High-throughput sequencing technology platform*. Based on high-throughput sequencing technology and biological information analysis to conduct non-invasive prenatal screening, single-gene genetic disease carrier screening, genetic disease detection, individualized tumor treatment and infectious disease detection, among other things.

- *Liquid chip technology platform*. Suspension liquid chip technology is used in genetic disease detection, infectious disease detection, tumor gene mutation detection, among other things.

- *Ultra-micro pathological morphology technology platform*. By preparing ultra-micro pathological materials and observing and diagnosing the ultra-microstructure of the specimen under a scanning electron microscope, the platform is used for organ biopsy ultra-micro pathological diagnosis, tumor differential diagnosis, neuromuscular disease diagnosis and pathogen search in infectious diseases, etc.

- *Digital pathology remote diagnosis platform*. Utilizing digital slice scanning technology, web-image browsing and other technologies to digitize traditional pathological slices and perform remote pathological diagnosis, hold discussions for rare cases and conduct remote pathology teaching through the internet.

Diagnostic Outsourcing Services

Currently, hospitals and other medical institutions have high demand for conducting diagnostic testing. However, it is time- and cost-consuming for them to conduct such testing by themselves, which creates significant opportunities for diagnostic outsourcing services providers. Observing these opportunities and leveraging our strong testing capabilities, we offer diagnostic outsourcing services by performing diagnostic testing and conducting results analyses based on test samples provided by hospitals and other medical institutions and charge diagnostic service fees from these medical institutions. Our diagnostic testing portfolio covers over 2,000 tests, including pathology tests, infectious disease diagnostic tests and genetic disease diagnostic tests. Our diagnostic outsourcing services primarily rely on our six ICLs to provide diagnostic testing services for medical institutions that do not have diagnostic capacities to conduct the relevant diagnostic tests themselves. As such, we believe diagnostic outsourcing services can expand our service outreach to a wider group of medical institutions. Further, by providing diagnostic outsourcing services to hospitals that have not yet set up on-site diagnostic centers, we believe it is a good opportunity to demonstrate our professional and standardized diagnostic capabilities and attract potential customers for our diagnostic testing services for medical institution alliances. For the years ended December 31, 2018, 2019, 2020 and 2021, revenue generated from diagnostic outsourcing services amounted to RMB449.3 million, RMB463.1 million, RMB857.7 million and RMB1,024.3 million, respectively, representing 75.3%, 68.3%, 71.5% and 60.4% of our total revenue for the same period, respectively.

The following table sets forth the number of diagnostic tests performed under our diagnostic outsourcing services and the average selling price for each test type during the Track Record Period.

	For the year ended December 31,							
	2018		2019		2020		2021	
	Number of tests ('000)	*Average selling price[(1)] (RMB)*	*Number of tests ('000)*	*Average selling price[(1)] (RMB)*	*Number of tests ('000)*	*Average selling price[(1)] (RMB)*	*Number of tests ('000)*	*Average selling price[(1)] (RMB)*
Infectious disease diagnostic tests	1,363.5	58.6	1,411.4	65.9	7,657.1	72.5	32,987.9	22.2
COVID-19 tests	–	–	–	–	*6,202.0*	*74.4*	*31,466.3*	*20.3*
Pathology tests	1,353.5	66.4	1,267.1	79.0	1,135.5	84.4	1,166.8	90.6
Genetic disease diagnostic tests	1,090.1	172.3	1,031.1	174.4	903.8	139.7	847.7	120.0
Routine diagnostic tests	3,984.0	23.0	3,101.2	29.1	2,563.8	31.4	2,480.2	34.2

Note:

(1) The average selling prices are calculated by dividing the revenue generated from each test category by the number of tests performed.

The average selling price and the number of tests of genetic disease diagnostic tests both decreased during the Track Record Period primarily because (i) the government has imposed more stringent qualification requirements on hospitals that are eligible to perform genetic disease diagnostic tests, resulting in a decrease in the number of hospitals performing such tests; and (ii) we gradually decreased the prices for genetic disease diagnostic tests while maintaining their profitability as there was a significant decrease in costs of reagents for such tests because the supply surpasses the demand in the market as there are more manufacturers and suppliers in the market given more and more medical operation service providers enter into this market as a result of the growing awareness of diagnostic testing. In addition, during the Track Record Period, the number of routine diagnostic tests gradually decreased primarily because we undertook a non-recurring public health diagnostic outsourcing testing project at a hospital in Foshan, Guangdong province from April to December 2018. Under this project, we completed approximately 0.6 million routine diagnostic tests during such period and (ii) we gradually shifted to other types of diagnostic tests that have higher selling prices. The decrease in the number of pathology tests was primarily due to the business expansion of our diagnostic testing services for medical institution alliances, resulting in an increasing number of pathology tests under diagnostic testing services for medical institution alliances. The average selling price decreased from RMB74.4 in 2020 to RMB20.3 in 2021 primarily because we participated in the governmental COVID-19 full screening project in Guangdong province, in which the testing methodology required us to consolidate a number of test samples in each COVID-19 test in order to expedite the screening process and therefore had a lower average selling price of COVID-19 tests.

Service Process

Our testing professionals will first conduct a preliminary assessment of the test samples to make sure they satisfy our diagnostic testing standards. We will ask the hospitals to arrange re-sampling and delivery if the test samples failed our diagnostic testing standards. After the diagnostic testing procedure is completed, our testing professionals will conduct a preliminary analysis on the diagnostic results with reference to (i) the patient's clinical conditions; and (ii) historical testing results of the same category of diagnostic testing and will issue the diagnostic testing report to the hospital if we are satisfied with the preliminary analysis results. Our testing professionals will also review the whole testing procedure to ensure it follows our quality control standards. If we observe any error or discrepancy in such analysis, we will perform re-testing until we are satisfied with the preliminary analysis results. For all the testings with errors or discrepancies, we will keep the specimen of such sample to analyze the testing procedure, which will enable us to constantly improve our testing techniques and methodologies.

Our Independent Clinical Laboratories ("ICLs")

Tests for our diagnostic outsourcing services are usually performed in our self-operated ICLs. As of December 31, 2021, we had six laboratories located in Guangzhou, Chengdu, Shanghai, Hefei, Kunming and Nanchang, each aiming to provide diagnostic testing services for our customers located in provinces or cities nearby. These ICLs are capable of performing over 2,000 kinds of tests, which covered over 70% of major diagnostic testing categories in the medical operation service market in 2020, according to Frost & Sullivan. The following table sets forth detailed information of our laboratories:

	Year of latest accreditation renewal	**Expiration date of accreditation**	**Number of medical technicians as of the Latest Practicable Date**	**Province/ Municipality**
Guangzhou ICL	Commenced operation in 2006			
– Practice License for Medical Institutions (醫療機構執業許可證)	2018	2024		
– Certificate of Clinical Gene Amplification Test Laboratories (臨床基因擴增檢驗實驗室驗收合格證書)	2019	2024	495	Guangdong
– Qualification Certificate of Inspection and Testing Agency (檢驗檢測機構資質認定證書)	2017	2023		

	Year of latest accreditation renewal	Expiration date of accreditation	Number of medical technicians as of the Latest Practicable Date	Province/ Municipality
Chengdu ICL	Commenced operation in 2009			
– Practice License for Medical Institutions (醫療機構執業許可證)	2021	2026		
– Filing for Biosafety Management of Pathogenic Microbiology Laboratories (可感染人類病源微生物二級生物安全實驗室備案登記)	2020	2025	63	Sichuan
– Clinical Gene Amplification Laboratory Acceptance (臨床基因擴增實驗室技術驗收審核)	2018	N/A		
Shanghai ICL	Commenced operation in 2006			
– Practice License for Medical Institutions (醫療機構執業許可證)	2018	2023		
– Certificate of Clinical Gene Amplification Test Laboratories (臨床基因擴增檢驗實驗室驗收合格證書)	2018	2023	39	Shanghai
– Pathogenic Microbiology Laboratory Record Certificate (病原微生物實驗室備案憑證)	2019	N/A		
Hefei ICL	Commenced operation in 2009			
– Practice License for Medical Institutions (醫療機構執業許可證)	2018	2023		
– Certificate of Clinical Gene Amplification Test Laboratories (臨床基因擴增檢驗實驗室驗收合格證書)	2020	2025	46	Anhui
Kunming ICL	Commenced operation in 2010			
– Practice License for Medical Institutions (醫療機構執業許可證)	2021	2026	25	Yunnan

	Year of latest accreditation renewal	Expiration date of accreditation	Number of medical technicians as of the Latest Practicable Date	Province/ Municipality
Nanchang ICL	Commenced operation in 2009			
– Practice License for Medical Institutions (醫療機構執業許可證)	2020	2025	21	Jiangxi
– Pathogenic Microbiology Laboratory Filing (病原微生物實驗室備案)	2020	2025		

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

The following table set forth the utilization rate of our six ICLs during the Track Record Period.

	For the year ended December 31,											
	2018			2019			2020			2021		
	Actual Output *('000)*	Maximum Output[(1)] *('000)*	Utilization Rate[(2)(3)] %	Actual Output *('000)*	Maximum Output[(1)] *('000)*	Utilization Rate[(3)] %	Actual Output *('000)*	Maximum Output[(1)] *('000)*	Utilization Rate[(2)(3)] %	Actual Output *('000)*	Maximum Output[(1)] *('000)*	Utilization rate[(2)(3)(5)] %
Guangzhou ICL	5,747.4	7,150.0	80.4	5,597.0	7,150.0	78.3	11,183.8	14,300.0	78.2	47,374.5	61,861.1	76.6
Chengdu ICL	861.3	1,100.0	78.3	793.8	1,100.0	72.2	1,170.3	1,540.0	76.0	2,264.7	3,865.3	58.6
Shanghai ICL	468.2	660.0	70.9	471.7	660.0	71.5	548.4	770.0	71.2	1,355.2	2,455.4	55.2
Hefei ICL	1,054.2	1,430.0	73.7	716.1	517.9	72.3	822.0	1,100.0	74.4	1,288.4	2,325.1	55.4
Kunming ICL[(3)]	113.2	143.0	79.2	132.5	176.0	75.3	117.6	176.0	66.8	139.6	369.0	37.8
Nanchang ICL[(4)]	472.3	660.0	71.6	413.4	660.0	62.6	419.3	660.0	63.5	412.9	892.9	46.2
Total	8,716.7	11,143.0	78.2	8,124.5	11,736.0	75.7	14,263.4	18,546.0	76.9	52,835.3	71,768.9	73.6

Notes:

(1) The maximum output is calculated based on the assumption that our ICLs work at their annual maximum output which represents the maximum tests we are able to conduct in each period. The annual maximum output is assumed on the basis that each ICL works eight hours per day for 260 days (average annual work days) per year. The increase in maximum output during the Track Record Period are primarily attributable to the procurement of new testing equipment.

(2) The utilization rate is calculated using the actual tests conducted by each ICL divided by the maximum output it would be able to conduct.

(3) The utilization rate of our Kunming ICL decreased from 79.2% in 2018 to 75.3% in 2019 due to the improvement and upgrade of our Kunming ICL, and it further decreased to 66.8% in 2020 mainly because of the impacts of COVID-19 in which it did not provide COVID-19 tests.

(4) The utilization rate of our Nanchang ICL decreased from 71.6% in 2018 to 62.6% in 2019 as it undertook certain routine diagnostic test projects in 2018, which had a high testing volume.

(5) All of our ICLs, which in response to the COVID-19 pandemic, starting from 2020, have their testing capacity and output significantly enhanced, except for our Kunming ICL which does not obtain the PCR testing qualification for provision of COVID-19 tests. As such, the utilization rate for our ICLs generally decreased in 2021.

As advised by our PRC Legal Advisors, all of our ICLs had complied with the applicable PRC laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

Experts and Technicians

The following table summarizes the information of the medical technicians (including those stationed at the on-site diagnostic centers) during the Track Record Period.

	As of December 31,				As of the Latest Practicable Date
	2018	**2019**	**2020**	**2021**	
Number of medical technicians	439	586	639	1,009	1,333
Number of technicians holding medical diagnostic licenses	165	212	224	413	539
– Pathology certificate	44	59	41	81	74
– Diagnostic certificate	121	153	183	332	465
Percentage	37.6%	36.2%	35.1%	40.9%	40.4%

Our medical technicians who do not hold qualifications are trained to be assistants for the qualified technicians. Our testing professionals are responsible for performing diagnostic testing and results analyses, and maintaining diagnostic testing equipment.

In order to help our customers in their pathological operations, we engaged a number of pathologists, who are external pathology doctors at third-party hospitals. We paid them a service fee based on the number of pathological consultation they provided. Normally, they will review the pathology diagnostic testing reports and provide distant pathological consultation services for doctors at the hospitals within the medical institution alliances. The amount of fees we paid to our pathologists were recorded as cost of revenue in our consolidated statements of comprehensive income for the respective period. The following table summarizes details of the pathologists we engaged during the Track Record Period.

	For the years ended December 31,			
	2018	**2019**	**2020**	**2021**
Number of pathologists we engaged	46	61	87	90
Total service fees we paid	RMB3.2 million	RMB4.2 million	RMB5.6 million	RMB5.9 million
Average service fees per pathologist	RMB69,683	RMB68,482	RMB64,102	RMB65,401

During the Track Record Period, the service fees we paid to each pathologist gradually decreased primarily because we expanded our qualified pathologist pool for our services which is in line with our business growth.

Salient Terms of Diagnostic Outsourcing Service Agreements

For the years ended December 31, 2018, 2019, 2020 and 2021, we provided diagnostic outsourcing services to 2,619, 2,296, 2,634 and 2,922 customers, primarily include hospitals and other medical institutions, including 707, 665, 708 and 737 Class III and II hospitals, respectively. We normally enter into diagnostic outsourcing service agreements with these customers through public tenders or negotiations. Key terms of our diagnostic outsourcing service agreements are summarized as below:

- *Term.* Our diagnostic outsourcing service agreements generally have a term ranging from one to two years with an option for renewal upon expiration.

- *Payment and credit term.* We set unit prices for different diagnostic tests in our agreements with reference to the local pricing protocol. Under the diagnostic outsourcing agreements, hospitals, other medical institutions and public institutions pay us for each diagnostic test performed. We generally invoice hospitals, other medical institutions and public institutions on a monthly basis. We generally provide credit terms of one to three months.

- *Testing protocol.* We are responsible to conduct the relevant diagnostic tests in accordance with the applicable national standards.

- *Logistics arrangement.* Hospitals are generally responsible to collect, store and process the test samples and we are responsible for transportation and performing diagnostic testing.

- *Termination.* If the agreement cannot be performed for reasons changes in PRC laws, regulations and policies which may impose restrictions or conditions on the performance of the agreement, subject to any provision requiring parties to engage in negotiation for proper adjustments, the agreement shall be terminated.

Diagnostic Testing Services for Medical Institution Alliances

We offer diagnostic testing services for medical institution alliances. The first key step of these services is to assist in establishing an on-site diagnostic center at the lead hospital. Through the on-site diagnostic centers, medical institutions have the opportunity to build up their diagnostic capacities in a more efficient way as the test samples collected at the medical institutions do not need to be delivered to the ICLs for testing. Instead, the medical institutions can complete the testing at these diagnostic centers on-site. Relying on our services, member hospitals can offer standardized diagnostic testing services to patients, and, with our issued diagnostic testing reports, better understand the characteristics and conditions of the patients and direct the patients to the most suitable medical institution within the alliances that has the most experiences in handling similar patients. As of the Latest Practicable Date, our diagnostic testing services for medical institution alliances spanned 20 provinces and municipalities. For the years ended December 31, 2018, 2019, 2020 and 2021, our revenue generated from diagnostic testing services for medical institution alliances amounted to RMB100.8 million, RMB166.1 million, RMB275.8 million and RMB619.4 million, respectively, representing 16.9%, 24.5%, 22.9% and 36.5% of our total revenue for the same periods, respectively.

Medical Institution Alliances

Medical institution alliance is a collaboration of medical institutions and is a widely used term in China, which refers to regional healthcare system consisting of primary, secondary and tertiary medical institutions, under which medical resources can be shared efficiently, aiming to improve the service quality of primary medical institutions, allocate patients to the appropriate hospitals based on their medical conditions, and balance the uneven distribution of medical resources and diagnosis demands in China. In particular, medical institutions are encouraged to strengthen regional medical resources-sharing within the medical institution alliances, by setting up diagnostic centers to provide services of same quality among themselves, and promote mutual recognition of diagnostic results.

As part of the healthcare reform, the PRC government has established a series of policies to support the HDTS and medical institution alliance. One of the key measures adopted is the establishment and promotion of medical institution alliances. In recent years, the PRC government has promulgated a series of regulations to promote the development of medical institution alliances, including the Guidance on Promoting Medical Institution Alliances in China (關於推進醫療聯合體建設和發展的指導意見) issued by the State Council in April 2017 and the Interim Measures on Medical Institution Alliance Management (醫療聯合體管理辦法(試行)) issued by the National Health Commission of the PRC in July 2020 ("**Measures**"). Pursuant to the Measures, medical institutions are encouraged to join medical institution alliances to enhance the HDTS in China. The establishment of these medical institution alliances is usually initiated by either local governments/health commissions or independently by medical institutions, based on actual medical needs. Such systems exist in different forms of collaboration among different classes of medical institutions with unified management of their internal operations and resources to different extents.

As a result of the various policies promoting medical institution alliances, the concept of medical institution alliances is gaining an increasing awareness among the general public. Except for certain medical institution alliances having a clear organizational structure open to the public or even having been integrated into a unified legal entity, the medical institution alliances are more of a form of collaboration among different classes of medical institutions and patients may only come to know the collaboration within a medical institution alliance in the course of diagnosis and treatment, such as mutual recognition of diagnostic results, mutual referral, and dispatch of experts from higher-level hospitals to lower-level medical institutions.

A medical institution alliance normally consists of a lead hospital (being a Class II/III hospital) and a number of member hospitals usually being lower class hospitals that need supports or resources from the lead hospital. The lead hospital will take lead of the operation and management for the medical institution alliance and realize the optimal allocation of medical resources. For most diseases, a patient shall go to member hospitals for diagnosis and preliminary treatment; and if the patient, after being diagnosed at member hospitals, is considered that further treatment at the lead hospital is required, he/she will then be directed to the lead hospital. As such, patients shall be diagnosed and treated in member hospitals if having common or chronic diseases, and the lead hospital can then focus its medical resources on patients with critical conditions or complex diseases that are beyond the capability of member hospitals, with the potential to also improve its efficiency. This collaborative process calls for significant demand for standardized and professional diagnostic testing capabilities within the medical institution alliances to enable efficient resources allocation and patient referral practice.

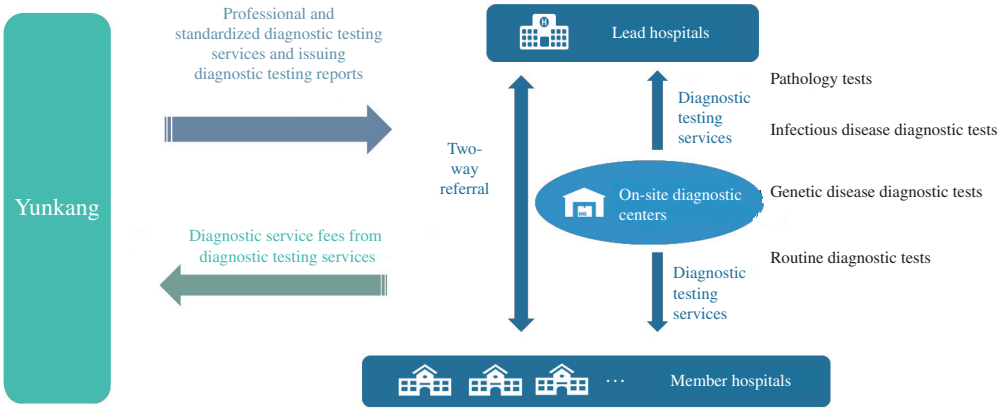
As one of the most effective measures to enhance the diagnostic capacities and capabilities of the medical institution alliance as a whole, normally the lead hospital will establish an on-site diagnostic center and test samples from member hospitals can be delivered to the center for testing. Through this approach, all members of the medical institution alliance can enjoy the standardized and professional diagnostic capabilities and patients can be referred and directed to the most suitable medical institutions within the medical institution alliances

based on their diagnostic testing results. To promote the optimal allocation of medical resources, patients with common and chronic diseases are encouraged to seek treatment in primary medical institutions, while patients with critical conditions or complex diseases that are beyond the ability of primary medical institutions should be treated in secondary or tertiary medical institutions, which then also have the potential to improve their efficiency.

Our Value Propositions

The following diagram illustrates our role and value propositions in our diagnostic testing services for medical institution alliances.

Medical Institution Alliances



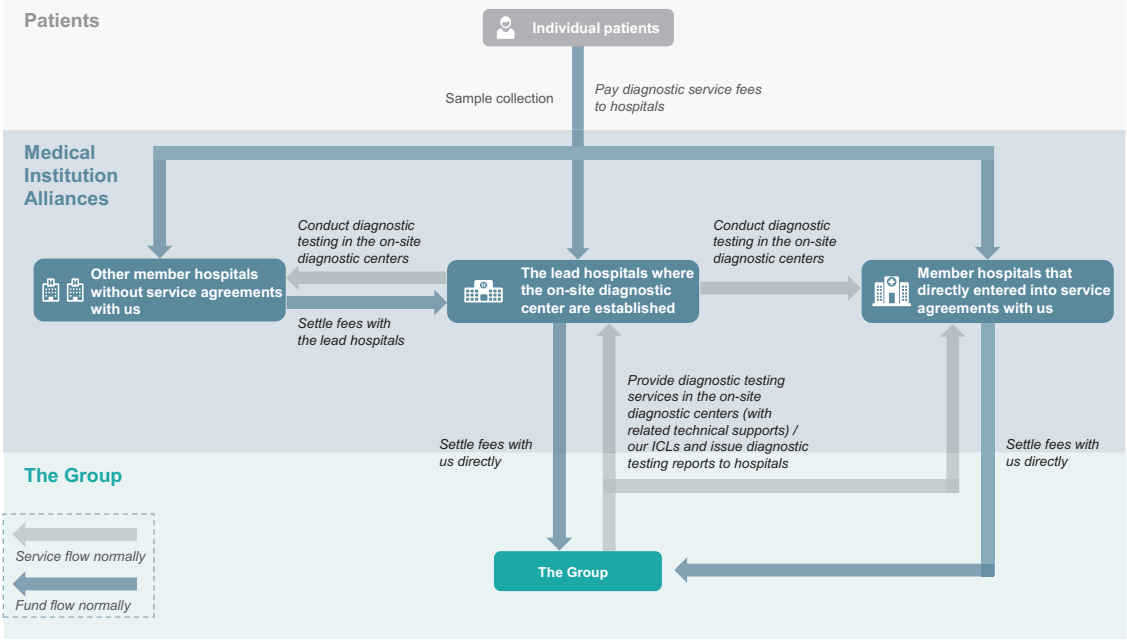
The on-site diagnostic center is normally located at the lead hospital. Member hospitals within the same medical institution alliance may also use the diagnostic capacities of the center, as they will also deliver their test samples to the diagnostic center for testing. Therefore, our diagnostic testing services for medical institution alliances assist hospitals to better manage their diagnostic operation by centralizing and utilizing their resources to enhance the diagnostic capacities of the whole medical institution alliance.

As an industry norm, although the service and collaboration agreements for the on-site diagnostic centers normally do not contain an exclusivity clause, medical institutions will normally engage the medical operation service providers such as us to perform other types of diagnostic tests that these diagnostic centers are not capable of performing themselves. Therefore, if the centers are not capable of performing certain diagnostic tests, they may utilize diagnostic capacity of our nearby ICLs. In return, we charge medical institutions for diagnostic testing services based on the number of diagnostic tests performed (either by the on-site diagnostic centers or by our ICLs).

To facilitate the operation of the on-site diagnostic centers, we provide a wide range of technical supports. Such technical supports only create channels for generating revenue from diagnostic testing services but do not generate revenue directly from themselves. We provide these services integrated as a service package to medical institutions based on their needs. This service package mainly include technical supports and daily assistance for operations, which is important because many of the medical institutions do not have sufficient or expertise in diagnostic testing and therefore need the support of medical operation service providers in relation to the provision of testing equipment, staff training, on-site testing expertise and establishment of standardized procedures and protocols, as well as assistance in the logistics of test samples. As a result of our involvement, we are also responsible for issuing diagnostic testing reports to the lead hospital. If our collaboration with a medical institution is terminated, we will withdraw all of our technicians as well as the testing equipment provided by us and the operations of the on-site diagnostic centers may be suspended. As such, we believe it is relatively difficult for the medical institution to build its diagnostic capacities in a short time.

For member hospitals, which are usually Class I hospitals or unrated hospitals, they can also enjoy the diagnostic testing services from the on-site diagnostic center that we assisted in establishing and operating at the lead hospital by delivering their test samples to the lead hospital, and they may choose to settle the diagnostic service fees directly with us or through the lead hospital. Some of these hospitals do not directly enter into service agreements with us. In such event, they will deliver their test samples to the lead hospital with which we have a contractual relationship and diagnostic testing on the test samples will be conducted at the on-site center and the lead hospital will settle the relevant service fees with us directly.

The following chart summarizes the normal service and fund flows of our diagnostic testing services for medical institution alliances.



The following table summarizes the types of on-site diagnostic centers in operation during the Track Record Period:

	As of December 31,				As of the Latest Practicable Date
	2018	2019	2020	2021	
Infectious disease centers	–	–	17	67	100
Pathology centers	63	109	153	175	176
Genetic disease centers	6	6	8	11	12
Routine centers	10	17	21	22	22

Service Scope

Supported by our core operating modules covering major aspects of our services for on-site diagnostic centers, we provide solutions to facilitate the operation of the on-site diagnostic centers, including but not limited to the following services based on our customers' needs or issuing diagnostic testing reports as a major diagnostic testing service provider.

- *Setting-up or upgrading diagnostic centers*. We usually help build up an on-site diagnostic center at the lead hospital in one of the four major therapeutic areas, namely pathology, infectious disease, genetic disease and routine diagnostic tests. We will also provide one to seven technicians to work at the center. In the meantime, the lead hospital will have one to seven personnel working at the center. If lead hospitals do not have sufficient capabilities and/or capacities to perform certain diagnostic tests, we will provide our expertise in diagnostic technologies, on-site staff, IT systems and testing equipment as appropriate to assist them to perform or upgrade the diagnostic testing at such centers.

- *Establishment of standard operating procedures*. Leveraging our knowledge of national and international diagnosis standards, we help medical institutions within the alliances to establish standard operating procedures to enhance their diagnostic testing efficiency and quality management in diagnostic testing. The establishment of standard operating procedures is supported by our quality control module. In order to enhance accuracy in diagnostic testing results, we have established relationships and maintained active collaboration with international standardization institutions. For example, we established a strategic relationship with CLSI since 2013, and have since then been the only laboratory collaborating with CLSI in China. We perform diagnostic testing in compliance with ISO1518 and CAP Guidelines. We also promote the adoption of these international standards to be followed by medical institutions within the alliances.

- *Diagnostic consultation and staff training*. We also offer on-site training and seminars to the staff of medical institutions within the alliances. These trainings primarily cover the standard procedures to handle test samples. We have also established an online consultation platform, under which our customers may upload patients' pathological reports onto the platform. We have engaged external pathologists to review these reports online to provide pathology guidance for hospitals and doctors. We normally enter into consultation service agreements with these pathologists for a fixed period ranging from one to three years and we pay them a service fee every time they conduct a pathology review. We review the qualifications and experience of these pathologists before engaging them and we will not engage them if we do not consider them qualified for the position. We engaged a total number of 46, 61, 87 and 90 pathologists as of December 31, 2018, 2019, 2020 and 2021, respectively. The related staff costs charged to the profit or loss amounted to RMB3.2 million, RMB4.2 million, RMB5.6 million and RMB5.9 million during the same periods. The amount of fees we paid to our pathologists were recorded under cost of revenue in our consolidated statements of comprehensive income for the respective period.

- *Procurement of equipment*. We help medical institutions procure upgraded or new testing equipment to meet the increasing diagnostic demands and enhance their testing capabilities. Major testing equipment used at these on-site diagnostic centers are procured and provided by us. Generally, the testing equipment we provided to them shall be returned to us if the relevant service and collaboration agreement is expired or terminated.

- *Smart Internet of things*. We have established a smart Internet of things platform connecting our testing equipment, which can monitor the status of the testing equipment at these on-site diagnostic centers at our headquarters level. This platform will send the operation and maintenance data of testing equipment at these diagnostic centers to our system so that we can monitor the operating status of testing equipment to ensure the accuracy and efficiency of diagnostic testing, which we believe can enhance customer loyalty. In addition, we also formulated a hierarchical diagnosis and treatment module, which focuses on sharing information and allocating resources among medical institutions within the alliances through intelligent technologies. We will distribute diagnostic information to relevant hospitals online, and help hospitals direct patients to the most appropriate hospital for treatment. Our hierarchical diagnosis and treatment module involves a Yunkang telepathology platform, through which hospitals are able to conduct remote consultation, referral consultation and online transmission of testing results.

- *Logistics assistance*. We also offer logistics services to deliver test samples to the on-site diagnostic centers from member hospitals. As these diagnostic centers are typically built at the lead hospitals, member hospitals may utilize our logistics services to deliver test samples to the corresponding diagnostic centers. In addition, if these diagnostic centers are not capable of performing certain diagnostic tests, the

test samples may be delivered directly to our nearby ICLs for diagnostic testing. Supported by our smart logistic module, we follow the national pharmaceutical cold chain logistics operation specifications when delivering test samples. We also adopt real-time tracking and visual monitoring to ensure our staff comply with the specifications when delivering test samples.

- *Diagnostic testing*. Our technicians are involved in the daily operations of the on-site diagnostic centers to perform diagnostic tests at the centers. In addition, medical institutions may also use the diagnostic capacity of our nearby ICLs if these diagnostic centers are not capable of performing certain diagnostic tests. Afterwards, we will issue diagnostic testing reports.

- *Other services*. In addition to the above, we also formulated a marketing module and a supply chain module, which aims to provide marketing and supply chain management services. We offer marketing and promotion services for the medical institution alliances to expand their regional coverage. Based on our cooperation with different medical institutions, we have gained a comprehensive understanding of each medical institution's relative advantages in diagnostic testing operations and its diagnostic capacities. As such, we will recommend medical institutions to the most suitable medical institution alliances based on their particular needs. We also provide information management services, client relationship management and inventory management services for medical institutions.

Case Study

A case study for an existing on-site diagnostic center is summarized as follows:

We entered into a service and collaboration agreement with Hospital A, which is a Class III hospital, in June 2019. Hospital A aims to improve its pathology health service quality and recruit sufficient professionals to support its operation. Under the agreement, we are obligated to establish a diagnostic and pathology operation with an online pathology consultation center and a molecular pathology platform. The online pathology consultation center allows experts in other cities to provide external consultancy for patients in Hospital A. The molecular pathology platform will be equipped with a digital PCR platform and a high throughput sequencing platform to conduct cancer early detection, infectious disease and genetic disease testing. We are also required to establish standard operating procedures, arrange at least three pathologists to work on-site, hire 10 experienced pathologists as consultants and provide systematic pathology training. The agreement has a term of five years.

Since signing the agreement, we have established standardized operating procedures for Hospital A and the arrangement is being implemented. We have also implemented an online platform to liaise with other members in the medical institution alliance. We plan to work with Hospital A to procure advanced diagnostic testing equipment and upgrade Hospital A's existing testing laboratory in the near future. We invested and provided approximately 30 sets of testing and operation equipment, such as automatic typing and sealing machine and high-speed centrifuge machine. In addition, we also have seven full-time technicians working at the pathological diagnostic center at Hospital A. The operation of the diagnostic center is supervised and managed by one senior staff from the hospital who is responsible for the overall management of the diagnostic center.

Number of On-site Diagnostic Centers

As of the years ended December 31, 2018, 2019, 2020 and 2021, we assisted in establishing and operating 79,132, 199 and 275 on-site diagnostic centers, respectively. As of the Latest Practicable Date, we assisted in establishing and operating 310 on-site diagnostic centers. The following table sets forth the changes in the number of on-site diagnostic centers we assisted in establishing and operating during the Track Record Period.

	For the year ended December 31,				As of Latest
	2018	2019	2020	2021	Practicable Date
As of the beginning of the period	47	79	132	199	275
Additions of on-site diagnostic centers	32	53	68	76	35
Termination of on-site diagnostic centers	–	–	1	–	–
As of the end of the period	79	132	199	275	310

For the years ended December 31, 2018, 2019, 2020 and 2021, there were three, three, 19 and 39 service and collaboration agreements that expired, respectively. Except for one contract in 2020 which the hospital did not renew with us after expiry as it was solely for the purpose of carrying out COVID-19 tests in Wuhan when the COVID-19 pandemic was at its peak in Wuhan, we successfully renewed all the contracts that expired during the period. During the Track Record Period and up to the Latest Practicable Date, we had not experienced any early-termination of service and collaboration agreement with any medical institution.

Salient Terms of Contracts with Lead Hospitals

We normally enter into service and collaboration agreements with lead hospitals through public tenders or negotiations. Key terms of our service and collaboration agreements with lead hospitals are summarized as below:

- *Term.* Our service and collaboration agreements generally have a term ranging from three to five years.

- *Payment and credit term.* Under our service and collaboration agreements, hospitals generally pay us a service fee for the testing services performed. The service fee is determined by us based on the diagnostic testing price as promulgated by the relevant authorities. We invoice and settle with member hospitals on a monthly basis. We provide credit terms to member hospitals ranging from one to three months.

- *Service.* The agreement usually sets out the specific services we are responsible for providing, including the number of items or equipment we will provide. For medical equipment we provide, the hospital will return them to us upon the expiry of the agreement.

- *Termination.* If the agreement cannot be performed for reasons including changes in PRC laws, regulations and policies that may impose restrictions or conditions on the performance of the agreement, subject to any provision requiring parties to engage in negotiation for proper adjustments, the agreement shall be terminated.

- *Renewal.* Most of our service and collaboration agreements contain an automatic renewal clause, pursuant to which the contract shall be automatically renewed for the same period upon expiry if no party objects.

As of December 31, 2021, among the 275 on-site diagnostic centers we assisted in establishing and operating, the service and collaboration contracts with 68 of them will expire in 2022. We plan to renew the service and collaboration contracts with them after their expiration.

Diagnostic Testing Services for Non-medical Institutions

We offer diagnostic testing services for non-medical institutions. For the years ended December 31, 2018, 2019, 2020 and 2021, we served 200, 55, 128 and 303 non-medical institutions, respectively, which primarily included financial institutions and insurance companies. For the years ended December 31, 2018, 2019, 2020 and 2021, our revenue generated from diagnostic testing services for non-medical institutions amounted to RMB46.2 million, RMB48.7 million, RMB66.8 million and RMB53.1 million, representing 7.8%, 7.2%, 5.6% and 3.1% of our total revenue for the same period, respectively. In particular, we ceased

cooperations with insurance companies in 2019, which generally had a higher testing volume but a lower average selling price, as we gradually shifted our focus to cooperate with other non-medical institutions which we are able to charge a high selling price.

We operate an outpatient clinic, which only serves customers under diagnostic testing services for non-medical institutions. Under the current PRC regulatory regimes, ICLs normally cannot collect test samples directly from the general public. As such, our outpatient clinic primarily serves individual customers of the general public as well as employees of our non-medical institution customers. The outpatient clinic primarily provides routine diagnostic tests for health checkup purposes and COVID-19 tests. For those who received diagnostic tests at our outpatient clinic, we also provide basic medical consultation services to them based on the diagnostic testing reports we issued and refer them to the suitable hospitals for further treatment that we consider appropriate.

For the years ended December 31, 2018, 2019, 2020 and 2021, we had two, one, one and one outpatient clinic, respectively. In 2018, we had two outpatient clinics in Jinan and Guangzhou, respectively and our outpatient clinic in Jinan was closed in November 2018. In 2019, in order to better serve our customers, we closed our outpatient clinic in a suburban area in Liwan District (荔灣區) of Guangzhou and opened a new outpatient clinic in an urban area in Yuexiu District (越秀區) of Guangzhou. For the years ended December 31, 2018, 2019, 2020 and 2021, our outpatient clinic performed 2,611, 2,459, 84,434 and 360,139 diagnostic tests, respectively. The significant increase in diagnostic tests in 2020 was primarily because of the increasing demand for COVID-19 tests during the COVID-19 pandemic. As of the Latest Practicable Date, the outpatient clinic was staffed with three doctors, two of which held professional medical physician qualifications and one of which held professional medical physician assistant qualification; one pharmacist who held elementary pharmacist qualification; and five nurses who held elementary nurse qualifications. As advised by our PRC Legal Advisers, our outpatient clinic had complied with the applicable PRC laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

OUR CUSTOMERS

During the Track Record Period, our customers primarily consisted of hospitals, community health clinics and other medical institutions (such as woman's and children's dispensaries, township health center and village clinics), as well as financial institutions, insurance companies and high net worth individuals. During the Track Record Period, a significant number of our customers were located in Guangdong province, accounting for 41.9%, 48.2%, 51.8% and 54.6% of our total customers for the years ended December 31, 2018, 2019, 2020 and 2021, respectively.

The following table sets forth the number of our customers of medical institutions and non-medical institutions for the periods indicated:

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

Medical Institutions

During the Track Record Period, our medical institution customers primarily included (i) hospitals, clinics and other medical institutions to which we provide diagnostic outsourcing services through our ICLs and (ii) lead hospitals and member hospitals within medical institution alliances to which we provide diagnostic testing services for medical institution alliances through the assistance in establishing and operating the on-site diagnostic centers. The medical institutions we collaborated with were primarily located across 31 provinces and municipalities in China, with the majority located in the same provinces/municipalities with our ICLs. In addition, some medical institutions located in areas distant from our ICLs may also engage us for diagnostic testing services as it is hard for them to find qualified ICLs to provide diagnostic testing services nearby and they consider our services can better match their diagnostic testing needs. During the Track Record Period, over 60% of our revenue were generated from public medical institutions (primarily being not-for-profit medical institutions organized by the government) in China. The following table sets forth a breakdown of our medical institution customers by geographical location for the periods indicated.

	Diagnostic outsourcing services				Diagnostic testing services for medical institution alliances			
	For the year ended December 31,							
	2018	2019	2020	2021	2018	2019	2020	2021
Guangdong	1,114	1,140	1,501	1,687	61	78	99	153
Sichuan	417	326	383	410	13	21	30	33
Shanghai	113	69	122	138	–	–	1	1
Anhui	233	173	179	202	–	5	13	15
Jiangxi	435	343	276	283	–	1	2	5
Yunnan	40	12	13	15	100	84	61	61
Henan	7	8	2	6	–	–	2	4
Jiangsu	52	37	28	33	–	–	–	–
Others	208	188	130	148	10	30	54	62
Total	2,619	2,296	2,634	2,922	184	219	262	334

We provide diagnostic outsourcing services to hospitals, clinics and other medical institutions. For the years ended December 31, 2018, 2019, 2020 and 2021, we provided diagnostic outsourcing services to 2,619, 2,296, 2,634 and 2,922 customers, respectively, which primarily include hospitals and other medical institutions, including 251, 244, 235 and 243 Class III hospitals and 456, 421, 473 and 494 Class II hospitals, respectively.

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

As of the Latest Practicable Date, we had assisted in establishing and operating 310 on-site diagnostic centers, serving over 700 medical institutions under our diagnostic services for medical institution alliances.

Non-Medical Institution Customers

For our diagnostic testing services for non-medical institutions, our customers are primarily financial institutions and insurance companies. For the years ended December 31, 2018, 2019, 2020 and 2021, we offered diagnostic testing services for non-medical institutions to 200, 55, 128 and 303 customers, respectively.

Five Largest Customers

During the Track Record Period, our revenue generated from our five largest customers accounted for less than 30% of our total revenue for each of the years ended December 31, 2018, 2019, 2020 and 2021. As of the Latest Practicable Date, none of our Directors, their associates or any shareholders which, to the knowledge of our Directors, owned more than 5% of the issued share capital of our Company as of the Latest Practicable Date, had any interest in any of our five largest customers during each year of the Track Record Period.

SALES AND MARKETING

Sales Model

We adopt a direct sales model. During the Track Record Period, we entered into service agreements directly with our customers. As of the Latest Practicable Date, we had 259 sales and marketing personnel. Our in-house sales and marketing team is mainly responsible for our marketing activities and regularly sponsors or participates in various academic conferences and seminars, including large national and provincial medical conferences. We also promote sales of our services through developing strong business relationships with hospitals. Our staff are stationed on-site at medical institutions to provide guidance and advice on diagnostic testing. We contracted with Independent Third Parties to provide training to staff to enhance their knowledge of diagnostic testing, which in turn enhances customer stickiness and increase demand for our products.

In addition to our in-house marketing efforts, as an industry norm we also engage a number of marketing service providers, who are Independent Third Parties, to promote our services to hospitals. Medical operation service providers engage third-party marketing service providers primarily because they lack sufficient resources for market penetration themselves, especially considering that the broad geographic coverage makes it difficult for them to conduct market development activities on their own without the assistance of local third-party marketing service providers. These third-party marketing service providers are normally local companies which have resources and access to penetrate local hospitals, most of which were acquainted with us through recommendations. We normally only engage one marketing service provider for each hospital or for each hospital department and each third-party marketing

service provider is generally responsible for the promotion of certain types of diagnostic tests at a specific hospital. We have established stringent internal procedures to establish partnership with third-party marketing service providers. We normally select third-party marketing providers based on prior background search with various factors, such as their professional qualifications, industry experience, reputation, project specialty and project track record. Once they have satisfied our internal evaluation procedure and successfully promoted our services, we will sign service agreement with the hospital. Thus, we can trace the settlement record with such hospital to determine the service fees to be paid to such third-party marketing service provider.

Although these third-party marketing service providers do not need to hold any specific permits or licenses in China for their services, we have adopted a series of policies and protocols to monitor the performance of, and compliance with relevant laws and regulations by these third-party marketing service providers. We assess the third-party marketing service providers based on their market positions, reputation and the target services to be marketed before entering into service contracts with them. We have also established a whistleblower reporting system enabling employees and our customers to report any suspicious activities. We will conduct an annual review of the compliance record and we will investigate any suspicious transactions we identified and we will terminate the marketing agreement with the third-party marketing service provider if we consider them in breach of our anti-bribery and anti-corruption policies. Further, we have established internal compliance guidelines for those third-party marketing service providers we choose to partner with. The guidelines stipulate the daily standards and protocols of the marketing practice as well as incorporating relevant non-competition undertakings and anti-bribery policies. We will be able to terminate the service contract with a marketing service provider if it breaches any of the terms in the guidelines.

We also implement specific procedures for our third-party marketing service providers and require them to conduct periodic review and submit to us review reports for the assessment of their performance. At our headquarters level, we have appointed designated personnel to closely monitor the behavior of our third-party marketing service providers. We also conduct regular communications with medical institutions to review the performance of our third-party marketing service providers and to identify any potential risks or issues. The medical institutions are encouraged to provide anonymous report to us if there is any breach of the non-competition undertaking or anti-bribery clause by a marketing service provider and we will terminate the agreement with the marketing service provider immediately if we consider there is sufficient proof for such incidents. We normally evaluate the performance of our third-party marketing service providers based on the number of medical institutions they assist us in penetrating and the number of diagnostic tests performed for medical institutions.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirm we had not identified any incidents of material breaches by our third-party marketing service providers. We believe these third-party marketing service providers have resources and

access to medical institutions, especially in new markets where we do not have presence or existing relationship with medical institutions. We enter into service contracts directly with hospitals that they promote our services to.

Terms of the Service Agreements

We generally enter into marketing agreements with our third-party marketing service providers for a term ranging from one to three years. Key terms of our marketing agreements with the third-party marketing service providers are summarized below.

- *Nature and Scope of the Service.* Our third-party marketing service providers are responsible for promoting our services through various activities including but not limited to visiting hospitals and organizing academic conferences. In addition, our third-party service providers visit our customers on behalf of us on a regular basis to maintain the long term relationship and ensure we receive their feedback in a timely manner. They also assist us in collecting receivables from our customers.

- *Payment*. We normally pay to third-party marketing providers based on a certain percentage of the revenue we generated from the diagnostic tests which were promoted by them on a monthly basis. For details, please see "Financial Information—Description of Key Items in Our Consolidated Statements of Comprehensive Income—Selling Expenses."

- *Pricing*. Depending on the different types of diagnostic tests, we generally set the service fee based on a certain percentage of the revenue we generate from provision of diagnostic services, which is determined based on the number of diagnostic tests that we have performed for the relevant medical institutions that the third-party marketing service provider has provided marketing services. For a majority of our third-party marketing service providers during the Track Record Period, the percentage we paid them generally ranged from 15% to 45%, which are generally comparable to that of our competitors, according to Frost & Sullivan.

- *Non-Competition and Anti-Bribery*. Our third-party marketing service providers are generally not allowed to promote any other products or services that compete with, or have any conflict of interest with, any of our services. We also require our third-party marketing service providers to strictly comply with our stringent anti-bribery policies and protocols.

- *Termination*. Upon any breach of such non-competition undertaking by a third-party marketing service provider, we may terminate the relevant agreement and are entitled to claim damages from such service provider.

Our Directors confirm that to the best of their knowledge, information and belief, none of the third-party marketing service providers, their directors, shareholders or senior management, or any of their respective associates, have any other past or present relationships (including, without limitation, business, employment, family, financing or otherwise) with us, our subsidiaries, our Shareholders, Directors or senior management, or any of their respective associates.

For the years ended December 31, 2018, 2019, 2020 and 2021, our selling expenses amounted to RMB187.1 million, RMB192.7 million, RMB219.0 million and RMB273.3 million, respectively, representing 31.4%, 28.4%, 18.2% and 16.1% of our total revenue for the same period, respectively.

Pricing

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

- *How medical institutions charge patients*. Generally, for different types of diagnostic testing, local governments in the PRC have promulgated different pricing protocols, which set out the ceiling price that the medical institution can charge individual patient per test. All the public medical institutions (primarily being non-profit medical institutions organized by the government) shall strictly follow the pricing set forth in the pricing protocols and all the non-public medical institutions (primarily being for-profit medical institutions organized by enterprises and other non-government institutions) shall set their prices with reference to the market prices based on market demand, which, in some cases, may be higher than the pricing protocol.

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

We generally set service prices based on commercial negotiations with our customers. To maintain our market position and to compete effectively with our competitors, we price our services by considering the price of competing services in the diagnostic testing industry. In determining the level of our service fees we charge for our services, we normally consider a number of factors, including test type, our costs, local market conditions, expected testing volumes and customer type in determining such percentage. In addition, availability of public and private insurance coverage and insurers reimbursement policies may affect our financial conditions and results of operations. For details, see "Risk Factors—Risks Relating to Government Regulations—Availability of public and private insurance coverage and insurers reimbursement policies may affect our revenues, margins and results of operations".

RESEARCH AND DEVELOPMENT

We are committed to providing accurate and reliable diagnostic testing. Three of our operating subsidiaries, namely Yunkang Health, Guangzhou Daan and Chengdu Daan, have been recognized by the local provincial level municipal science and technology commission, finance bureau, and state and local tax bureaus as "high and new technology enterprises" and were further registered with the local tax authorities to be eligible for the preferential enterprise income tax rate of 15%.

In order to enhance the performance and stability of these systems, we have a dedicated R&D team focusing on improving the efficiency and regular maintenance of IT systems in relation to medical institution alliances. We may also establish research and development teams, which include other employees based on specific research and development projects, in order to improve our diagnostic techniques. As of the Latest Practicable Date, we had 91 employees primarily responsible for our research and development activities. These employees are primarily employees within our information technology team and technicians that are involved in the R&D for application of new diagnostic techniques. IT systems in relation to medical institution alliances are the primary channel for us to interact with member hospitals and manage diagnostic testing data.

Our research and development activities primarily focus on developing and maintaining IT systems that can improve the efficiency of information transmission and applying new diagnostic techniques to our business operations. For example, we partnered with a software company to jointly research and develop a new generation of clinical laboratory technology platforms to further our professional and standardized diagnostic services. The new generation of clinical laboratory technology platform will utilize cloud technology to store diagnostic testing data and enable medical institutions to have remote access to review the diagnostic testing data and reports for pathological analysis. Yunkang apps are our in-house developed apps for physicians and medical institutions. They consist of two free-of-charge apps, namely (i) Yunkang Doctor, which enables physicians to review the diagnostic testing reports issued by us; and (ii) Yunkang Medical Institution Report Review App, which enables medical institutions to review the diagnostic testing progress and diagnostic testing reports they sent us. Currently, Yunkang Doctor has over 768 users and Yunkang Medical Institution Report Review App has over 3,160 users.

In 2016, we cooperated with Sun Yat-sen University and established Yunkang Medical and Health Management College program to provide training on clinical and pathological diagnostics. This collaboration enables us to constantly attract and recruit talents for us and design specific curriculum offerings that can meet our recruitment needs. Under this arrangement, we are generally responsible for initial investments in relation to curriculum offerings and education equipment and in return, students from Yunkang College are encouraged to take internship with us and eventually join us after graduation. In 2020, 20% of Yunkang College's first graduating class joined us. We expect more graduates from Yunkang College to join us upon graduation to improve our talent reserve.

For the years ended December 31, 2018, 2019, 2020 and 2021, our research and development expenses were RMB38.2 million, RMB36.5 million, RMB33.4 million and RMB43.9 million, respectively. Our research and development expenditure primarily consisted of employee benefit expenses of our research and development staff, equipment operation expenses and cost of testing kits and raw materials that are used in our laboratory testing and amortization of our testing equipment.

LOGISTICS

We have established stringent protocol for our logistics practice and our logistic department is in charge of the transportation of test samples. Our logistics personnel will conduct a preliminary review when collecting the test samples, including inspection of the labels, inspection of sealing and inspection of the information of patients. They are also responsible for the control of temperature and humidity of the condition in which the test samples are stored throughout the transportation process and ensure the collection of test samples from medical institutions and delivery to our ICLs are strictly in accordance with our protocol. If our logistics personnel conclude that the test sample cannot satisfy our diagnostic testing requirement, we will request the hospital or medical institution to conduct a re-sampling. For test samples that contain infectious substances, we will label the relevant infectious substance on the testing tube and will perform sealing in accordance with our internal protocol. For most of our medical institution customers which are located near our ICLs, we will arrange transportation from the medical institution customer to the respective ICLs. For medical institution customers distant from our ICLs, the test samples will be delivered by air freight or train depending on the type of diagnostic tests and the nature of the samples. Together with our self-developed bar code system, a bar code and an identification number will be assigned to each sample. The bar code contains the information of the type of the diagnostic test and the hospital department information, and is linked with the assigned identification number. Therefore, we are able to know the type of reagent to be used and type of test by scanning the bar code. By scanning the bar code at the delivery and testing, we are also enabled to track the samples collected from which exact hospital and the respective hospital department within the medical institution alliance. After the test is completed, medical institutions may use the assigned identification number to gain access to the testing report.

Certain test samples have a shorter shelf life of two weeks in a 2-8°C environment and others may have a longer shelf life, depending on nature of the test samples. We are able to maintain the activity and effectiveness of the testing samples during the transportation process (including both by air freight and by train) and the test samples will be kept in a temperature- and humidity-controlled container which is closely monitored by us. We have set up a real-time logistics monitoring system, enabling us to monitor the quantity, temperature and real-time location of each batch of test samples and it will alarm us if it identifies any testing samples are kept in an abnormal environment. Moreover, we have a pilot center in Guangzhou, China, for the implementation of the new *Pharmaceutical Cold Chain Logistics Industry Standard* (藥品冷鏈物流運作規範) issued by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中國國家質量檢驗檢疫監督管理局) ("**Cold Chain Logistics Standard**"). The Cold Chain Logistics Standard stipulates the basic requirements for cold chain transportation of pharmaceutical products. Our pilot center has established procedures and protocols that satisfy the Cold Chain Logistics Standard and all of our pharmaceutical cold chain logistics are conducted in accordance with such procedures.

QUALITY CONTROL AND ASSURANCE

Accuracy of diagnostic testing is at the core of our commitment to patient well being and hospital satisfaction. We believe that an effective quality management system is crucial to maintaining our high service quality.

To ensure that our services consistently meet high industry standards, regulatory requirements and patient satisfaction, we have established an independent quality assurance team. We have a team of over 20 specialists who have an average of over seven years of experience in the healthcare industry and extensive know-how of relevant regulatory requirements and quality standard procedures.

Our quality management encompasses all stages throughout the diagnostic testing process, from sample collection to results delivery. We have established internal policies and standard procedures, which follow national and international guidelines, to ensure accuracy and reliability. For examples, we regularly conduct safety inspections of our laboratories to ensure the compliance of safety guidelines and we have developed testing processes and methodologies to support our data platform and logistics systems. We have also established a strategic relationship with CLSI since 2013, and have since then been the only laboratory collaborating with CLSI in China. We also follow ISO1518 and CAP Guidelines, which are widely recognized in medical operation services industry.

CLSI is a globally recognized not-for-profit standards development organization, whose standards are recognized by laboratories, accreditors and government agencies globally to improve medical laboratory testing. As its only partner in China as of the Latest Practicable Date, we comply with CLSI's testing standards and we are responsible for promoting CLSI's clinical standards in China. In January 2021, we successfully renewed our strategic cooperation relationship with CLSI for another five years. Key terms of our partnership agreement with CLSI are summarized as below:

- *Nature and Scope of the Service*. Pursuant to the partnership agreement, CLSI will provide us with corporate and affiliate membership, technical consulting and training and the non-exclusive right to translate and distribute selected works in order to improve the capabilities, quality and sustainability of medical laboratories in the PRC. We will be responsible for promoting CLSI's clinical standards in China.

- *Terms*. Our partnership agreement has a term of five years with an option for renewal upon expiration.

- *Payments*. Under the partnership agreement, we generally pay CLSI affiliate membership fees on a quarterly basis. The affiliate membership fees are generally determined based on arms' length negotiation between CLSI and us with reference to the annual fee CLSI normally charges for each membership site.

- *Termination*. We or CLSI may terminate the partnership agreement upon 30 days' prior notice upon the other party's uncured breach of the partnership agreement.

In 2018, 2019, 2020 and 2021, we paid CLSI a total amount of US$100,834 for the annual affiliate membership fees.

SUPPLIERS AND PROCUREMENT

During the Track Record Period, our major suppliers primarily consisted of suppliers of testing kits, raw materials, machinery and equipment and third-party marketing service providers. In addition, we also engage certain third-party laboratories as subcontractors to outsource a small portion of our testing services. The main purpose is to ensure the efficiency of our testing services and to save costs because it is time consuming and costly to build up a technology platform for a small portion of test samples. For the years ended December 31, 2018, 2019, 2020 and 2021, we engaged 25, 33, 39 and 35 subcontractors, respectively, and have maintained stable business relationships with our subcontractors with an average of approximately five years cooperation. As the first step, we review the relevant certificates of the subcontractors to ensure their qualifications, which include business license, medical practice license and medical laboratories accreditations. Except for Da An Gene, our Directors confirm that all of our subcontractors are Independent Third Parties as of the Latest Practicable Date. Key terms of the service agreements with our subcontractors are summarized as below:

- *Term.* Our subcontractor agreements generally have a term of one year with renewal options.

- *Payment.* Under our subcontractor agreements, we are obliged to pay the subcontractors a service fee for the testing services performed based on arms' length negotiations. The service fee is determined based on the diagnostic testing prices as promulgated by the relevant authorities. We invoice and settle with the subcontractors on a monthly basis.

- *Service.* The subcontractor agreements set out the specific testing services the subcontractors are responsible for. The quality standard of the testing service is also set out in the agreement which is required to be in line with our internal guidelines.

- *Termination and Renewal.* Either party to the agreement has the right to terminate or renew the contract with 30 days' prior written notice.

In order to ensure the quality of services of these subcontractors, we have implemented a series of quality control measures, including (i) we require the potential subcontractors to provide their qualifications and licenses before entering into service agreements with them; (ii) we conduct examination on the quality control system of the subcontractors if we consider necessary and we only enter into service agreements with subcontractors that can pass such examination; (iii) we conduct annual review on all the qualified subcontractors and if we consider any subcontractor cannot satisfy our quality requirements, such subcontractor will be removed from our qualified subcontractor list; and (iv) if we consider the quality control system of certain subcontractors have room for improvement during annual review, we will work with them to improve the quality of their services.

To manage the prices of our testing kits, raw materials and other supplies, we entered into agreements with a term ranging from one to five years with our suppliers which will be reviewed and renewed upon the expiration of the relevant agreement. Our key suppliers are required to strictly follow our quality standards and are responsible for any quality defects that are directly caused by the substandard quality of the raw materials (including testing kits and reagents) supplied. Under our standard supplier contract, we have the right to return or exchange products if quality issues are discovered during inspection or use of the products. In order to ensure the quality of the reagents and consumables, we maintain a qualified supplier list and only procure reagents and consumables from qualified suppliers. We require each supplier to provide its qualifications and licenses and we may require them to provide testing report if necessary. If we consider there are quality issues for certain suppliers, we will discuss with the supplier and require them to improve their quality and we will terminate our relationship with such supplier if the supplier cannot rectify such quality issues.

We have maintained stable business relationships with our major suppliers for over five years on average. We primarily procure our pharmaceuticals, reagents and consumables for diagnostic testing from domestic suppliers. As the diagnostic tests we offered are primarily well-established diagnostic tests, generally there are several available domestic suppliers for the major types of pharmaceuticals, reagents and consumables we use. In addition, we may also shift to import suppliers if necessary to meet emerging market demand that domestic suppliers cannot meet. During the Track Record Period, we did not experience any material disputes with suppliers, difficulties in the procurement of raw materials, interruptions in our operations due to a shortage or delay of raw materials or significant fluctuations in raw material prices.

For the years ended December 31, 2018, 2019, 2020 and 2021, Da An Gene Group, our connected person was our largest supplier. Our purchase amounts from Da An Gene Group were RMB80.1 million, RMB52.4 million, RMB81.9 million and RMB226.5 million for the

years ended December 31, 2018, 2019, 2020 and 2021, respectively, representing 15.4%, 9.9%, 11.7% and 22.1% of our total purchases for the same period, respectively. The increase in purchases from Da An Gene Group as a percentage of our total purchase in 2021 was primarily because of the increasing amount of reagents and consumables we purchased from Da An Gene Group in 2021 mainly attributable to the increased number of COVID-19 tests we conducted in the same period. In each of the years ended 2018, 2019 and 2020, our purchase amount from our five largest suppliers accounted for less than 30% of our total purchases. For the year ended December 31, 2021, our purchase amount from our five largest suppliers amounted to RMB324.4 million, representing 33.4% of our total purchases. The following table illustrates our top five suppliers for the year ended December 31, 2021.

Rank	Supplier	Transaction Amount	% of Total Purchase Amount	Length of Business Relationship	Service/Products Procured
		(RMB in thousands)	*(%)*		
For the year ended December 31, 2021					
1	Da An Gene Group	226,480	22.1	Since 2011	Reagents, consumables and equipment and diagnostic outsourcing
2	Supplier A	42,415	4.1	Since 2015	Sales and marketing service
3	Supplier B	29,857	2.9	Since 2021	ICL decoration and related equipment
4	Supplier C	24,062	2.3	Since 2020	Reagents and consumables
5	Supplier D	19,614	1.9	Since 2011	Reagents, consumables and equipment
	Total	**342,428**	**33.4**		

During each year of the Track Record Period, two of our five largest customers or suppliers were also our suppliers or customers during the same period.

- Da An Gene, our largest supplier in 2018, 2019, 2020 and 2021, was also our customer during the same period. Revenue from Da An Gene represented less than 0.2% of our revenue for each same period. We provided diagnostic outsourcing services to employees of Da An Gene while we purchased certain testing equipment and reagents from them. Negotiations of the terms of our sales to and purchase from Da An Gene were independent and the sales and purchases were neither inter-conditional with each other.

- One of our five largest customers in 2018 and 2019 was also our supplier during the same periods. This customer/supplier is a PRC company primarily engaged in genetic disease diagnostic testing services. We were collaborating with this company in relation to certain genetic disease diagnostic testing projects where we were responsible for diagnostic test services and the customer/supplier is responsible for data management and analysis. As part of the project, from time to time, the customer and us may collect test samples and will pay the other party the respective service fees. In 2018 and 2019, our procurement from this supplier represented 1.0% and 1.5% of our total purchases for the respective year. Negotiations of the terms of our sales to and purchase from this customer/supplier were determined with reference to the service fee each party charges third-party customers. Sales and purchases were not inter-conditional with each other.

Our Directors have confirmed that services purchased or products purchased from these suppliers were not sold to them and the terms of the transactions with such customers were entered through arms' length negotiations and in normal commercial terms.

Save for Da An Gene, as of the Latest Practicable Date, none of our Directors, their associates or any shareholders which, to the knowledge of our Directors, owned more than 5% of the issued share capital of our Company as of the Latest Practicable Date, had any interest in any of our five largest suppliers during each year of the Track Record Period.

INTELLECTUAL PROPERTY

We recognize the importance of intellectual property rights to our business and are committed to the development and protection of our intellectual property rights. We actively seek patent protection for our products. We have developed a significant portfolio of intellectual property rights to protect our technologies and products. As of the Latest Practicable Date, we had registered 30 patents and 209 trademarks (including the trademark 云康 that we use as the brand name for our business operations) in China among which 18 are utility patents, 11 are invention patents, and one for appearance design. As of the same date, we had filed 18 patent applications, which were pending approval in China. Our intellectual properties mainly consist of the new methodologies and technologies for diagnostic testing. We have successfully registered several methodologies regarding to diagnostic detection methods in various therapeutic areas, for example, the method for detecting apolipoprotein E genotypes and the method for detecting single point mutation of gene. Additionally, the new technologies we developed mainly consist of innovative computer systems, which includes but not limited to the remote image reading agent service system as well as an ankylosing spondylitis remote consultation sharing platform. For details, please see "Appendix IV—Statutory and General Information—B. Further Information About Our Business—2. Intellectual property rights."

As of the Latest Practicable Date, we owned the following registered patents which we consider to be or may be material to our business:

No.	Patent	Nature	Place of Registration	Patent Number	Registered Owner	Expiry Date	Status
1	A method for detecting single point mutation of gene with TaqMan probe quantitative polymerase chain reaction technology	Invention	PRC	ZL200710026606.2	Guangzhou Daan	January 30, 2027	Effective
2	Human parainfluenza virus typing and quantitative detection kit	Invention	PRC	ZL200810027106.5	Guangzhou Daan	March 31, 2028	Effective
3	Respiratory syncytial virus real-time fluorescent PCR detection kit	Invention	PRC	ZL200810028076.X	Guangzhou Daan	May 14, 2028	Effective
4	Specimen box	Utility	PRC	ZL201420040128.6	Yunkang Industry, Guangzhou Daan	January 22, 2024	Effective
5	Dried blood piece collection device	Utility	PRC	ZL201320544714.X	Guangzhou Daan, Yunkang Industry	September 13, 2023	Effective
6	Medical inspection information unified collection equipment	Utility	PRC	ZL201420774811.2	Yunkang Health, Yunkang Industry, Guangzhou Daan, Chengdu Daan	December 9, 2024	Effective
7	Medical inspection information collection system	Utility	PRC	ZL201420774844.7	Yunkang Health, Yunkang Industry, Guangzhou Daan, Chengdu Daan	December 9, 2024	Effective
8	Drip holder	Utility	PRC	ZL2014202653915	Yunkang Industry, Guangzhou Daan	May 22, 2024	Effective
9	Auxiliary force-receiving mechanism and inspection device containing the auxiliary force-receiving mechanism	Invention	PRC	ZL201510218422.0	Guangzhou Daan, Chengdu Daan, Shanghai Daan, Yunkang Industry	April 30, 2025	Effective

No.	Patent	Nature	Place of Registration	Patent Number	Registered Owner	Expiry Date	Status
10	Auxiliary force-receiving mechanism and inspection device containing the auxiliary force-receiving mechanism	Utility	PRC	ZL201520277622.9	Guangzhou Daan, Chengdu Daan, Shanghai Daan, Yunkang Industry	April 30, 2025	Effective
11	Drying board	Utility	PRC	ZL201620772572.6	Chengdu Daan, Guangzhou Daan, Shanghai Daan, Hefei Daan	July 21, 2026	Effective
12	A cleaning device for medical equipment	Invention	PRC	ZL201510027096.5	Chengdu Daan	January 20, 2035	Effective
13	An intelligent safety management system for hospital case files	Invention	PRC	ZL201410626633.3	Yunkang Health	November 10, 2034	Effective
14	Detection method of drug resistance mutation in hepatitis B virus genome	Invention	PRC	ZL200410052531.1	Shanghai Daan	December 7, 2024	Effective
15	Picture classification system	Utility	PRC	ZL201922235021.2	Guangzhou Daan	December 13, 2029	Effective
16	Sample tube adapter	Utility	PRC	ZL201921294948.7	Guangzhou Daan, Yunkang Health, Chengdu Daan, Yunkang Industry, Shanghai Daan	August 9, 2029	Effective
17	Slide making device	Utility	PRC	ZL201921288397.3	Guangzhou Daan, Yunkang Health, Chengdu Daan, Yunkang Industry, Shanghai Daan	August 9, 2029	Effective
18	Test tube rack and its connecting parts	Utility	PRC	ZL201921289508.2	Guangzhou Daan, Yunkang Health, Chengdu Daan, Yunkang Industry, Shanghai Daan	August 9, 2029	Effective
19	Sharps collection box and its cover	Utility	PRC	ZL201921300022.4	Guangzhou Daan, Hefei Daan, Yunkang Health, Chengdu Daan, Yunkang Industry, Shanghai Daan	August 12, 2029	Effective

No.	Patent	Nature	Place of Registration	Patent Number	Registered Owner	Expiry Date	Status
20	Test tube numbering equipment	Utility	PRC	ZL201921302053.3	Guangzhou Daan, Hefei Daan, Yunkang Health, Chengdu Daan, Yunkang Industry, Shanghai Daan	August 12, 2029	Effective
21	Tissue wax block slice auxiliary device and tissue wax block slicer	Utility	PRC	ZL201921289542.X	Guangzhou Daan, Yunkang Health, Chengdu Daan, Yunkang Industry, Shanghai Daan	August 9, 2029	Effective
22	Test tube capping device	Utility	PRC	ZL201921298930.4	Guangzhou Daan, Hefei Daan, Yunkang Health, Chengdu Daan, Yunkang Industry, Shanghai Daan	August 12, 2029	Effective
23	Computer with graphical user interface to motivate employees	Appearance design	PRC	ZL201930488727.2	Guangzhou Daan	September 5, 2029	Effective
24	A specimen box with independent temperature division zone	Utility	PRC	ZL201922015036.8	Guangzhou Daan, Zhejiang Wugu Saxin Cold Chain Technology Co., Ltd.	November 20, 2029	Effective
25	High-throughput screw biological information analysis method and device, equipment and storage medium	Invention	PRC	ZL201710619197.0	Guangzhou Daan, Chengdu Daan	July 26, 2037	Effective
26	Multifunctional sample storage box	Utility	PRC	ZL202021591131.9	Guangzhou Daan	August 4, 2030	Effective
27	Resource access method, device, computer equipment and storage medium	Invention	PRC	ZL201910150685.0	Guangzhou Daan	February 28, 2039	Effective
28	An influenza virus typing detection kit	Invention	PRC	ZL201010229496.1	Guangzhou Daan Gene Co., Ltd., Chengdu Daan	July 16, 2030	Effective
29	A kit for detecting herpes simplex virus type I by fluorescent PCR	Invention	PRC	201210014382.4	Guangzhou Daan Gene Co., Ltd., Guangzhou Daan Clinical Laboratory Co., Ltd.	January 16, 2032	Effective

We have entered into confidentiality agreements with all of our employees and non-competition agreements with our senior management and certain key members of our research and development team and other employees who have access to trade secrets or confidential information about our business. Our standard employment contract, which we used to employ each of our employees, contains a confidentiality clause, under which we own all the rights to all inventions, technology know-how and trade secrets derived during the course of such employee's work.

As of the Latest Practicable Date, we were not involved in any proceedings in respect of, and we had not received notice of any claims of infringement of any intellectual property rights, in which we may be a claimant or a respondent.

EMPLOYEES

As of the Latest Practicable Date, we had 2,210 full-time employees, 631 of which were stationed at on-site diagnostic centers and 702 of which were stationed at our ICLs. All of our employees are located in China. We believe that well-educated employees with extensive industry experience are essential to our overall business operation and the research and development of our services. The following table sets forth the number of our employees by function as of the Latest Practicable Date.

	Number of employees
Management	139
Sales and marketing	259
Medical technician	1,333
Operation	227
Research and Development	91
Logistics	161
Total	2,210

We recruit our personnel primarily through recruiting websites, recruiters and job fairs. We enter into employment contracts with our employees to cover matters such as wages, benefits and grounds for termination. We make contributions to social insurance and housing provident funds as required by the PRC laws and regulations.

All of our new employees are required to attend orientation and training programs so that they may better understand our corporate culture, structure and policies, learn relevant laws and regulations, and raise their quality awareness. In addition, from time to time, we invite external experts to provide training to our management personnel to improve their relevant knowledge and management skills.

We have established a labor union that represents employee with respect to the promulgation of bylaws and internal protocols. During the Track Record Period, we did not experience any material labor disputes or strikes that may had a material and adverse effect on our business, financial condition or results of operations.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

Governance on ESG Matters

We agree with the growing consensus that top-down oversight of ESG is a marker of a Company's commitment to ESG business integration.

The Board has the collective and overall responsibility for establishing, adopting and reviewing the ESG vision, policy and target of our Group, and evaluating, determining and addressing our ESG-related risks.

In order to effectively implement the relevant work of ESG management, we have established an ESG working group, comprising representatives from our various departments (e.g. human resources, administration, diagnostic testing laboratory, information technology, and marketing).

The ESG working group reports to the Board and oversees the Group's ESG strategies, daily operations and risk management. We will adopt a set of ESG policies based on the applicable laws and regulations, which set forth our internal policies and measures in respect of, among other things, environmental protection, labour protection, corporate governance and code of ethics upon [**REDACTED**].

Impact of ESG-related risks and opportunities

Our operations and facilities are subject to extensive environmental protection, health and safety laws and regulations, which govern, among other things, the generation, storage, handling, use and transportation of hazardous materials and the handling and disposal of hazardous and biohazardous waste generated at our facilities. See "Regulatory Overview" for details.

We have adopted specific environmental protection policies to make our operations more energy efficient and environmentally friendly and to ensure effective compliance with applicable PRC environmental laws and regulations. To ensure that our operations are in compliance with applicable laws and regulations, we have also established a series of policies and procedures with respect to health and work safety, which primarily include policies regulating safe production, operation of specialized equipment and personnel, dangerous production activities, hazardous materials, fire safety, detection and management of safety risks and on-site safety risk inspection. We conduct periodic and annual training for employees to strengthen their awareness and knowledge on environmental protection, safety procedures and accident prevention.

For medical waste, the key to effective management is segregation and identification of waste. We have sorted the medical waste into yellow colour-coded plastic bags and containers. Appropriate containers and bag holders are placed in locations where particular categories of waste may be generated. Our staff will ensure that medical waste bags are tightly sealed and properly labelled before sending to the storage bin. We have engaged professional third-party qualified companies for medical waste handling and disposal.

Our medical laboratory wastewater is discharged into the wastewater treatment plant which belongs to the industry zone. We have monitored wastewater according to the legal requirements to ensure pollutant concentration in discharged wastewater is compliant.

In terms of major climate change related impact that may affect us, we make reference to the Task Force on Climate-Related Financial Disclosures ("**TCFD**") framework to evaluate the magnitude of the climate impact. We have implemented contingency plans to safeguard us against any climate change or extreme weather conditions like typhoon that would materially and adversely affect our business and operations. We have defined low transitional risks to the Group as the relevant regulations will be in place within the next few years. Climate change is also an opportunity to the medical operation service provider especially we provide diagnostic outsourcing services and diagnostic testing services for medical institution alliances. Under this business model, medical institutions can rely on our services to centralize the resources and deliver the test samples to our ICLs and/or on-site diagnostic centers to conduct diagnostic tests for their patients in order to save extra energy consumption by establishing a separate diagnostic center at their respective sites.

As of the Latest Practicable Date, we had not experienced any material impact on our business operations or financial performance as a result of climate change or extreme weather conditions.

On social aspect, despite the advance changes made for achieving a high degree of quality and safety of diagnostic testing, ensuring customer satisfaction remains a constant challenge. We aim to become a patient-oriented partner that is providing high quality analytical information for our medical institution customers. We need to engage with our clinical colleagues in multidisciplinary teams to understand our customers requirement. We have to work together with medical institutions on guidelines and share our valuable knowledge about the testing process.

Another social aspect risk we identified is human capital risk. It continues to pose challenges for our industry. Attracting and retaining the best talent takes discernment and time. To overcome the challenge, we offer competitive package and enhance employees' sense of belonging and improving their benefits on an ongoing basis.

ESG Measures

We have adopted the following measures to identify, assess, manage and mitigate ESG risks:

(1) We have set up ESG working group to identify and assess potential ESG risks.

(2) We engage with third-party medical waste disposal companies to handle certain of our medical waste. We regularly monitor and evaluate the risks of occupational hazards at our medical laboratories.

(3) We are committed to providing a rewarding work environment that encourages the collaborations and offering our employees to learn, grow and succeed at work. The commitment is incorporated in our Group Human Resources Performance Management Approach ("雲康集團績效管理辦法").

(4) We collect feedback from our customers to improve our laboratory process and our productivity, optimize efficiency, and improve the quality of our service.

METRICS AND TARGETS

Greenhouse Gas

Greenhouse gas ("GHG") emissions (or "carbon emissions") are closely related to climate change, which presents businesses with both long-term risks and opportunities. To better understand, quantify and manage the carbon and climate change related impacts, risks, and opportunities in our investments, it is integral to measure and disclose our carbon footprint as a first step in our ESG journey.

GHG emissions are produced by us mainly due to the use of electricity during our daily operation. The table below sets forth the quantitative calculation of GHG emissions in 2021 of our head office in Guangzhou.

Greenhouse Gas Emissions	**(tonnes CO2 equivalent)**
Scope 1 Direct GHG Emissions	0
Scope 2 Indirect GHG Emissions (electricity purchased)	2,004.77
Total GHG Emissions	2,004.77

Our current target is to gradually adopt more environmentally friendly measures and reduce our energy consumption in our daily operation. The data will serve as a foundation of developing more relevant energy reduction strategies and setting appropriate reduction targets for our company in the future.

Waste Treatment

In line with our environmental commitments, we have engaged professional third-party qualified companies for medical waste handling and disposal so as to minimize the impact on the environment. In 2021, the waste disposal of medical solid waste for our head office in Guangzhou amounted to 53.3 tons.

Resource Consumption

The table below sets forth the resource consumption of our head office in Guangzhou in 2021.

Resource Consumption	
Electricity	2,492,873.6 kWh
Water	10,759.8 m^3

We strive to use resources effectively and minimize the discharge of wastes. In the ordinary course of business, we actively engage employees on the importance of energy conservation.

- Keep indoor air-conditioning temperature at 26°c during summer;
- Encourage staff to switch office equipment, such as printers and computers, to energy saving mode (the equipment will enter the sleep mode under the standby condition)

Health and Safety

The table below sets forth the health and safety data of our head office in Guangzhou in 2021.

Work related fatality	**0**
Lost days due to work injury	**0**

During the Track Record Period, our total costs of compliance with environmental protection and health and safety law and regulations were immaterial. We expect that our costs of compliance with environmental protection and health and safety law and regulations will remain at similar level in the foreseeable future.

During the Track Record Period, we have not been subject to any administrative penalties relation to safety production which would have a material adverse effect on our financial position or results of operations as a whole.

PROPERTY

Owned Property

As of the Latest Practicable Date, we owned the following properties in China. We had obtained all the land use right certificates and/or building ownership certificate for these premises.

- *Guangzhou*. We owned one parcel of land with an area of approximately 6,251 sq.m. in Guangzhou. We intend to use this premise as our new headquarters. For details, see "Business—Business Strategies—Continue to upgrade and enhance our operational capabilities."

- *Shanghai*. We owned one parcel of land with an area of approximately 34,284 sq.m. and one parcel of real property with an area of approximately 4,040.9 sq.m. in Shanghai, which is used for our ICL in Shanghai.

Leased property

As of the Latest Practicable Date, we leased a total of 51 properties in Guangzhou, Foshan, Kunming, Nanchang, Chengdu, Hefei, Shanghai, Dongguan, Jinan and Shenzhen, with an aggregate area of 52,419.68 sq.m. Except for one that is leased from Da An Gene, all the other leases are leased from Independent Third Parties. These properties are used as our offices, ICLs and for other operating activities.

Of the abovementioned leased properties, lessors of 29 properties have not obtained the Planning Certificate of Construction Project (建設工程規劃許可證). As advised by our PRC Legal Advisers, under the relevant PRC laws and regulations, these leases may be held void if the lessors did not obtain the Planning Certificate of Construction Project before entering into lease agreements. During the Track Record Period and as at the Latest Practicable Date, there had been no incidents arising from the safety conditions of the said properties. Our Directors are of the view that the likelihood that our business or results of operations would be materially and adversely by the title defects is very remote, considering that (i) as of the Latest Practicable Date, we had not received any penalty, objection, inquiry or investigation from the local authorities with respect to such properties; (ii) these properties are primarily used as offices and employee canteen and therefore are not crucial to our diagnostic testing services; and (iii) there are abundant unoccupied properties and we believe we would be able to relocate to a different site relatively easily if such leases are held void by the local authorities.

As of the Latest Practicable Date, we had not completed lease registration with the relevant regulatory authorities for 42 leases. Our PRC Legal Advisers are of the view that the non-registration of lease agreements will not affect the validity of such lease agreements, but the relevant local housing administrative authorities can require us to complete registrations within a specified timeframe and we may be subject to a fine between RMB1,000 and RMB10,000 per lease for any delay in making these registrations. Therefore, we have the right

to use such properties in accordance with the lease agreement but we may be subject to the risks of fines if the lease registration is not completed as required by the relevant local housing administrative authorities. As of the Latest Practicable Date, we were not subject to any penalties arising from the non-registration of the lease agreements.

According to section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempted from compliance with the requirements of section 342(1)(b) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance and 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 our Group's interests in land or buildings, for the reason that, as of December 31, 2020, we had no single property with a carrying amount of 15% or more of our total assets.

INSURANCE

We maintain insurance policies that are required under PRC laws and regulations as well as based on our assessment of our operational needs and industry practice. The insurance we maintain primarily include medical liability insurance, fixed asset insurance and directors liability insurance. We maintain medical liability insurance for the outpatient clinic, which covered all the doctors, pharmacist and nurses at the outpatient clinic. The maximum claim amount under such insurance is RMB1 million in aggregate and RMB300,000 per incident. In addition, we also maintain medical liability insurance for certain type of genetic testings. The maximum claim amount under such insurance is RMB400,000 per incident. In line with industry practice in the PRC, we have elected not to maintain certain types of insurance, such as business interruption insurance or key man insurance. Our Directors consider that our existing insurance coverage is sufficient for our present operations and in line with the industry practice in the PRC. See "Risk Factors—Risks Relating to Our Operations—Our insurance may not sufficiently cover, or may not cover at all, losses and liabilities we may encounter during the ordinary course of operation" for details.

LICENSES AND PERMITS

We are required to obtain and renew certain certificates, permits and licenses for providing our services. See "Regulations" for more information about material certificates, permits and licenses required for our business operations in China. For each of our ICLs and the outpatient clinic we operate, we need to obtain the Practice License for Medical Institution from the local health and family planning commission and the license specifies the medical specialties it have (diagnostic testing or medical services). For details of the licenses we obtained in relation to our ICLs, see "—Our Services—Diagnostic Outsourcing Services—Our Independent Clinical Laboratories ("ICLs")." In addition, our Practice License for Medical Institutions for our outpatient clinic has a valid period of five years and its current expiration date is February 9, 2024. Our PRC Legal Adviser has advised us that, as of the Latest Practicable Date, we had obtained all requisite licenses, approvals and permits from, and

completed registrations with the relevant government authorities that are material for our current business operations in the PRC pursuant to the relevant laws and regulations or the requirements of the competent authority.

During the Track Record Period, we had not experienced any material difficulty in renewing the required certificates, permits or licenses, and we had not been subject to any material administrative penalties relation to maintenance and renewal of our material certificates, permits and licenses.

DATA PRIVACY AND PROTECTION

The security and protection of our patients' personal information in accordance with the PRC Cyber Security Law is one of our highest priorities. Our comprehensive internal policies on protecting data security are based on ISO/IEC27001:2013 standards. We have implemented policies to comply with relevant laws and regulations on data protection and privacy in our business operations and we seek to ensure the data that we collect are not misappropriated or misused. We continuously update our data protection and privacy measures to strengthen data protection, including data monitoring, firewall systems, data encryption technology, system login protection and data backup. As of the Latest Practicable Date, we had not received any claim from third parties in relation to data privacy breach. Set forth below are the details of our data security policies:

- *Data security committee.* We have established a data security committee consisting of employees from different departments. Our data security committee is mainly responsible for the overall information security management work, promoting the implementation of information security work and formulating information security policies and information security management goals. The implementation of new products and services that involves access to or processing of personal data is subject to assessment and approval procedures by our data security committee.

- *Comprehensive internal policies*. At the corporate level, we have established policies such as employee handbooks and information security management systems which stipulate the standardized procedures for the management of security data and potential risks. At the department level, each department has formulated specific departmental rules and regulations based on its own operational needs. In particular, the departments with access to the data processing platform have put in place more strict requirements on the authorization and operation of data processing. We also regularly organize presentations and training sessions related to data security to strengthen employees' awareness of data security compliance on both corporate level and department level.

- *Data access and usage*. We have adopted and implemented a robust internal control system focusing on data security and personal information protection. This includes our policies regarding data security, management of data access and data classification and categorization. Our internal control protocols cover various

aspects of data processing including data collection, data transportation, data storage security, data backup and recovery and proper use of data. We manage access to personal data based on strict necessity and maintain records of data access. All of our employees are required to sign a confidentiality agreement and for those who are authorized to access to confidential information, they are also required to login with double secured passwords. We require all of our employees to comply with our internal policies and protect privacy and personal information, and we strictly prohibit unauthorized or improper collection or use of such data or personal information.

- *Enforcement of data privacy and protection policy*. To obtain patient data for medical purpose or requests from our clients, the relevant employee is required to submit an application for internal review and obtain a temporary access approval. Access to and operation of patient data will be logged and monitored and subject to review. Abnormal access and operation will trigger an automatic warning or alert from our data platform. Our data security committee will investigate the event in a timely manner if the data platform sends out any automatic warning or alert and evaluate the impacts. We take appropriate security measures against any abnormal or suspicious requests or behaviors if the automatic warning or alert signals any real problems. In addition, we require our employees to acknowledge and sign confidentiality agreements before they receive any data, and all data analyzed for specific projects or requests are encrypted. We have the right to dismiss any employee if they illegally misuse or leak patient data or cause any damage to us or the patients and may also pursue further legal proceedings against them. We prohibit employees from storing any work-related documents, files or data on unauthorized servers or personal computers.

In 2021, the PRC governments enacted several laws and regulations in relation to data security and personal information protection. For details, see "Regulatory Overview—Regulations Relating to Data Security and Personal Information Protection." Although we, as a diagnostic testing service provider in China, do not directly collect personal information from individuals or process personal data, due to the nature of certain diagnostic tests (such as certain genetic tests), we may obtain certain personal information, such as gender, age and blood type, for the purpose of performing these diagnostic tests and therefore we may have limited access to personal information provided by our clients, namely medical institutions, who ultimately control and use individuals' data. We do not directly collect personal information that can identify individual patients (e.g. name and address) unless they are necessary for the diagnostic tests. However, we may have limited access to such information only if the hospital, who normally collects and is in possession of such information for treatment and diagnostic purposes, provides to us. As such, we may be subject to these recently enacted laws and regulations. Considering that we do not directly collect or store the abovementioned personal information and we only have limited access to such personal information to the extent necessary for these diagnostic tests, our Directors are of the view that these newly-enacted laws do not have a material and adverse impact on our business and operations. Our PRC Legal Advisors are of the view that, we have not been subject to any penalties or claims for violating the applicable PRC laws and regulations and we are in compliance with these laws and regulations in all material aspects. For details, see "Risk Factors—Risks Relating to Our Operations—Our business is subject to a variety of laws, rules, policies and other obligations regarding data protection."

COMPETITION

According to Frost & Sullivan, with the enactment of favorable policies and growing awareness of healthcare in China, China's medical operation service market has experienced rapid growth, increasing from RMB11,739.2 million in 2016 to RMB30,694.9 million in 2020 at a CAGR of 27.2%. It is expected that China's medical operation service market will reach RMB47,946.1 million in 2025 at a CAGR of 9.3% from 2020. In 2020, we had a market share of 3.7% in China's medical operation service market in terms of revenue.

China's diagnostic outsourcing service market is highly fragmented, with over 800 market players currently. According to Frost & Sullivan, the size of China's diagnostic outsourcing service market has experienced rapid growth, growing from RMB11,121.6 million in 2016 to RMB28,494.0 million in 2020. We had a market share of 3.0% in China's diagnostic outsourcing service market in terms of revenue in 2020, according to the same source. The five largest market players in China's diagnostic outsourcing service accounted for approximately 60% of the entire market in terms of revenue in 2020.

The diagnostic testing services for medical institution alliances market is highly concentrated, with the seven largest market players accounting for a market share of approximately 93.7% and the largest market player accounting for a market share of approximately 68.6%, in terms of revenue in 2020. In the same year, the market size of diagnostic testing services for medical institution alliances in China was RMB2,200.9 million, compared to a market size of RMB617.7 million in 2016, showing a CAGR of 37.4% from 2016 to 2020. In 2020, we had a market share of 12.5% in China's diagnostic testing services for medical institution alliances market in terms of revenue.

The growing number of medical institution alliances in China has created significant opportunities for medical operation service providers in terms of diagnostic testing services for medical institution alliances, which is expected to significantly drive the future growth of China's medical operation service market. The market size of China's diagnostic testing services for medical institution alliances is expected to grow to RMB5,903.4 million in 2025 at a CAGR of 21.8% from 2020 to 2025, according to Frost & Sullivan. It is faster than China's diagnostic outsourcing service market, which is expected to grow to RMB42,042.7 million in 2025 at a CAGR of 8.1% from 2020 to 2025, according to the same source.

Although the market leader in China's medical operation service market has already captured a significantly larger market share, we believe we can capture the market demand and increase our market share considering below aspects:

(i) With respect to diagnostic outsourcing service market, currently ICLs in China are significantly under-penetrated and there are only 1,800 ICLs in China in 2020, as compared to 6,800 ICLs in the United States. As such, even if medical institutions would tend to engage ICLs for professional and standardized diagnostic testing services, it is hard for them to find qualified ICLs nearby and therefore they have to conduct diagnostic tests themselves, or rely on Class II/III hospitals for diagnostic testing. Accordingly, there is significant growth potential for China's diagnostic outsourcing service market.

(ii) With respect to the diagnostic testing services for medical institution alliances market, we have experienced rapid growth during the Track Record Period, assisting in establishing 32, 53 and 68 on-site diagnostic centers in 2018, 2019 and 2020, respectively, which represented approximately 21%, 45% and 72% of the newly established on-site diagnostic centers of the total market in China for the corresponding year, according to Frost & Sullivan. In 2021, we also assisted in establishing 76 on-site diagnostic centers. We believe we will continue to expand our on-site diagnostic center network, which will enable us to capture a larger market share in China's diagnostic testing services for medical institution alliances market.

(iii) Even if the market leader has already captured a significant market share, several regions, in particular lower-tiered cities in these regions, in China still lack penetration of qualified ICLs or on-site diagnostic centers, for example, Central China. Further, although several regions, such as Southern China and Eastern China have qualified ICLs or on-site diagnostic centers, the medical operation service market is significantly under-served in light of the large number of medical institutions in these regions. As such, we plan to deepen our penetration in these areas where the current market leader does not have sufficient presence, and gradually expand to other areas in China to capture a larger market share in the future.

For details, see "Industry Overview."

LEGAL PROCEEDINGS AND REGULATORY COMPLIANCE

We may be involved in legal proceedings in the ordinary course of business from time to time. During the Track Record Period, neither we nor any of our Directors were involved in any litigation, arbitration or administrative proceedings, which had a material adverse impact on our business, financial condition or results of operations. As of the Latest Practicable Date, we were not aware of any pending or threatened litigation, arbitration or administrative proceedings against us or our Directors, which would have a material and adverse impact on our business, financial condition or results of operations.

Social Insurance and Housing Provident Funds

Background and Reasons for Non-compliance

During the Track Record Period, we did not make full contribution to social insurance and housing provident funds for certain employees in accordance with the relevant PRC laws and regulations. We did not make full social insurance and housing provident fund contributions for these employees primarily because 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 fund.

Legal Consequences

As advised by our PRC Legal Advisers, the relevant PRC authorities may require us to pay the outstanding social insurance contributions within a stipulated deadline and pay an overdue charge equal to 0.05% of the outstanding amount for each day of delay. If we fail to pay the outstanding social insurance contributions within the prescribed period, we may be liable to a fine of one to three times the amount of the overdue payment. In case we fail to make payments of outstanding housing fund contributions within the specified timeframe, we may be subject to an order from the relevant people's courts to make such payment. As of the Latest Practicable Date, to the best knowledge of our Company, we were not aware of any complaint filed by our employees regarding our social insurance and housing provident fund contribution.

Our Directors are of the view that such non-compliance would not have a material and adverse effect on our business and results of operation, considering that (i) as of the Latest Practicable Date, we had not received any notification from relevant PRC authorities requiring us to pay shortfall or 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; (iv) with respect to social insurance contribution, as advised by our PRC Legal Adviser, considering the facts stated above, the likelihood that we are subject to centralized collection of historical arrears and any material penalties due to our failure to provide full social insurance contributions for our employees is remote, and such non-compliance will not have a material adverse effect on our financial condition or results of operations as a whole and the [**REDACTED**]; (v) we have made provisions of RMB12.2 million, RMB14.6 million, RMB4.2 million and RMB15.8 million (representing the full amount of our social insurance and housing provident fund contribution shortfall in each period) for the social insurance and housing provident fund contribution shortfall in 2018, 2019, 2020 and 2021, respectively; and (vi) we have obtained an indemnification undertaking from Mr. Zhang Yong, pursuant to which Mr. Zhang Yong agreed to indemnify us against any claims, fines, penalties and other liabilities arising from such non-compliances.

Internal Control and Remedial Measures

We have taken the following rectification measures to prevent future occurrences of such non-compliances:

- *Training*. Strengthen legal compliance training to our employees responsible for compliance matters, finance and human resources;

- *Policy.* Formulate 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;

- *Review and record-keeping.* Designate our human resources staff to review and monitor the payment status on a monthly basis;

- *Increasing awareness of development in law.* Regularly keep abreast of latest developments in PRC laws and regulations in relation to social insurance and housing provident funds; and

- *External consultation.* Consult external PRC legal counsel for advice on relevant PRC laws and regulations.

We started to adopt the enhanced internal control measures in January 2021. In addition, we undertake to make timely payments for the deficient amount and overdue charges, as soon as requested by the competent government authorities. We also plan to adjust payment amount of social insurance and housing provident fund for our employees. We started to re-comply with the relevant PRC laws and regulations in July 2021 when the annual basis for social insurance and housing provident fund contribution was updated, which, according to the local regulations and policies, were the earliest practicable time to make such adjustment for all the employees. For details of the relevant risks, see "Risk Factors—Risks Relating to Our Operations—We may be subject to additional contributions of social insurances and housing provident funds and late payments and fines imposed by relevant governmental authorities."

Save as disclosed in the section headed "—Social Insurance and Housing Provident Funds," we are advised by our PRC Legal Advisers that, during the Track Record Period and as of the Latest Practicable Date, we had complied with relevant PRC laws and regulations in all material respects.

RISK MANAGEMENT AND INTERNAL CONTROL

We are subject to various risks during our operations. For details, see "Risk Factors." We have established a consolidated risk management system and relevant policies and procedures, which we consider suitable for our business operations. Our policies and procedures are aimed at managing and monitoring our business performance. We have implemented Yunkang Overall Risk Management Measures (雲康全面風險管理辦法) to identify and prevent risks associated with our business operations. The Board is responsible for overseeing our Group's risk management activities. Each operating subsidiary within our Group shall appoint its internal risk management roles. We will also identify and analyse potential risks that may be involved in our business and enact procedures and protocols to prevent such risks.

To monitor the continuous implementation of risk management policies and corporate governance measures after the [**REDACTED**], we have adopted or will continue to adopt, among other things, the following risk management measures:

- establish an audit committee to review and supervise our overall risk related to our business operations. Our Audit Committee consists of three members: Mr. Xie Shaohua, chairman of the committee, Mr. Yu Shiyou and Dr. Guo Yunzhao. For the qualifications and experiences of these members, see "Directors and Senior Management;"

- provide regular anti-corruption and anti-bribery compliance training for senior management and employees in order to enhance their knowledge of and compliance of applicable laws and regulations;

- adopt various policies to ensure the compliance with the Listing Rules, including but not limited to policies in respect of risk management, connected transactions and information disclosure; and

- arrange our Directors and senior management to attend training seminars on Listing Rules requirements and the responsibilities as directors of a [**REDACTED**] company.

In preparation for the [**REDACTED**], we have engaged an Independent Third Party consultant (the "**Internal Control Consultant**") to perform a review over selected areas of our internal controls over financial reporting in November 2020 (the "**Internal Control Review**"). The scope of the internal Control Review performed by the Internal Control Consultant was agreed between us, the Joint Sponsors and the Internal Control Consultant. The selected areas of our internal controls over financial reporting that were reviewed by the Internal Control Consultant included entity-level controls and business process level controls, including revenue and receivables, purchase and payables, project management, fix assets, treasury, financial reporting, payroll, intangible assets, inventory, expense, tax, insurance and general controls of information technology.

The Internal Control Consultant performed the follow-up reviews in February 2021 to review the findings status of the management actions taken by our Group to address the findings of the Internal Control Review (the "**Follow-up Review**"). The Internal Control Consultant did not have any further recommendation in the Follow-up Review. The Internal Control Review and the Follow-up Review were conducted based on information provided by the Company and no assurance or opinion on internal controls were expressed by the Internal Control Consultant.

In addition, as part of our risk management measures, we have implemented specific measures against corruption and bribery. We require our third-party marketing service providers and other business functions which are susceptible to the risk of bribery and corruption to abide by our compliance requirements, and make necessary representations and

warranties to us. In particular, we have established compliance guidelines in relation to anti-bribery and anti-corruption principles for our third-party marketing service providers we partnered with for the marketing of our products or services, and require them to comply with our anti-bribery and anti-corruption principles. At our headquarters level, we have appointed designated personnel to closely monitor the behavior of our third-party marketing service providers. We also conduct regular communications with medical institutions to review the performance of our third-party marketing service providers and to identify any potential risks or issues. The medical institutions are encouraged to provide anonymous report to us if there is any breach of the non-competition undertaking or anti-bribery clause by a marketing service provider and we will terminate the agreement with the marketing service provider immediately if we consider there is sufficient proof for such incidents. We have also established a system of supervision that allows complaints and reports to be submitted to our management regarding any non-compliant behaviors of our third-party marketing service providers. Upon any breach of such anti-corruption and anti-bribery measures by a service provider, we may terminate the relevant agreement with it and are entitled to claim damages from such service provider.

BOARD OF DIRECTORS

Our Board of Directors is comprised of eight Directors, including one executive Director, four non-executive Directors and three independent non-executive Directors. Our Directors are elected to serve a term of three years, which is renewable upon re-election and/or re-appointment at the general meetings of our Company in accordance with the Articles of Association.

The following table sets out information in respect of our Directors:

Name	Age	Position	Date of first joining our Group	Date of appointment as Director	Responsibility
Mr. Zhang Yong (張勇)	50	Chairman, executive Director and chief executive officer	May 28, 2008	July 20, 2018	Overall management, strategic planning and decision-making of the Group
Dr. He Yunshao (何蘊韶)	69	Non-executive Director	May 28, 2008	October 22, 2019	Overseeing the management and strategic development of the Group
Mr. Zhou Xinyu (周新宇)	53	Non-executive Director	May 28, 2008	October 22, 2019	Overseeing the management and strategic development of the Group
Dr. Guo Yunzhao (郭雲釗)	55	Non-executive Director	July 18, 2016	October 22, 2019	Overseeing the management and strategic development of the Group
Mr. Zhou Weiqun (周偉群)	64	Non-executive Director	May 5, 2019	October 22, 2019	Overseeing the management and strategic development of the Group
Mr. Yu Shiyou (喻世友)	65	Independent non-executive Director	February 20, 2022	February 20, 2022	Supervising and providing independent judgment to our Board
Mr. Yang Hongwei (楊洪偉)	64	Independent non-executive Director	February 20, 2022	February 20, 2022	Supervising and providing independent judgment to our Board
Mr. Xie Shaohua (謝少華)	51	Independent non-executive Director	February 20, 2022	February 20, 2022	Supervising and providing independent judgment to our Board

Executive Director

Mr. Zhang Yong (張勇), aged 50, joined our Group on May 28, 2008. He is the Chairman, executive Director and chief executive officer of our Company. He was appointed as our Director on July 20, 2018 and was re-designated as our executive Director and appointed as our chief executive officer on February 7, 2021. He is mainly responsible for overall management, strategic planning and decision-making of the Group.

From January 1997 to June 2002, Mr. Zhang Yong worked at the predecessor of Guosen Securities Co., Ltd. (國信證券股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002736). From January 2003 to August 2004, he served as director and general manager at Shenzhen Tongsheng Venture Capital Management Co., Ltd. (深圳市同盛創業投資管理有限公司). From December 12, 2004 to September 9, 2010, he served as director and general manager at Shenzhen Huize Venture Capital Management Co., Ltd. (深圳市匯澤創業投資管理有限公司). He was awarded "China Business Management Awards 2020" by China Enterprise United (Beijing) Human Resource Management Center (中企聯合(北京)人力資源管理中心) in November 2020.

Mr. Zhang Yong obtained a bachelor's degree in accounting from Central University of Finance and Economies (中央財經大學) in the PRC in June 1993. He obtained an executive master of business administration degree from Peking University (北京大學) in the PRC in July 2006.

Mr. Zhang Yong was a manager of the following dissolved companies incorporated in the PRC: (i) Shenzhen Huatai Zhiye Investment Co., Ltd. (深圳市華泰智業投資有限公司), which was dissolved by deregistration in July 2011; (ii) Shenzhen Yangguang Kexin Investment Co. Ltd. (深圳市陽光科信投資有限公司), which was dissolved by deregistration in May 2011; and (iii) Shenzhen Huize Venture Capital Management Co., Ltd. (深圳市匯澤創業投資管理有限公司), which was dissolved by deregistration in December 2010. The above three companies were all engaged in investment management. Mr. Zhang Yong confirmed that (i) there was no judgment or findings of fraud, dishonesty, any misconduct or wrongful act on his part in connection with the above-mentioned dissolutions; (ii) there is no outstanding claim or liability against him in connection with these dissolved companies; and (iii) these companies were solvent at the time of their respective dissolution.

Non-executive Directors

Dr. He Yunshao (何蘊韶), aged 69, was appointed as our Director on October 22, 2019 and was re-designated as our non-executive Director on February 7, 2021. He joined our Group on May 28, 2008 and is mainly responsible for overseeing the management and strategic development of the Group.

Dr. He started to work at Da An Gene since January 1993 and has been serving as the Chairman of Da An Gene since December 2003. He has been serving as legal representative of Da An Diagnostics Ltd (達安診斷有限公司) and Da An Vision Inc. (達維股份有限公司) since July 4, 2008, and general manager of Changdu Da An Hospital Investment Management Co., Ltd. (昌都市達安醫院投資管理有限公司) since July 10, 2015. Dr. He has also been serving as an executive director and general manager at Da An Incubator Co., Ltd (廣州達泰生物工程技術有限公司) since October 25, 2004. He was granted "Special Government Allowance of State Council" by State Council of the People's Republic of China (中華人民共和國國務院) in January 1994.

In July 1991, Dr. He obtained his doctoral degree in human anatomy from Sun Yat-sen University of Medical Sciences (中山醫科大學) (currently known as Zhongshan School of Medicine, Sun Yat-sen University (中山大學中山醫學院)).

Dr. He Yunshao was a director of the following dissolved companies incorporated in the PRC: (i) Foshan Dashi Jiashun Medical Technology Co., Ltd. (佛山達世佳順醫療技術有限公司), which was engaged in maintenance of medical equipment and was dissolved by deregistration in June 2015; (ii) Shenzhen Daeran Biological Engineering Co., Ltd. (深圳市達爾安生物工程有限公司), which was engaged in producing diagnostic reagents and was dissolved by deregistration in April 2004; (iii) Hainan Daan Haiyi Molecular Medicine Co., Ltd. (海南達安海醫分子醫學有限公司), which was engaged in molecular medicine diagnostic supplies and biological products and was dissolved by deregistration in September 2006; and (iv) Dongguan Kangan Biotechnology Development Co., Ltd. (東莞市康安生物技術開發有限公司), which was mainly engaged in biotechnology research and diagnostic reagents and was dissolved by deregistration in September 2012. Dr. He Yunshao confirmed that (i) there was no judgment or findings of fraud, dishonesty, any misconduct or wrongful act on his part in connection with the above-mentioned dissolutions; (ii) there is no outstanding claim or liability against him in connection with these dissolved companies; and (iii) these companies were solvent at the time of their respective dissolution.

Mr. Zhou Xinyu (周新宇), aged 53, was appointed as our Director on October 22, 2019 and was re-designated as our non-executive Director on February 7, 2021. He joined our Group on May 28, 2008 and is mainly responsible for overseeing the management and strategic development of the Group.

Mr. Zhou has been serving as a director and general manager at Da An Gene since December 2003, and an executive director and general manager at Daan International since September 2, 2008. Besides, he also holds directorship of various companies, including (i) an executive director at Guangzhou Da An Gene Technology Co., Ltd. (廣州市達安基因科技有限公司) since April 15, 2016; (ii) an executive director and general manager at Guangzhou Da Yi An Trading Co., Ltd. (廣州達醫安貿易有限公司) since August 14, 2014; (iii) a director at Guangzhou Life Technologies DaAn Diagnostics Co., Ltd. (廣州立菲達安診斷產品技術有限公司) since May 30, 2012; and (iv) a director at Zhongshan Bio-tech Co., Ltd. (中山生物工程有限公司) since September 30, 2007.

The research projects led by Mr. Zhou has won many awards, such as "Second Prize of National Science and Technology Progress Award" by State Council of the People's Republic of China (中華人民共和國國務院) for the year of 2004 and "Second Prize of Guangzhou Science and Technology Progress" by The People's Government of Guangzhou Municipality for the year of 2003.

Mr. Zhou obtained a bachelor's degree in science from Fudan University (復旦大學) in PRC in June 1991 and a master's degree in genetics from Fudan University in PRC in July 1994.

Mr. Zhou was a director of the following dissolved companies incorporated in the PRC: (i) Shanghai Bofei Kemao Development Co., Ltd. (上海博斐科貿發展有限公司), which was dissolved by deregistration in August 2001 and was engaged in medical equipment and instrumentation; (ii) Shanghai Boda Technology Co., Ltd. (上海博達科技有限公司), which was dissolved by deregistration in May 2001 and was mainly engaged in computer and medical equipment, chemical reagents and biological products technology; (iii) Guangzhou Daan Enterprise Management Co., Ltd. (廣州達安企業管理有限公司), which was dissolved by deregistration in May 2019 and was engaged in enterprise Management Service; (iv) Hainan Daan Haiyi Molecular Medicine Co., Ltd. (海南達安海醫分子醫學有限公司), which was dissolved by deregistration in September 2006 and was engaged in molecular medicine diagnostic supplies and biological products; and (v) Shenzhen Daeran Biological Engineering Co., Ltd. (深圳市達爾安生物工程有限公司), which was dissolved by deregistration in April 2004 and was engaged in producing in vitro diagnostic reagents; and (vi) Daao International Limited (達奧國際有限公司), which was dissolved by deregistration in April 2010 and was mainly engaged in in vitro diagnostic reagents. He was a supervisor of Dongguan Kangan Biotechnology Development Co., Ltd. (東莞市康安生物技術開發有限公司), which was a PRC company dissolved by deregistration in September 2012 and was engaged in biotechnology research and in vitro diagnostic reagents. He was a director in Liuan Lian Medical Laboratory Co., Ltd. (六安麗安醫學檢驗有限公司), which was a PRC company revoked in October 2020. Mr. Zhou confirmed that (i) there was no judgment or findings of fraud, dishonesty, any misconduct or wrongful act on his part in connection with the above-mentioned dissolutions; (ii) there is no outstanding claim or liability against him in connection with these dissolved companies; and (iii) these companies were solvent at the time of their respective dissolution.

Dr. Guo Yunzhao (郭雲釗), aged 55, was appointed as our Director on October 22, 2019 and was re-designated as our non-executive Director on February 7, 2021. He joined our Group on July 18, 2016 and is mainly responsible for overseeing the management and strategic development of the Group.

He served as director of finance department and director of asset management department at China National Chemical Corporation (中國化工集團公司) from April 2004 to September 2005 and subsequently a deputy general manager of China SDIC Gaoxin Industrial Investment Corp. Ltd. (中國高新投資集團公司) from September 2005. He served as the chairman and secretary of the Communist Party Committee at Zhejiang International Trust & Investment Company Ltd (中建投信託有限責任公司) from February 2010 to August 2012. He served as

vice president and member of the Communist Party Committee at China Jianyin Investment Co., Ltd. (中國建銀投資有限責任公司) from August 2012 to May 2016. He has been working as the president of Guosen Investment Fund Management (Beijing) Co., Ltd. (國信國投基金管理(北京)有限公司), the predecessor of Guosen Investment Fund Management (Hainan) Co., Ltd. (國信國投基金管理(海南)有限公司), since May 2016.

Dr. Guo also holds directorship in various companies, including (i) an independent non-executive director of China Guangfa Bank (廣發銀行股份有限公司) since September 2020; (ii) a director at Woori Bank (China) Co., Ltd. (友利銀行(中國)有限公司) since December 2018; and (iii) a director at Hainan Natural Rubber Industry Group Co., Ltd. (海南天然橡膠產業集團股份有限公司) since November 2018, the shares of which are listed on Shanghai Stock Exchanges (stock code: 601118).

Dr. Guo was awarded "The Second Prize of Science and Technology Progress" by the State Science and Technology Commission of the People's Republic of China (中華人民共和國國家科學技術委員會) in December 1995 and "Special Government Allowance of State Council" by State Council of the People's Republic of China in October 2000.

Dr. Guo received his bachelor's degree in applied chemistry from Lanzhou University (蘭州大學) in the PRC in June 1989. He obtained his master's degree in business administration from Peking University in the PRC in July 2006. He received his doctoral degree in management and engineering from Northeastern University (東北大學) in the PRC in April 2013.

Dr. Guo was a director of Wulanchabu Guoxintou Technology Co., Ltd. (烏蘭察布市國信投科技有限公司), which was a PRC company dissolved by deregistration in October 2020. He was a general manager in Shanghai Lanxing Cleaning Technology Co., Ltd. (上海藍星清洗技術有限公司), which was a PRC company dissolved by deregistration in September 2005. Dr. Guo confirmed that (i) there was no judgment or findings of fraud, dishonesty, any misconduct or wrongful act on his part in connection with the above-mentioned dissolution; (ii) there is no outstanding claim or liability against him in connection with the dissolved companies; and (iii) the company were solvent at the time of their respective dissolution.

Mr. Zhou Weiqun (周偉群), aged 64, was appointed as our Director on October 22, 2019 and was re-designated as our non-executive Director on February 7, 2021. He joined our Group on May 5, 2019 and is mainly responsible for overseeing the management and strategic development of the Group.

From January 1996 to June 2018, Mr. Zhou worked at Changchun High-tech Industry (Group) Co., Ltd. (長春高新技術產業(集團)股份有限公司), the shares of which are listed on Shenzhen Stock Exchange (stock code: 000661), and held positions of director, general manager and secretary to the board.

Mr. Zhou was awarded "Senior Economist" by Jilin Provincial Department of Human Resources and Social Security (吉林省人力資源和社會保障廳) in January 2013.

Mr. Zhou obtained his bachelor of science degree in business machinery from Heilongjiang Business School (黑龍江商學院) (currently known as the Harbin University of Commerce (哈爾濱商業大學)) in the PRC in January 1982.

Independent Non-executive Directors

Mr. Yu Shiyou (喻世友), aged 65, was appointed as our independent non-executive Director on February 20, 2022. He is primarily responsible for supervising and providing independent judgement to the Board.

Mr. Yu started to work at Lingnan (University) College of Sun Yat-sen University (中山大學嶺南(大學)學院) since June 1995 and was promoted as vice principal of Sun Yat-sen University (中山大學) in January 2009. He has been serving as the principal of Nanfang College of Sun Yat-sen University (中山大學南方學院) since February 2013. Mr. Yu has been serving as the independent non-executive Director of CSSC Offshore & Marine Engineering (Group) Company Limited (中船海洋與防務裝備股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600685) and the Hong Kong Stock Exchange (stock code: 00317) since October 2020.

Mr. Yu obtained his bachelor's degree in philosophy and his master's degree in economics from Huazhong University of Science and Technology (華中理工大學) (previously known as Huazhong College of Science and Technology (華中工學院)) in the PRC in January 1982 and July 1987, respectfully.

Mr. Yang Hongwei (楊洪偉, formerly known as 楊宏偉), aged 64, was appointed as our independent non-executive Director on February 20, 2022. He is primarily responsible for supervising and providing independent judgement to the Board.

From September 2007 to November 2017, Mr. Yang served as the deputy director in the predecessor of Development Center for Medical Science & Technology of National Health Commission (國家衛生健康委醫藥衛生科技發展研究中心). Mr. Yang was recognized as a professional researcher by the original Ministry of Health of the PRC (原中華人民共和國衛生部) in December 2010.

Mr. Yang obtained his bachelor's degree in electronical & mechanical engineering from Beijing University of Civil Engineering and Architecture (北京建築大學) (previously known as Beijing College of Civil Engineering and Architecture (北京建築工程學院)) in July 1982. He obtained his master's degree in public policy and management from University of Southern California in August 1999.

Mr. Xie Shaohua (謝少華), aged 51, was appointed as our independent non-executive Director on February 20, 2022. He is primarily responsible for supervising and providing independent judgement to the Board.

From August 2007 to June 2018, Mr. Xie served as the vice general manager and chief finance officer at Sinotrans Shipping Limited (中外運航運有限公司). He has been serving as the chief finance officer at CMIC Ocean En-Tech Holding Co., Ltd. (華商國際海洋能源科技控股有限公司), the shares of which are listed on the Stock Exchange (stock code: 00206), since July 2018.

Mr. Xie is a member of The Association of Chartered Certified Accountants.

Mr. Xie obtained a bachelor's degree in finance from Central College of Finance and Economics (中央財政金融學院) (currently known as Central University of Finance and Economics (中央財經大學)) in the PRC in June 1993 and a master's degree in economics from University of International Business and Economics (對外經濟貿易大學) in the PRC in November 2003. In December 2005, he obtained a master of business administration degree from The Chinese University of Hong Kong.

SENIOR MANAGEMENT

The senior management of our Group are responsible for the day-to-day management of the business of our Group. The following table sets out information about our senior management:

Name	Age	Position	Date of first joining our Group	Date of appointment as our senior management member	Responsibility
Mr. Zhang Yong (張勇)	50	Chairman, executive Director and chief executive officer	May 28, 2008	May 28, 2008	Overall management, strategic planning and decision-making of our Group
Mr. Wang Xubo (王旭波)	47	executive vice president	October 1, 2008	October 1, 2008	Assisting the chief executive officer for the overall management, strategic planning and decision-making of the Group
Mr. Lin Yingjia (林穎嘉)	43	chief financial officer	July 27, 2009	July 27, 2009	Overall management of financial, capital market and secretarial affairs of the Group

Name	Age	Position	Date of first joining our Group	Date of appointment as our senior management member	Responsibility
Mr. Hu Shanghua (胡尚華)	53	vice president	March 1, 2015	March 1, 2015	Management of platform and systematic operation system, human resource, administration, legal supervision and brand building
Mr. Wang Tieding (王鐵丁)	55	vice president	June 23, 2011	June 23, 2011	Business operation and management of our Company

Mr. Zhang Yong (張勇), aged 50, is the Chairman, executive Director and chief executive officer of our Company. Please refer to "—Board of Directors—Executive Director—Mr. Zhang Yong" for his biography.

Mr. Wang Xubo (王旭波), aged 47, was appointed as the executive vice president of our Company on February 7, 2021. He joined the Group in October 2008 and is primarily responsible for assisting the chief executive officer for the overall management, strategic planning and decision-making of the Group.

Prior to joining our Group, Mr. Wang worked at Zhongtianqin Accounting Firm (中天勤會計師事務所) from October 1997 to August 2000. From September 2000 to July 2003, he worked at Dapeng Securities Company (大鵬證券有限責任公司). From August 2003 to October 2004, he served as deputy general manager at Shenzhen Tongsheng Venture Capital Management Co., Ltd. (深圳市同盛創業投資管理有限公司) and was mainly responsible for day-to-day management and operation and external investment strategies. From November 2004 to September 2008, he served as deputy general manager at Huize Venture Capital Management Co., Ltd. (匯澤創業投資管理有限公司) and was mainly responsible for day-to-day management and operation and external investment strategies.

Mr. Wang obtained his bachelor's degree in accounting from Nanjing University of Science and Technology (南京理工大學) in the PRC in June 1997. He obtained his master's degree in statistics from Zhongnan University of Economics and Law (中南財經政法大學) in the PRC in December 2004. He obtained his PRC certified public accountant certificate from the Chinese Institute of Certified Public Accountants in October 2003.

Mr. Lin Yingjia (林穎嘉), aged 43, was appointed as the chief financial officer of our Company on February 7, 2021. He joined our Group in July 2009 and is primarily responsible for the overall management of financial, capital market and secretarial affairs of our Group.

Mr. Lin worked at Deloitte Touche Tohmatsu Certified Public Accountants Ltd. (Guangzhou branch) as an associate from August 2001 to June 2003 and a senior accountant from July 2003 to February 2004 and January 2005 to April 2007. He was mainly responsible for, among others, audit related engagements. He left Deloitte Touche Tohmatsu Certified Public Accountants Ltd. (Guangzhou branch) in June 2009 with his last position as audit manager.

Mr. Lin was admitted as a fellow of the Institute of Public Accountant in July 2007 by the Institute of Public Accountants, Australia (澳大利亞公共會計師協會). He obtained his PRC certified public accountant (non-practicing member) certificate in January 2010 from the Guangdong Provisional Institute of Certified Public Accountants (廣東省註冊會計師協會) and was awarded the professional designation of Certified Internal Auditor in November 2009 by The Institute of Internal Auditor (內部稽核協會).

Mr. Lin obtained a bachelor's degree in accounting from Guangdong University of Foreign Studies (廣東外語外貿大學) in the PRC in June 2001 and a master's degree in commerce from The University of Sydney in Australia in January 2005.

Mr. Hu Shanghua (胡尚華), aged 53, was appointed as the vice president of our Company on February 7, 2021. He joined our Group in March 2015 and is primarily responsible for Management of platform and systematic operation system, human resource, administration, legal supervision and brand building.

From August 2000 to February 2002, he served as the chief human resource officer at Guangdong Evergreen Group Company Limited (廣東恒興集團有限公司). From February 2006 to February 2008, Mr. Hu served as a member of evaluation expert panel of China Enterprise Human Resource Award (the "**CEHRA**") in China Enterprises Evaluation Association (中國企業評價協會, the "**CEEA**"). From August 2008 to March 2014, he rejoined Guangdong Evergreen Group Company Limited as the vice president, primarily responsible for overall planning of human resource strategy and daily operation of aquatic products processing business. From March 2014 to March 2015, he served as the vice president of China Qinfa Group Ltd. (中國秦發集團有限公司), a company primarily engaged in the procurement, storage, transportation and sales of coal, the shares of which are listed on the Stock Exchange (stock code: 00866), primarily responsible for the overall planning of human resource strategy and normal operation of the group. From October 2009 to October 2012, he served as a director of International Human Resource Management Association (國際人力資源管理協會, the "**IHRMA**") and a member of the annual evaluation expert panel of China's Best Employer Brand.

Mr. Hu was awarded Silver Award of the CEHRA and Gold Award of the CEHRA by the CEEA in November 2005 and March 2007, respectively. He was also recognized as Outstanding Manager of China by China Company Union Human Resource Management Center, IHRMA and the Evaluation Committee of China's Best Employer in October 2011 and December 2012, respectively.

Mr. Hu obtained a bachelor's degree in mathematics education from Chongqing Normal University (重慶師範學院) in the PRC in July 1993 and a bachelor's degree in industrial foreign trade from the University of Electronic Science and Technology of China (電子科技大學) in the PRC in July 1995. He obtained a master of business administration degree from the National University of Singapore in August 2000.

Mr. Wang Tieding (王鐵丁), aged 55, was appointed as the vice president of our Company on February 7, 2021. He joined our Group in June, 2011 and is mainly responsible for the business operation and management of our Company.

Prior to joining our Group, Mr. Wang worked at Guangzhou Car Co., Ltd. (廣州轎車有限公司) (previously known as Guangzhou Auto Mark Co., Ltd. (廣州標致汽車有限公司)) from July 1992 to July 1998. From July 1998 to January 2002, he served as the director of business section in the Beijing branch of Guangqi Honda Automobile Co., Ltd. (廣汽本田汽車有限公司). From March 2003 to March 2009, Mr. Wang served as the general manager of Guangzhou Jixing Auto Interior Decoration Co., Ltd. (廣州吉興汽車內飾件有限公司).

Mr. Wang obtained his bachelor's degree in automotive engineering from Tsinghua University in the PRC in July 1989. He obtained the professional certificate of Mechanical Engineer (intermediate) (機機械工程師中級證書) from Guangzhou Municipal Commission of Science and Technology (廣州市科學技術委員會) (currently known as Guangzhou Municipal Science and Technology Bureau (廣州市科學技術局)) in December 1994.

Directors' and Senior Management's Interests

Save as disclosed above, none of our Directors or senior management members has been a director of any public company the securities of which are listed on any securities of which are 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 of the knowledge, information and belief of our Directors having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of our Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

As of the Latest Practicable Date, save for the interests in the Shares held by Mr. Zhang Yong, Dr. He Yunshao and Mr. Zhou Xinyu which are disclosed in the section headed "Statutory and General Information—C. Further Information about Our Directors" in Appendix IV in the document, none of our Directors held any interests in the securities within the meaning of Part XV of the SFO.

As of Latest Practicable Date, none of our Directors or senior management is related to other Directors or senior management of our Company.

JOINT COMPANY SECRETARIES

Mr. Lin Yingjia (林穎嘉) was appointed as one of our joint company secretaries on February 7, 2021. Please refer to "—Senior Management—Mr. Lin Yingjia" for his biography.

Ms. Chan Lok Yee (陳樂而) was appointed as one of our joint company secretaries on January 11, 2021. Ms. Chan is currently a manager of Corporate Services of Vistra Corporate Services (HK) Limited, a professional provider of corporate services. She has had over seven years of experience in providing company secretarial and compliance services to private and listed companies. Ms. Chan obtained a bachelor's degree of arts from The Hong Kong Polytechnic University in October 2011 and a master's degree of science in professional accounting and corporate governance from City University of Hong Kong in July 2015. She has been an associate member of The Hong Kong Institute of Chartered Secretaries and an associate member of The Institute of Chartered Secretaries and Administrators (currently known as The Chartered Governance Institute) in the United Kingdom since 2015.

BOARD COMMITTEES

We have established three committees of our Board pursuant to the corporate governance practice requirements under the Listing Rules, including the Audit Committee, Remuneration Committee, Nomination Committee.

Audit Committee

We have established Audit Committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and the risk management and internal controls system of our Group, review the financial information of our Company, consider issues relating to the external auditors and their appointment, review and approve connected transactions and to advise the Board. The Audit Committee comprises one non-executive Director and two independent non-executive Directors, namely Mr. Xie Shaohua, Mr. Yu Shiyou and Dr. Guo Yunzhao. Mr. Xie Shaohua, being the chairman of the committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration Committee

We have established Remuneration Committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management and the establishment of a formal and

transparent procedure for developing policy on such remuneration. The Remuneration Committee comprises one executive Director and two independent non-executive Directors, namely Mr. Zhang Yong, Mr. Yu Shiyou and Mr. Xie Shaohua. Mr. Yu Shiyou is the chairman of the committee.

Nomination Committee

We have established Nomination Committee in compliance with the Code on Corporate Governance set out in Appendix 14 to the Listing Rules. The primary duties of the Nomination Committee are to review the structure, diversity, size and composition of the Board, assess the independence of the Independent Non-executive Directors and to make recommendations to our Board regarding the appointment of Directors and Board succession. The Nomination Committee comprises one executive Director and two independent non-executive Directors, namely Mr. Zhang Yong, Mr. Yu Shiyou and Mr. Xie Shaohua. Mr. Zhang Yong is the chairman of the committee.

CODE PROVISION A.2.1 OF THE CORPORATE GOVERNANCE CODE

In view of Mr. Zhang Yong's experience, personal profile and his roles in our Company as mentioned above and that Mr. Zhang Yong has assumed the role of chief executive officer of our Company since our commencement of business, the Board considers it beneficial to the business prospect and operational efficiency of our Company that upon [**REDACTED**], Mr. Zhang Yong acts as the chairman of the Board and continues to act as the chief executive officer of our Company. While this will constitute a deviation from Code Provision A.2.1 of the Code as set out in Appendix 14 to the Listing Rules, the Board believes that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) decision to be made by our Board requires approval by at least a majority of our Directors; (ii) Mr. Zhang Yong and the other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that he acts for the benefit and in the best interests of our Company and will make decisions for our Company accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategic and other key business, financial, and operational policies of our Company are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of our Company in order to assess whether separation of the roles of chairman of the Board and chief executive officer is necessary.

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, we have adopted the board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain diversity of our Board. Pursuant to the Board Diversity Policy, we seek to achieve the diversity of the Board through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural, education background, ethnicity and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board.

Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining our Company's competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent.

Our Directors have a balanced mix of knowledge and skills, including overall management and strategic development, business development, investment management, finance and accounting and corporate governance. They obtained degrees in various majors including accounting, business management, chemistry, engineering, finance, economics, mathematics and trade. We have three independent non-executive Directors with different industry backgrounds, representing more than one third of the members of our Board. Furthermore, our Board has a balanced age and gender representation. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of our Board satisfies our Board Diversity Policy.

We recognize that the gender diversity at the Board level can be improved given its current composition of all male Directors. Our Board would ensure that appropriate balance of gender diversity is achieved with reference to shareholders' expectation and international and local recommended best practices, with the ultimate goal of bringing our Board to gender parity. Going forward and with a view to developing a pipeline of potential successors to our Board that may meet the targeted gender diversity ratio set out below, we will (i) make appointments based on merits with reference to board diversity as a whole; (ii) take steps to promote gender diversity at all levels of our Group by recruiting staff of different gender; (iii) consider the possibility of nominating female management staff who has the necessary skills and experience to our Board; and (iv) provide career development opportunities and more resources in training female staff with the aim of promoting them to the senior management or board of our Company so that we will have a pipeline of female senior management and potential successors to our Board in a few years' time. We will appoint at least one female Director as soon as possible, and in any event, no later than one year from the [**REDACTED**]. Our Directors will exercise fiduciary duties in the process, acting in the best interests of our Company and the Shareholders as a whole when making the relevant appointments.

Our Nomination Committee is responsible for ensuring the diversity of our Board members. After the [**REDACTED**], our Nomination Committee will monitor the implementation of the Board Diversity Policy, review the Board Diversity Policy from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the Board Diversity Policy on an annual basis.

DIRECTORS' REMUNERATION

For details on the service contracts and appointment letters signed between the Company and our directors, please see "Appendix IV—Statutory and General Information—C. Further Information about Our Directors—1. Particulars of Directors' Service Contracts and Appointment Letters."

During the Track Record Period, the total amount for payments of emoluments, salaries, allowances, discretionary bonus, defined contribution retirement plans and other benefits in kind (if applicable) to Directors were approximately RMB24,000, RMB35,000, RMB36,000 and RMB39,000. For remuneration details of all Directors during the Track Record Period, please refer to Note 32 to "Appendix I—Accountant's Report."

According to the current arrangements, the total amount of remuneration (excluding any possible payment of discretionary bonus) shall be paid by us to Directors for the financial year ending December 31, 2022 is expected to be approximately HK$1.25 million.

The remuneration of Directors has been determined with reference to the salaries of comparable companies and their experience, duties and performance.

During the Track Record Period, the five highest remuneration individuals of our Company did not include Directors. For the financial years ended December 31, 2018, 2019, 2020 and 2021, the aggregate amount of emoluments, salaries, allowances, discretionary bonus, defined contribution retirement plans and other benefits in kind (if applicable) we paid to the five highest paid individuals who are not Directors of our Group were RMB3.3 million, RMB3.4 million, RMB3.5 million and RMB5.1 million, respectively.

During the Track Record Period, no remuneration was paid by us nor receivable by Directors or the five highest remuneration individuals as incentives for joining or as rewards upon joining our Company. During the Track Record Period, no remuneration was paid by us nor receivable by Directors, past Directors or the five highest remuneration individuals as compensation for leaving positions relating to management affairs in any subsidiary of our Company.

During the Track Record Period, none of our Directors have waived any remuneration. Except as otherwise disclosed above, during the Track Record Period, no other amounts shall be paid or payable by us or any of our subsidiaries to the Directors or the five highest remuneration individuals.

Except as otherwise disclosed above, no Director is entitled to receive other special benefits from our Company.

COMPLIANCE ADVISOR

We have appointed SPDB International Capital Limited as our compliance advisor (the "**Compliance Advisor**") pursuant to Rule 3A.19 of the Listing Rules. Our Compliance Advisor will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, our Compliance Advisor will advise our Company in certain circumstances including:

- before the publication of any regulatory announcement, circular, or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where we propose to use the [**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
- where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the [**REDACTED**] or [**REDACTED**] of the [**REDACTED**], the possible development of a false market in the Shares, or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of our 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**].

OUR CONTROLLING SHAREHOLDERS

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

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

Based on the above, Mr. Zhang Yong, Daan International, Guangzhou Daan Gene, Da An Gene, YK Development, Huizekx Limited, Mouduans Limited, Tongfuzc Limited, WJJR Investment Limited, Jin Jun Ying Limited and Source Capital RW Limited will be the Controlling Shareholders of the Company upon [**REDACTED**] as defined under the Listing Rules.

On December 18, 2020, Sun Yat-sen University transferred ("**Transfer**") all its indirect interests in Da An Gene (through Guangzhou Zhongda Holdings Co., Ltd. ("**Guangzhou Zhongda**")) to Guangzhou Finance Holdings Group Co., Ltd ("**Guangzhou Finance Holdings**"). After the Transfer is completed, Sun Yat-sen University is no longer a related party of the Group.

Both Guangzhou Zhongda and Guangzhou Finance Holdings are state-owned, the beneficial ownership of Da An Gene will not change upon completion of the Transfer. The Transfer is part of the reform of state-owned enterprises of The People's Government of Guangzhou Municipality to promote the integration, improve the liquidity and promote the preservation and appreciation of state-owned assets.

The Directors are of the view that the departure of Sun Yat-sen University and the transfer of Guangzhou Zhongda to Guangzhou Finance Holdings will not affect the Company's ownership continuity as both Sun Yat-sen and Guangzhou Finance Holdings are not controlling shareholders of the Company on the basis that:

a. Sun Yat-sen University held less than 50% of the voting interest in Da An Gene through Guangzhou Zhongda and had no control over Da An Gene before the Transfer;

b. Guangzhou Finance Holdings hold less than 50% of the voting interests in Da An Gene. To the best of the directors' knowledge, there exists no agreement or arrangements in relation to voting arrangements between Guangzhou Finance Holdings and other shareholders of Da An Gene with respect to corporate matters in relation to Da An Gene;

c. Da An Gene is a company listed on the Shenzhen Stock Exchange and its decisions are subject to relevant corporate governance procedures, therefore Guangzhou Finance Holdings will not exercise direct control over the Company;

d. Da An Gene (and also Sun Yat-sen University) had no statutory or board control over Yunkang Industry after Yunkang Industry was deconsolidated from Da An Gene in September 2018;

e. Da An Gene (and also Sun Yat-sen University) has not actively participated in the decision making process at the general meetings of Yunkang Industry and that of the Company both before and after the Transfer; and

f. the Company is not expected to have any change in the way it operates before and after the completion of the Transfer and there is no particular impact of the Group's operations and performance after the Transfer.

DELINEATION OF BUSINESS

Each of our Controlling Shareholders confirms that as of the Latest Practicable Date, he/it did not have any interest in a business, apart from the business of our Company, which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

Yunkang Medical Service

Yunkang Medical Service is primarily engaged in providing hospital management service to non-profit community health clinics. Yunkang Medical Service was incorporated in the PRC on May 12, 2017 as a wholly-owned subsidiary of Yunkang Industry. As part of the Reorganization, on January 29, 2021, Yunkang Industry transferred all of its interest in Yunkang Medical Service to Shiwei Kangjie. As of the Latest Practicable Date, Shiwei Kangjie was held as to 60% and 40% by Mr. Zhang Yong and Mr. Lin Yingjia. Mr. Zhang Yong also serves as director and general manager of Shiwei Kangjie.

We are primarily engaged in providing diagnostic outsourcing services, diagnostic testing services for medical institution alliances and diagnostic testing services for non-medical institutions. The Directors are of the view that there is a clear delineation of the businesses of Yunkang Medical Service and our Company and there is no competition between Yunkang Medical Service and us, on the following basis:

(i) ***Different services.*** We provide personalized diagnostic testing, medical report consultation and hospital referral services at our outpatient clinic and also diagnostic testing services for medical institution alliances, in which we provide solutions to member hospitals to build up and manage their on-site diagnostic centers, such as assisting our clients to obtain professional testing qualifications, establishing standardized procedures, recruiting professional pathologists and developing information systems. More importantly, the services provided by our Group requires a Medical Institution Practice Licence (醫療執業許可證). For details, please refer to "Regulations—The Administrative Measures on Medical Institutions and its Implementation Measures". Whereas Yunkang Medical Service provides hospital management services to non-profit community health clinics in relation to the health clinic's daily operation in return for management fees, which does not require any professional licencing qualification. As such, the services of Yunkang Medical Service and our Group are fundamentally different from each other.

(ii) ***Different target customers.*** Our customers are primarily hospitals and other medical institutions, and commercial entities such as financial institutions and insurance companies, which periodically procure our diagnostic testing services for their employees or clients. On the contrary, the customers of Yunkang Medical Service are non-profit community health clinics whose clients are individuals. Therefore, the target customers of Yunkang Medical Service and our Group are fundamentally different from each other. During the Track Record Period, although there was a small number of overlapping customers which were those non-profit community health clinics as the Group provided diagnostic testing services to certain non-profit community health clinics, the aggregate revenue contribution to the Group from such overlapping customers was minimal (i.e. less than RMB50,000 for each financial year). As such, the Group is capable of carrying on its business independently of Yunkang Medical Service.

In view of the facts that (i) there is no significant synergy effect between the hospital management business and our Group's business; and (ii) the hospital management services provided to non-profit community health clinics are not a principal business area of focus that the Group would like to develop in the future, the Company resolved to dispose of Yunkang Medical Service.

Shiwei Kangjie has confirmed that they have no present intention to inject the Yunkang Medical Service into our Group after [**REDACTED**]. If our Company is aware of any change in such intention, our Company will make an announcement in accordance with Rule 8.10(1)(a)(iv) of the Listing Rules.

Da An Gene

As disclosed in "Connected Transactions—Non-exempt Continuing Connected Transactions—Laboratory Testing Service Framework Agreement" section, our Company entered into a Laboratory Testing Service Framework Agreement with Da An Gene on February 18, 2022, pursuant to which Da An Gene Group agreed to provide laboratory testing service to our Group.

Our directors are of the view that there is a clear delineation of the testing service businesses of Da An Gene Group and our Group and there is no competition between Da An Gene Group and us, on the following basis:

(i) ***Different services.*** Some of our testing procedures are sophisticated and we engage third-party laboratories with specific technical skills such as Da An Gene Group to perform certain procedures in the tests to save costs. Having said that, Da An Gene Group can only cover a few procedures in our tests instead of having the capability of conducting the whole testing procedure as we do and our Group will take final responsibility of the final diagnostic testing report.

The comparison table of the business delineation between the testing services of Da An Gene and our Group is set out below.

	Da An Gene	**The Group**
Testing service type	Mainly focus on fertility and genetic laboratory testing service.	Integrated testing services platform including various diseases and fields.
Scope of testing procedures	Only cover certain procedures in laboratory, mainly the sequencing procedure.	Cover the whole procedures of the testing service, including pre-consultation, sample management and transportation, laboratory tests on the samples, result analyses, issuance of the report and provision of the advice etc.

(ii) ***Different target customers.*** We mainly provide our diagnostic testing services to our medical institutions and other medical institution clients whereas Da An Gene mainly provides its testing services to laboratory clients. We provided our customer list during the Track Record Period to Da An Gene Group and noted that Da An Gene

Group only supplied testing reagents and equipment to the overlapping customers. Therefore, there were no overlapping customers between our Group and the Da An Gene Group during the Track Record Period in respect of the diagnostic testing services.

Non-Competition undertaking from Da An Gene Group

Da An Gene Group has undertaken to us, for the benefit of our Group, in the non-competition undertaking (the "**Non-Competition Undertaking**") that, during the effective period of the Non-competition Undertaking, Da An Gene Group shall not directly or indirectly be involved in or undertake any business (other than our business) that directly or indirectly competes, or may compete, with any business engaged by any member of our Group, or hold interest in any companies or business that compete directly or indirectly with the business currently or from time to time engaged in by our Group (the "**Restricted Business**"). For the avoidance of doubt, the Restricted Business refers to a full suite of diagnostic testing services for medical institutions and, to a lesser extent, non-medical institutions. The Non-Competition Undertaking has been signed by Da An Gene Group in September, 2021.

Da An Gene Group has undertaken that if any new business/investment opportunity relating to the Restricted Business (the "**Competing Business Opportunity**") is identified by/made available to it, it shall refer such Competing Business Opportunity to our Company on a timely basis and in the following manner:

- refer the Competing Business Opportunity to our Company by giving written notice (the "**Offer Notice**") to our Company of such Competing Business Opportunity within 60 days of identifying the nature of the Competing Business Opportunity, the investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Competing Business Opportunity;

- upon receiving the Offer Notice, our Company shall seek approval from a board committee consisting of Directors who do not have an interest in the Competing Business Opportunity, at least one of whom has appropriate industry background or related expertise (the "**Independent Board Committee**") as to whether to pursue or decline the Competing Business Opportunity;

- any Director who has actual or potential interest in the Competing Business Opportunity shall abstain from attending (unless their attendance is specifically requested by the Independent Board Committee) and voting at, and shall not be counted in the quorum for, any meeting convened to consider such Competing Business Opportunity;

- the Independent Board Committee shall consider the financial impact of pursuing the Competing Business Opportunity offered, whether the nature of the Competing Business Opportunity is consistent with our Group's strategies and development plans and the general market conditions of our business. If appropriate, the

Independent Board Committee may appoint independent financial advisors, industry consultant and legal advisors to assist in the decision-making process in relation to such Competing Business Opportunity;

- the Independent Board Committee shall, within 30 Business Days of receipt of the written notice referred above, inform Da An Gene Group in writing on behalf of our Company its decision whether to pursue or decline the Competing Business Opportunity;

- Da An Gene Group shall be entitled but not obliged to pursue such Competing Business Opportunity if it has received a notice from the Independent Board Committee declining such Competing Business Opportunity or if the Independent Board Committee failed to respond within such 30 Business Days' period mentioned above;

- if there is any material change in the nature, terms or conditions of such Competing Business Opportunity pursued by Da An Gene Group, it shall refer such revised Competing Business Opportunity to our Company as if it was a new Competing Business Opportunity; and

- Da An Gene Group shall not charge us for the referral of the Competing Business Opportunity.

The Non-Competition Undertaking will lapse automatically if (i) Da An Gene Group cease to hold, whether directly or indirectly, 30% or above of our Shares with voting rights, provided that Da An Gene Group do not have the right to nominate 50% or more members of our Board or control the voting rights (including but not limited to control the casting vote) of the Board; or (ii) our Shares cease to be [**REDACTED**] on the Stock Exchange.

Yunkang Research Institute

Our directors are of the view that there is a clear delineation between the research activities conducted by Yunkang Research Institute and our Group and there is no competition between Yunkang Research Institute and us, on the following basis:

(i) ***Different services.*** Yunkang Research Institute is engaged in the research and development of testing kits. Testing kits are a kind of medical device which is used to conduct in-vitro diagnosis during the process of preventing diseases, treatment monitoring, prognosis observation, health status evaluation and genetic disease prediction. Whereas we focus on the research and development of information system technology and testing methodology with a view to improving the procedures and enhancing the overall productivity and achieving automation, the research product will be presented in the form of "software" and "diagnostic procedures".

(ii) ***Target customers.*** During the Track Record Period, Yunkang Research Institute did not generate any revenue and had no customers and as such there were no overlapping customers between Yunkang Research Institute and the Group. The Company is capable of carrying out its business independently of Yunkang Research Institute.

Yunkang Research Institute is a research and development company with the main objective to develop testing kits. The purpose of engaging in the research and development of testing kits is to strengthen the supply of testing kits for diagnostic testing which also forms part of the strategic plan of the Company to further establish as a one stop solution company. However, such research of testing kits is still in an early stage and there are a lot of uncertainties inherent in the research which requires huge amount of capital support. In addition, there is a long process since the commencement of research to the obtaining of the relevant certificate such as the Medical Device Operation License (醫療器械經營許可證). The Company also needs capital to establish production and sales team upon completion of research. To focus on the improvement of the Company's diagnostic testing service capabilities and diagnostic testing services for medical institution alliances, the Company resolved to dispose of Yunkang Research Institute.

Shiwei Kangjie has confirmed that they have no present intention to inject the Yunkang Research Institute into our Group after [**REDACTED**]. If our Company is aware of any change in such intention, our Company will make an announcement in accordance with Rule 8.10(1)(a)(iv) of the Listing Rules.

Based on the above, our Directors are of the view that there is no material business competition between each of Yunkang Medical Service, Da An Gene and Yunkang Research Institute and our Group.

The above excluded business did not have any material non-compliances during the Track Record Period and up to the date of disposal.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are able of carrying out our business independently from our Controlling Shareholders after the [**REDACTED**].

Management Independence

Save as disclosed below, none of our Directors or members of senior management serves as directors or members of senior management in any of our Controlling Shareholders or their respective close associates:

		Positions held in our Controlling Shareholders and their close associates	
Name	**Position in our Company**	**Name of entity**	**Position**
Mr. Zhang Yong	Chairman and chief executive officer	YK Development	Director
		Huizekx Limited	Director
		Gaoxin Yangguang	Executive director
		Shiwei Kangjie	Executive director
Dr. He Yunshao	Non-executive Director	Da An Gene	Chairman
Mr. Zhou Xinyu	Non-executive Director	Da An Gene	Director and general manager
		Da An Gene International	Executive director and general manager

Mr. Lin Yingjia, who is a member of the Company's senior management and holds 40% interest in Shiwei Kangjie, does not hold any directorship or senior management position in Shiwei Kangjie.

Our Directors are of the view that our Board and senior management team are able to manage our business independently from the Controlling Shareholders and their respective close associates for the following reasons:

(i) other than Mr. Zhang Yong, none of our executive Director nor members of senior management serves as executive director or senior management member in our Controlling Shareholders or any of their respective close associates. In addition, the entities that Mr. Zhang Yong serves as director or executive director of are investment vehicles which do not have any on-going business. Save and except Mr. Zhang Yong, all overlapping directors were appointed as non-executive directors of the Company and none of them hold any executive functions within the Group;

(ii) according to the Articles of Association, with respect to any matters of conflict or potential conflict of interest which involve a transaction between our Company and another company or entity in which a Director holds office, such Director shall abstain from voting on the resolutions and shall not be counted towards the quorum for the voting;

(iii) we have appointed three independent non-executive Directors to provide a balance of the number of potentially interested and independent Directors with a view to promote the interests of our Company and the Shareholders as a whole. The independent non-executive Directors will give their independent opinions to the Shareholders on the relevant connected transaction(s), if any, pursuant to the Listing Rules. The independent non-executive Directors will be entitled to engage professional advisors at our cost for advice on matters relating to any potential conflict of interest arising out of any transaction to be entered into between our Company and our Controlling Shareholders or their respective close associates;

(iv) each of our Directors is aware of his fiduciary duties and responsibilities under the Listing Rules as a director, which require that he acts in the best interests of our Company and our Shareholder as a whole;

(v) where a Shareholders' meeting is held to consider a proposed transaction in which the Controlling Shareholders have a material interest, the Controlling Shareholders shall abstain from voting on the resolutions and shall not be counted towards the quorum for the voting; and

(vi) our Company has appointed SPDB International Capital Limited as our compliance advisor, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and Listing Rules including various requirements relating to Directors' duties and corporate governance.

Financial Independence

Our Group has an independent financial system. We make financial decisions according to our own business needs and neither our Controlling Shareholders nor their close associates intervene with our use of funds. We have opened accounts with banks independently and do not share any bank account with our Controlling Shareholders or their close associates. We have made tax filings and paid tax independently from our Controlling Shareholders and their close associates pursuant to applicable laws and regulations. We have established an independent finance department as well as implemented sound and independent audit, accounting and financial management systems. We have adequate internal resources and credit profile to support our daily operations.

As of December 31, 2021, we have no outstanding bank borrowings and other borrowings which were guaranteed by Mr. Zhang Yong.

Immediately following the [**REDACTED**], we expect to retain a borrowing (the "**Guaranteed Borrowing**") which are secured by guarantees provided by Da An Gene (the "**Connected Guarantee**"), details of which are set out below:

Lender	Type of financing	Effective date	Maturity date	Annual interest rate	Balance as of December 31, 2021	Nature of financial assistance
CDB Development Fund	Borrowing[(1)]	December 31, 2015	December 6, 2021 – December 6, 2030	1.2%[(2)]	RMB39 million	Guarantee provided by Da An Gene

Notes:

(1) The investment of CDB Development Fund in Guangzhou Daan is recognized as a borrowing of our Group with the attributable equity interest of Guangzhou Daan held by our Group as to 100%. For further details of CDB Development Fund's investment in Guangzhou Daan, see "History, Reorganization and Corporate Structure."

(2) Assuming an annual interest rate of 4.9%, which was the benchmark interest rate for loans with maturity period over five years released by the PBOC in December 2015, as a result of such borrowing, our finance costs would have increased hypothetically by RMB1.48 million, RMB1.48 million, RMB1.48 million and RMB1.48 million for the years ended December 31, 2018, 2019, 2020 and 2021, respectively, representing approximately 28.21%, 11.46%, 7.71% and 8.59% of our finance costs for the same periods, respectively. Our Directors are of the view that such pro forma finance costs would not have any material impact on our financial performance during the Track Record Period.

We believe that the premature release of the Connected Guarantee or refinancing the Guaranteed Borrowing would not be in the best interests of our Company and our Shareholders based on the following reasons:

(a) the commercial terms of the borrowing we obtained from CDB Development Fund are very favorable to our Group with an annual interest rate at only 1.2%. If we terminate the Connected Guarantee for such borrowing or refinance all or part of such borrowing prematurely, we would incur unnecessary additional costs, expenses and time in doing so, and the terms of any new financing we may obtain may not be as favorable as the borrowing we obtained from CDB Development Fund as mentioned above; and

(b) the Connected Guarantee cannot be released without the prior approval of the decision-making institution of CDB Development Fund, the process of which is usually cumbersome and time-consuming. We believe that the early release of the Connected Guarantee under these Guaranteed Borrowing would be highly difficult and commercially not feasible. Given the insignificant impact of the Guaranteed Borrowing on our Group's overall financing capabilities as illustrated below, it would be unduly burdensome for our Group to expend disproportionate resources to attempt to terminate the Connected Guarantee prior to the relevant due dates.

Our Controlling Shareholders' guarantees arose in the context of common industry practice with respect to bank facilities provided to a private company group in the PRC. Based on the following circumstances and measures taken by our Group, we believe that the continuation of the Connected Guarantee after the [**REDACTED**] will not affect our ability to operate independently from our Controlling Shareholders and their respective close associates from financial perspectives:

(a) the Guaranteed Borrowing do not account for a significant portion of our total borrowings. As of December 31, 2021, the aggregate balance of the Guaranteed Borrowing was RMB39 million, representing approximately 13.4% of our Company's total borrowings;

(b) we have a robust financial position with our cash and cash equivalents amounting to approximately RMB800.7 million as of December 31, 2021. We believe that we have sufficient working capital to independently settle the amount of the Guaranteed Borrowing without obtaining financial assistance from our Controlling Shareholders or their close associates;

(c) we have a strong track record of obtaining independent financing and we have secured additional financing channels without security or guarantee by our Controlling Shareholders or their respective close associates. In 2020, we obtained additional loan in an aggregate amount of RMB325.4 million from several commercial banks which were on normal commercial terms without any security or guarantee from any of our Controlling Shareholders or their close associates. As of December 31, 2021, our loan without any security or guarantee from any of our Controlling Shareholders or their close associates has an aggregate outstanding amount of RMB239.9 million. We believe that key financial institutions in China, where the operations of our Company are mainly carried out, recognize the stand-alone credit of our Company and are willing to grant credit lines without financial assistance from our Controlling Shareholders or their close associates following the [**REDACTED**].

As of December 31, 2021, we had outstanding non-trade balance of RMB19.8 million due from Shiwei Kangjie, a company owned as to 60% and 40% by Mr. Zhang Yong and Mr. Lin Yingjia. Such balance will be settled prior to the [**REDACTED**].

Save as disclosed herein, as of the Latest Practicable Date, there were no other outstanding loans, advances or non-trade balances due to or from our Controlling Shareholders or their respective close associates, nor were there any other outstanding pledges or guarantees provided for our benefit by our Controlling Shareholders or their respective close associates. As of the Latest Practicable Date, the unutilized banking facilities amounted to approximately RMB406.0 million. Based on the above, our Directors are satisfied that we are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

Operational Independence

We engage in our operations independently, making and implementing operational decisions independently. We have obtained all material licenses and permits necessary for our business operations and are not dependent upon our Controlling Shareholders or their close associates for any such licenses and permits. In addition, we have established our internal organizational and management structure which includes shareholders' meetings, our Board of Directors and other committees and formulated the terms of reference of these bodies in accordance with the requirements of the applicable laws and regulations, the Listing Rules and the Articles of Association, so as to establish a regulated and effective corporate governance structure with independent departments, each with specific areas of responsibilities.

CORPORATE GOVERNANCE MEASURES

Other than deviation from Code Provision A.2.1 as disclosed in the section headed "Directors and Senior Management" in this document, our Company will comply with the provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules, which sets out principles of good corporate governance.

Each of our Controlling Shareholders has confirmed that he/it fully comprehends his/its obligations to act in our Shareholders' and our best interests as a whole. Our Directors believe that there are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

(a) where a Shareholders' meeting is held for considering any proposed transaction in which any of the Controlling Shareholders has a material interest, the Controlling Shareholder(s) shall abstain from voting on the resolutions and shall not be counted in the quorum for the voting;

(b) where a Board meeting is held for the matters in which a Director has a material interest, such Director shall abstain from voting on the resolutions and shall not be counted in the quorum for the voting;

(c) any transaction between (or proposed to be made between) our Group and the connected persons shall comply with the relevant requirements of Chapter 14A of the Listing Rules, including the announcement, annual reporting and independent shareholders' approval requirements (if applicable) under the Listing Rules;

(d) our independent non-executive Directors are independent of our Controlling Shareholders and are appointed in accordance with the requirements under the Listing Rules to ensure that decisions of the Board are made only after due consideration of independent and impartial opinions. Our independent non-executive Directors, individually and collectively, possess the requisite knowledge and experience;

(e) our independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interest between our Group and our Controlling Shareholders and provide impartial and professional advice to protect the interests of our other Shareholders. Our Controlling Shareholders shall provide the independent non-executive Directors with all necessary information;

(f) our Company has appointed SPDB International Capital Limited as our compliance advisor, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and Listing Rules including various requirements relating to Directors' duties and corporate governance; and

(g) we have established Audit Committee, Remuneration and Nomination Committee with written terms of reference in compliance with the Listing Rules and the Code of Corporate Governance and Corporate Governance Report in Appendix 14 to the Listing Rules. The majority of the members of the aforementioned committees are independent non-executive Directors.

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/or Directors to protect the minority Shareholders' rights after [**REDACTED**].

Upon the [**REDACTED**], the following transactions between our connected persons and us will constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

RELEVANT CONNECTED PERSONS

The following entities with whom we have entered into transactions will be regarded as our connected persons under the Listing Rules:

Connected Persons	Connected Relationship
Da An Gene Group	Da An Gene is a Controlling Shareholder
The Registered Shareholders	The Registered Shareholders are the shareholders of Yunkang Industry

CONTINUING CONNECTED TRANSACTIONS

The following table sets forth a summary of our continuing connected transactions:

			Proposed annual caps ('000 RMB) for the year ending December 31,		
Transaction	**Applicable Listing Rules**	**Waiver sought**	**2022**	**2023**	**2024**
Fully exempt continuing connected transactions					
Physical Examination Service Framework Agreement	14A.76(1)(a)	N/A	N/A	N/A	N/A
Non-exempt continuing connected transactions					
Property Lease Agreement	14A.34, 14A.35, 14A.49, 14A.51 to 14A.59 and 14A.71	Waiver from announcement requirement	3,280	3,572	3,890
Laboratory Testing Service Framework Agreement	14A.34, 14A.35, 14A.49, 14A.51 to 14A.59 and 14A.71	Waiver from announcement requirement	14,134	15,830	17,729

Transaction	Applicable Listing Rules	Waiver sought	Proposed annual caps ('000 RMB) for the year ending December 31, 2022	2023	2024
Reagents, Consumables and Equipment Procurement Framework Agreement	14A.34 to 14A.36, 14A.49, 14A.51 to 14A.59 and 14A.71	Waiver from announcement requirement and independent shareholders' approval requirements	166,326	174,638	186,519
Contractual Arrangements	14A.34 to 14A.36, 14A.49, 14A.51 to 14A.59 and 14A.71	Waiver from (i) announcement requirement and independent shareholders' approval requirements; (ii) setting annual cap; and (iii) limiting the period of agreement to a fixed term	N/A	N/A	N/A

FULLY EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into the following continuing connected transactions which will be exempt from the annual review, reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules, as further discussed below.

Physical Examination Service Framework Agreement

Principal terms

Our Company entered into a Physical Examination Service Framework Agreement with Da An Gene on February 18, 2022, pursuant to which we agreed to provide physical examination service to Da An Gene Group.

The term of the Physical Examination Service Framework Agreement is three years commencing from the [**REDACTED**]. We have the right to terminate the Physical Examination Service Framework Agreement by serving a thirty (30) Business Days' prior written notice to Da An Gene.

Pricing Policy

The service fee under the Physical Examination Service Framework Agreement was determined by both parties through arm's length negotiation with reference to the government-guided price published by national and provincial diagnostic testing pricing protocol issued by Government authorities such as Healthcare Security Administration of Guangdong Province or Guangdong Provincial Health Commission, which may vary among different regions and different hospitals, less the discount to be given by the Group having regard to (a) the discount previously given to other independent customers with similar corporate size; and (b) the cost incurred in respect of the provision of such diagnostic testing services.

Reasons for the Transactions

We offer diagnostic testing services for non-medical institutions, including financial institutions and insurance companies, which mainly include personalized diagnostic testing, medical report consultation and hospital referral services. Da An Gene provides physical examination to their employees once a year which requires the Group to provide them with diagnostic testing services such as blood tests, liver function tests and kidney function tests. Our Group will only provide diagnostic testing services (instead of physical examination services) incidental to the physical examination services provided by Da An Gene to their employees. We believe that it is in our ordinary course of business to provide diagnostic testing services to Da An Gene Group, as if to other third-party clients.

Historical Amounts

The transaction amount under the Physical Examination Service Framework Agreement for the years ended December 31, 2018, 2019, 2020 and 2021 is listed below:

	For the year ended December 31,			
Item	**2018**	**2019**	**2020**	**2021**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Physical examination service	220	284	395	784

Implications under the Listing Rules

The transactions under the Physical Examination Service Framework Agreement are de minimis transactions and are fully exempt from the annual review, reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Property Lease Agreement

Principal terms

Our Group entered into a property lease agreement with Da An Gene on January 1, 2021 (the "**Property Lease Agreement**"), pursuant to which Da An Gene agreed to let certain area with a total gross floor area of approximately 10,405.69 sq.m. located at No. 6, Lizhishan Road, Menggang District, Guangzhou (the "**Leased Premises**") to our Group. The Property Lease Agreement has a term commencing from January 1, 2021 till December 31, 2022. It is expected that the Group will renew the Property Lease Agreement on the same or similar terms after the due date of the current Property Lease Agreement.

The Property Lease Agreement was entered into (i) in the ordinary and usual course of business of our Group; (ii) on arm's length basis; and (iii) on normal commercial terms with the rent being determined with reference to, among others, the prevailing market rates for similar properties in the same area.

The addition of right-of-assets from the lease of the Da An Gene in relation to the Property Lease Arrangement for the years ended December 31, 2018, 2019, 2020 and 2021 was RMB10.1 million, nil, nil and RMB7.1 million, respectively. The expense relating to short term and low-value lease for the three years ended December 31, 2018, 2019, 2020 and 2021 was RMB0.2 million, RMB0.2 million, RMB0.1 million and RMB0.1 million, respectively.

Pricing Policy

The property management fee and water and electricity fees were arrived at after arm's length negotiation between the parties with reference to (i) the area of the Leased Premises; (ii) the prevailing market rent in respect of the properties of the same or similar nature with similar appraised value in the same region; (iii) the estimated changes in the prevailing market rent in the future and (iv) the water and electricity fees prescribed by the NDRC and the actual usage of water and electricity.

Reasons for the Transactions

The properties we leased from Da An Gene are mainly used for our daily operations and office use. Any relocation of our offices may cause material disruption to our business operations and would incur additional cost. We believe the continuation of such leases is cost efficient and is in the best interest of our Group and our Shareholders as a whole.

As we have been occupying the properties leased from Da An Gene, we have also been using their property management service.

Historical Amounts

Pursuant to the Property Lease Agreement, we also agreed to pay to Da An Gene (i) management fee; and (ii) water and electricity fees. The aggregate amount of management fee and water and electricity fees for the four years ended December 31, 2018, 2019, 2020 and 2021 was RMB2.5 million, RMB2.3 million, RMB2.6 million and RMB3.2 million, respectively.

Annual Caps

Our Company estimates that the annual caps of the transactions under the Property Lease Agreement for the indicated period is listed below:

Item	For the year ended December 31,		
	2022	2023	2024
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Property Management Fee and Water and Electricity Fees	3,280	3,572	3,890

The proposed annual caps have been estimated based on (i) the property management fee required to be paid under the Property Lease Agreement; and (ii) the historical transaction amount paid by us for the water and electricity fees during the Track Record Period; and (iii) the estimated water and electricity fees payable by us.

Implication under the Listing Rules

In accordance with HKFRS 16 "Leases", the Company recognized a right-of-use asset on its balance sheet in connection with the lease of the properties from Da An Gene. Therefore, the lease of the Leased Premises from Da An Gene under the Property Lease Agreement will be regarded as an acquisition of a capital asset and a one-off connected transaction of the Company for the purposes of the Listing Rules. Accordingly, the reporting, announcement, annual review and independent shareholders' approval requirements in Chapter 14A of the Listing Rules will not be applicable.

As the applicable percentage ratios (other than the profit ratio) calculated for the purpose of Chapter 14A of the Listing Rules will not exceed 5% on an annual basis, transactions in relation to the payment of property management fees and water and electricity fees payable under the Property Lease Agreement qualify under Rule 14A.76(2) of the Listing Rules as continuing connected transactions exempt from the circular and shareholders' approval requirements but are subject to the relevant annual reporting and announcement requirements set out in Chapter 14A of the Listing Rules.

Laboratory Testing Service Framework Agreement

Principal terms

Our Company entered into a Laboratory Testing Service Framework Agreement with Da An Gene on February 18, 2022, pursuant to which Da An Gene Group agreed to provide laboratory testing service to our Group.

The term of the Laboratory Testing Service Framework Agreement is three years commencing from the [**REDACTED**]. We have the right to terminate the Laboratory Testing Service Framework Agreement by serving a thirty (30) Business Days' prior written notice to Da An Gene.

Pricing Policy

The service fee under the Laboratory Testing Service Framework Agreement was determined by both parties through arm's length negotiation with reference to (i) the cost to be incurred in performing such laboratory testing services by ourselves; and (ii) comparable market rate offered by other independent suppliers for providing laboratory testing services of similar types and nature. We will obtain quotations from not less than two independent suppliers that provide similar services before we place our orders to Da An Gene Group. Based on our experience to conduct the test by ourselves and also the fee quotes provided by other independent suppliers, we will be able to ensure that the service fees to be paid to Da An Gene Group by our Group represents the prevailing market price and on normal commercial terms.

Reasons for the Transactions

Some of our testing procedures are sophisticated and we engage third-party laboratories with specific technical skills to perform certain procedures in the test to save costs. Although we are able to perform the testing that we procure from third parties on our own, the cost for such testing may be higher due to the lack of scale. As the location of its laboratories is close to us, Da An Gene Group is able to efficiently complete our testing tasks and respond to our requirements. We believe it is in our ordinary course of business to procure laboratory testing service from Da An Gene Group.

Historical Amounts

The transaction amount under the Laboratory Testing Service Framework Agreement for the four years ended December 31, 2018, 2019, 2020 and 2021 is as follows:

Item	For the year ended December 31,			
	2018	**2019**	**2020**	**2021**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Laboratory Testing Service	28,037	28,310	22,325*(Note)*	14,549*(Note)*

Note: the decrease in the transaction amount in 2020 was mainly due to the decline in the volume of testing items related to genetic disease diagnostic testing services as a result of COVID-19. Following the COVID-19 outbreak, there is a decrease in demand for genetic disease diagnostic testing service provided by the Group since individuals tend to avoid exposure to high-risk healthcare environments such as medical institutions to reduce the chance of infection of COVID-19. The small transaction amount for the year ended December 31, 2021 was mainly due to the use of new on-site diagnostic centers and the increase in the number of such centers. The Group has been gradually conducted one of its testing services, non-invasive prenatal tests ("**NIPT**") services, through the on-site diagnostic centers instead of procuring them from Da An Gene Group, as it is more efficient that the test samples do not need to be sent to Da An Gene Group.

Annual Caps

Our Company estimates that the annual caps of the transactions under the Laboratory Testing Service Framework Agreement for the indicated period is listed below:

Item	For the year ended December 31,		
	2022	**2023**	**2024**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Laboratory Testing Service	14,134	15,830	17,729

The proposed annual caps have been estimated based on: (i) the historical transaction amount paid by us for the laboratory testing service to Da An Gene Group during the Track Record Period taking into account the Group's plan to conduct NIPT services through on-site diagnostic centers and the expected increase in demand for the genetic testing services provided by Da An Gene Group which is stimulated by the Three-child policy announced in May 2021; (ii) the expected number of up to approximately 62,000 testings to be procured from Da An Gene Group for each of the three years ending December 31, 2022, 2023 and 2024, taking into account our plan to cooperate with Da An Gene Group on testing items for diagnosis of acute and critical diseases which has commenced in March 2021; and (iii) the expected purchase price of such laboratory testing service as determined with reference to the prevailing market price.

Implications under the Listing Rules

As the applicable percentage ratios (other than the profit ratio) calculated for the purpose of Chapter 14A of the Listing Rules will not exceed 5% on an annual basis, transactions conducted under the Laboratory Testing Service Framework Agreement qualify under Rule 14A.76(2) of the Listing Rules as continuing connected transactions exempt from the circular (including independent financial advice) and shareholders' approval requirements but are subject to the relevant annual reporting and announcement requirements set out in Chapter 14A of the Listing Rules.

Reagents, Consumables and Equipment Procurement Framework Agreement

Principal terms

Our Company entered into a Reagents, Consumables and Equipment Procurement Framework Agreement with Da An Gene on February 18, 2022, pursuant to which we agreed to procure reagents, consumables and equipment from Da An Gene Group.

The term of the Reagents, Consumables and Equipment Procurement Framework Agreement is three years commencing from the [**REDACTED**]. We have the right to terminate the Reagents, Consumables and Equipment Procurement Framework Agreement by serving a thirty (30) Business Days' prior written notice to Da An Gene.

Pricing Policy

The prices of the reagents, consumables and equipment under the Reagents, Consumables and Equipment Procurement Framework Agreement were determined by both parties through arm's length negotiation with reference to the prevailing market price of similar reagents, consumables and equipment offered by independent suppliers. We will obtain quotation from not less than two independent suppliers that provide similar reagents, consumables and equipment before we place our orders to Da An Gene Group. Based on the fee quotes provided by other independent suppliers, we will be able to ensure that the purchase price to be paid to Da An Gene Group by our Group represents the prevailing market price and on normal commercial terms. The Directors are of the view that the independent suppliers in the market could supply the same or similar reagents, consumables and equipment covered under the Reagents, Consumables and Equipment Procurement Framework Agreement with Da An Gene. Typically there are two to five alternative independent suppliers for each type of reagents, consumables and equipment covered under the Reagents, Consumables and Equipment Procurement Framework Agreement. The Directors are also further of the view that there will not be any material increase if the Group had to procure reagents, consumables and equipment from alternative suppliers as the procurement price with Da An Gene represents the prevailing market price and on normal commercial terms. Even if the Company purchased from other independent suppliers other than Da An Gene, the Group will still obtain quotations from not less than two independent suppliers that provide similar reagents, consumables and equipment before placing orders to ensure that the procurement price is consistent with the market price.

Reasons for the Transactions

Da An Gene Group has been a reliable supplier in the long-time cooperation with us. It is also one of the leading suppliers of certain testing reagents in the industry. We believe it is in our ordinary course of business to procure reagents, consumables and equipment to support our diagnostic testing service from Da An Gene Group as if from our other suppliers.

Historical Amounts

The transaction amount under the Reagents, Consumables and Equipment Procurement Framework Agreement for the four years ended December 31, 2018, 2019, 2020 and 2021 is listed below:

Item	For the year ended December 31,			
	2018	**2019**	**2020**	**2021**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
Reagents, consumables and equipments	33,849	20,649	56,655*(Note)*	201,408*(Note)*

Note: the increase in the transaction amount in 2020 and 2021 was mainly due to the increase in the purchase amount of reagents, consumables and equipment in view of the unpredictable demand of COVID-19 tests. The significant increase in the transaction amount for the last four months in 2021 was mainly because (i) the purchase amount of reagents and consumables increased due to the increase in demand of COVID-19 tests and the preparation of expected demand during the Chinese New Year; and (ii) we procured more equipment in relation to COVID-19 tests from Da An Gene in order to enhance our testing capabilities.

Annual Caps

Our Company estimates that the annual caps of the transactions under the Reagents, Consumables and Equipment Procurement Framework Agreement for the indicated period is listed below:

Item	For the year ended December 31,		
	2022	**2023**	**2024**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Reagents, consumables and equipments	166,326	174,638	186,519

The proposed annual caps have been estimated based on: (i) the historical transaction amount paid by us for the procurement from Da An Gene Group during the Track Record Period; (ii) the expected need of our Company for the reagents, consumables and equipment with estimated number of up to 1.12 million units of reagents and certain number of equipment for each of the years ending December 31, 2022, 2023 and 2024; and (iii) the expected need of the reagents, consumables and equipment related to COVID-19 testing. The decrease in the expected transaction amount compared to the historical amount in 2021 is primarily due to significant increase in purchase of reagents, consumables and equipment related to COVID-19 testing in the last four months of 2021 which are expected to satisfy the needs for COVID-19 testing during the first quarter of 2022.

Implications under the Listing Rules

As one or more of the applicable percentage ratios (other than the profit ratio) calculated for the purpose of Chapter 14A of the Listing Rules will exceed 5% on an annual basis, transactions conducted under the Reagents, Consumables and Equipment Procurement Framework Agreement shall be subject to annual review, reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Contractual Arrangements

Background

As disclosed in the section headed "Contractual Arrangements" in this document, due to regulatory restrictions on foreign ownership in the PRC, we conduct a substantial portion of our business through our Consolidated Affiliated Entities in the PRC. We do not hold any equity interests in our Consolidated Affiliated Entities which are held by the Registered Shareholders. The Contractual Arrangements among Yunkang Technology, the Registered Shareholders, Yunkang Industry and its subsidiaries enable us to (i) receive substantially all of the economic benefits from our Consolidated Affiliated Entities in consideration for the services provided by Yunkang Technology to the Consolidated Affiliated Entities; (ii) exercise effective control over our Consolidated Affiliated Entities through the Yunkang Industry; and (iii) hold an exclusive option to purchase all or part of the equity interests in Yunkang Industry and its subsidiaries when and to the extent permitted by PRC laws. See the section headed "Contractual Arrangements" in this document for detailed terms of the Contractual Arrangements.

Listing Rules Implications

The transactions contemplated under the Contractual Arrangements are continuing connected transactions of our Group and are subject to reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Our Directors, including our independent non-executive Directors, are of the view that (i) the Contractual Arrangements are fundamental to our Group's legal structure and business operations; and (ii) the Contractual Arrangements are on normal commercial terms or on terms more favorable to our Group in the ordinary and usual course of our Group's business and are fair and reasonable or to the advantage of our Group and are in the interests of our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company, for all the transactions contemplated under the Contractual Arrangements to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among other things, the announcement and approval of independent Shareholders.

WAIVER APPLICATIONS

The Property Lease Agreement, the Laboratory Testing Service Framework Agreement and the Reagents, Consumables and Equipment Purchase Framework Agreement

By virtue of Rule 14A.76(2) of the Listing Rules, (i) the transactions under the Property Lease Agreement and the Laboratory Testing Service Framework Agreement will constitute continuing connected transactions subject to reporting, annual review, announcement but exempt from circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules; and (ii) the transactions under the Reagents, Consumables and Equipment Purchase Framework Agreement will constitute continuing connected transactions subject to reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the above non-exempt continuing connected transactions are expected to continue on a recurring and continuing basis, our Directors consider that compliance with the above announcement and/or independent shareholders' approval requirements would be impractical, would add unnecessary administrative costs to us and would be unduly burdensome to us.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange [has granted], a waiver to us under Rule 14A.105 of the Listing Rules from compliance with the announcement and independent shareholders' approval requirements in respect of the above non-exempt continuing connected transactions. In addition, we confirm that we will comply with the Listing Rules in relation to the non-exempt continuing connected transactions.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the continuing connected transactions referred to in this document, our Company will take immediate steps to ensure compliance with such new requirements within a reasonable time.

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 from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange subject however to the following conditions:

(a) No change without independent non-executive Directors' approval

No changes to the terms of any of the agreements constituting 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 changes to the terms of any of the agreements constituting the Contractual Arrangements will be made without the approval of the independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders, will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (c) below) will however 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 Consolidated Affiliated Entities through: (i) our Group's potential right (if and when so allowed under the applicable PRC laws) to acquire the equity interests in and/or assets of the Consolidated Affiliated Entities; (ii) the business structure under which the net profits generated by the Consolidated Affiliated Entities (after deducting the necessary costs, expenses, taxes and other statutory contribution in relation to the respective fiscal year) is substantially retained by us (such that no annual caps shall be set on the amount of services fees payable to Yunkang Technology under the Exclusive Business Cooperation Agreement); and (iii) our right to control the management and operation of, as well as, in substance, all of the voting rights of the Consolidated Affiliated Entities.

(d) Renewal and reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and our subsidiaries in which our Company has direct shareholding, on one hand, and the Consolidated Affiliated 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 approval of the Shareholders, on substantially the same terms and conditions as described under the section headed "Contractual Arrangements" in this document. 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 when justified by business expediency will, upon renewal and/or cloning of the Contractual Arrangements, however be treated as our Group's connected persons and transactions between these connected persons and our Group other than those under similar Contractual Arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to the relevant PRC laws, regulations and approvals.

(e) Ongoing Reporting and Approvals

We will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:

(i) The Contractual Arrangements in place during each financial period will be disclosed in our annual report and accounts in accordance with the relevant provisions of the Listing Rules.

(ii) Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our 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; (ii) no dividends or other distributions have been made by the Consolidated Affiliated Entities 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 Consolidated Affiliated 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 the Company and the Shareholders as a whole.

(iii) Our auditors 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 carried out pursuant to the Contractual Arrangements have received the approval of our Directors and that no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned/transferred to our Group.

(iv) For the purposes of Chapter 14A of the Listing Rules, and in particular the definition of "connected person" the Consolidated Affiliated Entities will be treated as the Company's wholly-owned subsidiaries, and the directors, chief executives or substantial shareholders (as defined in the Listing Rules) of the Consolidated Affiliated Entities and its associates will be treated as the Company's "connected persons." As such, transactions between these connected persons and our Group (including, for this purpose, the Consolidated Affiliated Entities) other than those under the Contractual Arrangements shall comply with Chapter 14A of the Listing Rules.

The Consolidated Affiliated Entities further undertake that, for so long as the Shares are listed on the Stock Exchange, the Consolidated Affiliated Entities will provide our Group's management and our auditors with full access to its relevant records for the purpose of procedures to be carried out by our auditors' on the connected transactions.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including our independent non-executive Directors) are of the view that (i) the continuing connected transactions as set out above have been and will be entered into during our ordinary and usual course of business on normal commercial terms or terms better to us, and are fair and reasonable and in the interest of us and our Shareholders as a whole; and (ii) the proposed annual caps for these transactions (where applicable) are fair and reasonable and in the interest of us and our Shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

Based on the documentation and data provided by our Company and participation in due diligence and discussions with us, the Joint Sponsors are of the view that: (i) the Contractual Arrangements are fundamental to our Group's legal structure and business operations; (ii) the continuing connected transactions have been entered into in the ordinary and usual course of business of our Company on normal commercial terms which are fair and reasonable, and in the interests of our Company and our Shareholders as a whole; and (iii) the proposed annual caps in respect of such transactions (where applicable) are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

BACKGROUND

We are engaged in the provision of clinical genetic testing service and medical outpatient service. Under the applicable PRC laws and regulations, foreign investors are (i) prohibited from holding equity interest in any enterprise that are engaged in the development and application of gene diagnosis and treatment technology, which form part of our clinical genetic testing service, and (ii) are restricted from holding equity interest in any enterprise that are engaged in medical outpatient service. As a result, we are not able to acquire and hold the equity interest in our Consolidated Affiliated Entities under the applicable PRC laws and regulations. Besides, Yunkang Industry holds an ICP license for value-added telecommunications service. Under the applicable PRC laws and regulations, foreign investors are not allowed to hold more than 50% of the equity interests in an enterprise providing value-added telecommunications service. For further details of the limitations on foreign ownership in PRC companies conducting the aforementioned business under PRC laws and regulations, please see the section headed "Regulations." Yunkang Industry did not provide commercial value-added telecommunication service during the Track Record Period. It plans to provide communication technology enabling remote diagnosis and treatment activities between medical institutions and other commercial internet information services to third parties with fee charge for such platform service in the future.

Our Consolidated Affiliated Entities include (i) Yunkang Industry and its subsidiaries; and (ii) Guangzhou Clinic. We do not directly own 100% equity interest in the Consolidated Affiliated Entities. Yunkang Industry is currently held by the Registered Shareholders. Guangzhou Clinic is currently held by Guangzhou Yunkang as to 70% and by Yunkang Industry by 30%. The principal business of each of the Group's Consolidated Affiliated Entities and the basis that they have to be controlled through the Contractual Arrangements is set out as below.

Consolidated Affiliated Entities	Principal Business	Basis to be controlled through the Contractual Arrangements
Yunkang Industry	Planning to conduct commercial value-added telecommunication service	According to the 2021 Negative List, foreign investment is restricted for the companies engaged in commercial value-added telecommunication service
	Holding company of the Consolidated Affiliated Entities that are engaged in clinical genetic testing service	According to the 2021 Negative List, foreign investment is prohibited for the companies engaged in development and application of gene diagnosis and treatment technology, which forms part of clinical genetic testing

Consolidated Affiliated Entities	Principal Business	Basis to be controlled through the Contractual Arrangements
Guangzhou Daan, Chengdu Daan, Jiangxi Yunkang Daan Medical Laboratory Co., Ltd., Shanghai Daan, Hefei Daan Medical Laboratory Co., Ltd. and Kunming Gaoxin Daan Medical Laboratory Co., Ltd.	Diagnostic testing services including clinical genetic testing service	According to the 2021 Negative List, foreign investment is prohibited for the companies engaged in development and application of gene diagnosis and treatment technology, which forms part of clinical genetic testing
Guangxi Yunkang Daan Medical Laboratory Co., Ltd., Jinan Yunkang Daan Medical Laboratory Co., Ltd., Shenzhen Yunkang Daan Medical Laboratory, Guiyang Yunkang Daan Medical Laboratory Co., Ltd., Zhuhai Yunkang Daan Medical Laboratory Co., Ltd., Foshan Yunkang Daan Medical Laboratory Co., Ltd., Shantou Yunkang Daan Medical Laboratory Co., Ltd., Huizhou Yunkang Daan Medical Laboratory Co., Ltd., Dongguan Yunkang Daan Medical Laboratory Co., Ltd. and Guangzhou Baiyun Yunkang Daan Medical Laboratory Co., Ltd.	Planning to conduct diagnostic testing services including clinical genetic testing service	According to the 2021 Negative List, foreign investment is prohibited for the companies engaged in development and application of gene diagnosis and treatment technology, which forms part of clinical genetic testing
Guangzhou Clinic	Medical outpatient service	According to the 2021 Negative List, foreign investment is restricted for the companies engaged in medical outpatient service

Consolidated Affiliated Entities	Principal Business	Basis to be controlled through the Contractual Arrangements
Yunkang Lingnan	A project company for the development of the Group's global headquarters with no business operations	Yunkang Lingnan is held by Yunkang Industry and the transfer of equity interest in Yunkang Lingnan will constitute a breach of the Investment Agreement (as defined below)

To comply with the relevant PRC laws and regulations, we entered into a series of Contractual Arrangements with Yunkang Industry and its Registered Shareholders on October 22, 2019 which were restated and amended on December 29, 2020 and February 24, 2021. The underlying operating subsidiaries (the "**Operating Subsidiaries**") of Yunkang Industry became parties of the Contractual Arrangements on February 4, 2022. Pursuant to the Contractual Arrangements we acquired effective control over the Consolidated Affiliated Entities and consolidated the results of the Consolidated Affiliated Entities. Our Directors believe that the Contractual Arrangements are fair and reasonable because: (i) the Contractual Arrangements were freely negotiated and entered into between WFOE, Yunkang Industry, its Operating Subsidiaries and the Registered Shareholders; (ii) by entering into the Exclusive Consultancy and Service Agreement (as defined below), Yunkang Industry will enjoy better economic and technical support from us; and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

PRC Laws and Regulations relating to Overseas Listing

On December 24, 2021, the CSRC, together with other relevant government authorities in China issued the Provisions of the State Council on the Administration of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (國務院關於境內企業境外發行證券和上市的管理規定(草案徵求意見稿)), and the Measures for the Filing of Overseas Securities Offering and Listing by Domestic Companies (Draft for Comments) (境內企業境外發行上市備案管理辦法(徵求意見稿)) (collectively the "**Draft VIE Regulations**").

The Draft VIE Regulations, if adopted in their current forms, will regulate both direct and indirect overseas offering and listing of PRC domestic companies' securities by adopting a filing-based regulatory regime. According to the Draft VIE Regulations, PRC domestic companies that seek to offer and list securities in overseas markets, either in direct or indirect means (such as ours), are required to fulfill the filing procedure with the CSRC and report relevant information. The Draft VIE Regulations also proposed a number of regulatory requirements for listing applicants adopting a variable interest entity ("**VIE**") structure through contractual arrangements, including but not limited to the circumstances under which listing overseas was prohibited by the PRC laws, regulations and relevant provisions in relation to

foreign investment, cybersecurity, data security, corporate governance, financial and accounting practices, the planned use of proceeds, and confidentiality duty that listing applicants shall comply. Where an issuer submits an application for initial public offering to competent overseas regulators, the issuer must submit to the CSRC filing documents within three working days after such application is submitted. The Draft VIE Regulations also required subsequent report to the CSRC on material events, such as material change in principal business and change of control. As of the Latest Practicable Date, the Draft VIE Regulations were in draft form and had not come into effect.

On December 24, 2021, a spokesperson of the CSRC at a press conference in relation to the Draft VIE Regulations ("**Press Conference**") clarified that the implementation of the Draft VIE Regulations will follow the legal principle of non-retroactivity and the CSRC would initiate the filing requirements and procedures with the new applicants ("**New Applicants**"), i.e. the new overseas initial public offering applicants, and the stock enterprises ("**Stock Enterprises**"), i.e. the existing overseas-listed companies) that had subsequent financing activities, while the remaining Stock Enterprises will be separately granted a sufficient transitional period in order for them to complete the relevant filing procedures after the Draft VIE Regulations became effective. In addition, during the Press Conference, the spokesperson of the CSRC also stated that "conditional upon complying with the domestic laws and regulations, enterprises adopting a VIE structure that have met the compliance requirements may seek listing overseas after completing proper filing procedures". Therefore, as confirmed by our PRC Legal Advisers, the Draft VIE Regulations do not raise new compliance requirements for the business operations and overseas offering and listing of PRC domestic companies adopting a VIE structure through contractual arrangement. Therefore, we and our PRC Legal Advisers do not expect the Draft VIE Regulations, if adopted in their current forms, would have a material adverse impact on our business operations and the [**REDACTED**]. Once the Draft VIE Regulations are promulgated and implemented, we will, if necessary, immediately comply with the filing procedures in effect as the Draft VIE Regulations become effective.

In addition, on December 27, 2021, the NDRC published the latest revisions to the Special Administrative Measures for Access of Foreign Investment (Negative List) (the "**2021 Negative List**" or the "**Negative List on Access to Foreign Investment**"). Article 6 of the Interpretation Note of the 2021 Negative List ("**Article 6**") provides that "where a domestic enterprise engaged in the business in the prohibited areas of the Negative List on Access to Foreign Investment seeks to issue and list its shares overseas ("**Overseas Issuance and Listing by a Domestic Enterprise under 2021 Negative List**"), it shall complete the examination process and obtain approval of the relevant competent authorities of the State, the foreign investor shall not participate in the operation and management of the enterprise, and its shareholding percentage shall be subject to the relevant provisions on the administration of domestic securities investment by foreign investors." However, the 2021 Negative List itself does not provide a clear definition of the Overseas Issuance and Listing by a Domestic Enterprise under 2021 Negative List, or an explicit guidance of its scope, in particular, whether a company's listing with a VIE structure falls within its scope for the purpose of Article 6.

On December 27, 2021, a spokesman from the NDRC at a press conference in relation to the 2021 Negative List held that the supervision and administration of the Overseas Issuance and Listing by a Domestic Enterprise under 2021 Negative List shall be led by the 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 (i.e. H-shares listing). Based on communications with the CSRC, our PRC Legal Advisors have advised that (1) as of the Latest Practicable Date, the [**REDACTED**] is not required to obtain any examination and approval from the CSRC and/or the relevant industry authorities in accordance with the relevant laws and regulations currently in effect explicitly; (2) if the Draft VIE Regulations become effective in their current forms, the Company is not required to complete any examination/filing procedures and/or obtain approval from the CSRC before the [**REDACTED**], provided that the Company has completed the [**REDACTED**] at the time the Draft VIE Regulations became effective; and (3) the [**REDACTED**] does not constitute an Overseas Issuance and Listing by a Domestic Enterprise under 2021 Negative List and, therefore, the Company is not required to complete any examination/filing procedures and/or obtain approval from the CSRC and/or the relevant industry authorities under Article 6 of the 2021 Negative List.

Further, our PRC Legal Advisors have conducted a full legal due diligence for the purpose of examining whether the Company is able to comply with the Draft VIE Regulations if they are implemented in their current forms. Our PRC Legal Advisers conclude that:

(1) there are no specific clauses or relevant provisions in PRC laws and regulations that explicitly prohibited us from listing overseas. We are a medical operation service provider in China, mainly providing diagnostic testing services to medical and non-medical institutions, and there are no such circumstances under which the [**REDACTED**] is expressly prohibited by PRC laws, regulations and relevant provisions currently in effect. We have not received any notice or decision from the relevant authorities under the State Council stating that, based on their review in accordance with the PRC laws, the [**REDACTED**] would threaten or endanger China's national security.

(2) there have not been any material non-compliance incidents discovered from the comprehensive review of the compliance status in relation to foreign investment, cybersecurity, and data security in all material aspects, and duly performed its duty of safeguarding national security. The Group's relevant data processing activities all take place in the PRC, and the [**REDACTED**] will not substantially increase the factors related to national security risks. Based on the latest Cybersecurity Review Measures and the phone consultation conducted jointly by our PRC Legal Advisers and the PRC legal advisers of the Joint Sponsors with the China Cybersecurity Review Technology and Certification Center, no security review is required for the [**REDACTED**].

(3) each of the Group's domestic subsidiaries has formulated its articles of association and regulated its corporate governance and financial and accounting practices in accordance with the Company Law of the People's Republic of China, the Accounting Law of the People's Republic of China and other laws and regulations.

(4) the planned use of [**REDACTED**] from the [**REDACTED**] is in compliance with the requirements of the relevant PRC regulations. We have completed the foreign exchange registration for individual domestic residents' overseas investments (the "**SAFE Circular 37 Registration**") for the relevant Chinese individual shareholders, and also obtained the certificate for foreign exchange registration for FDI obligatory inbound capital contribution for our relevant domestic subsidiaries in accordance with the PRC laws for the purpose of the [**REDACTED**], which is in compliance with the national regulations on cross-border investment and financing, foreign exchange and cross-border RMB administrations, etc.

(5) we have established a sound confidentiality system, and taken necessary steps to implement its duty of confidentiality. All the data processed by us are stored in the PRC and have not been provided to any third party overseas. The [**REDACTED**] does not involve the provision of personal information and important data overseas. At the same time, we have established a data security management system and a personal information protection system in compliance with the relevant PRC laws and regulations.

(6) to our best knowledge, none of the circumstances that would prohibit PRC domestic companies from conducting the [**REDACTED**] under the Draft VIE Regulations exists for us.

(7) our PRC Legal Advisers have also conducted public searches against our PRC-subsidiaries, our controlling shareholders, as well as our directors and senior management, and did not find any of them having been involved in relevant criminal offences or administrative penalties that would prohibit us from conducting the [**REDACTED**] under the Draft VIE Regulations.

On the basis of the foregoing, we and our PRC Legal Advisors do not foresee there would be any material legal obstacles for us to comply with each provision of the Draft VIE Regulations after they are implemented in their current forms.

PRC Laws and Regulations relating to Foreign Ownership Restriction

Genetic Testing Service and Medical Outpatient Service

Foreign investment activities in the PRC are mainly governed by the Guidance Catalog of Industries for Foreign Investment (the "**Catalog**"), which was promulgated and is amended from time to time jointly by the MOFCOM and the NDRC and the 2021 Negative List jointly promulgated by NDRC and MOFCOM. The 2021 Negative List stipulates industries in which

foreign investment is restricted and prohibited. As confirmed by our PRC Legal Advisers, according to the 2021 Negative List, the operation of our clinical genetic testing service involves the development and application of gene diagnosis and treatment technology, which is considered "prohibited", and the operation of medical outpatient service is considered "restricted."

Pursuant to 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》), which allow foreign investors to partner with Chinese medical entities to establish a medical institution in China by means of equity joint venture or cooperative joint venture, establishment of equity joint venture or cooperative joint venture are subject to certain requirements, including the minimum 30% equity percentage held by the Chinese partner in the joint venture. In addition, a medical institution in China can be wholly-owned by qualified service providers as defined under Notice of Expanding the Territorial Scope for Hong Kong and Macao Service Suppliers to Establish Wholly-Owned Hospitals in the Mainland (關於擴大香港和澳門服務提供者在內地設立獨資醫院地域範圍的通知), the Mainland and Hong Kong Closer Economic Partnership Arrangement and its supplemental Agreements (內地與香港關於建立更緊密經貿關係的安排及其補充協議), Interim Measures for the Administration of Hong Kong and Macao Service Providers' Establishment of Sole Proprietorship Hospitals in the Mainland (香港和澳門服務提供者在內地設立獨資醫院管理暫行辦法) (the "**Interim Measures**"), and Notice Concerning Establishment of Medical Institutions in the Mainland by Hong Kong and Macao Service Providers (關於香港和澳門服務提供者在內地設立醫療機構有關問題的通知). Pursuant to the Mainland and Hong Kong Closer Economic Partnership Arrangement, a Hong Kong qualified service provider should be incorporated or established in Hong Kong, having engaged in substantive business operations for 3 years or more and have obtained a valid Business Registration Certificate. A Hong Kong qualified service provider should be examined by the Trade and Industry Department of the Hong Kong Special Administrative Region and will be granted a certificate if it meets the criteria of Hong Kong qualified service suppliers. A Hong Kong qualified service provider also needs to be recognized by the Mainland's authorities. In addition, pursuant to the Interim Measures in order to apply for the establishment of sole proprietorship hospitals in the Mainland, a Hong Kong qualified service provider shall have direct or indirect investments experience and management experience in medical treatment and public health industry. Therefore, as advised by our PRC Legal Advisers, our Company, registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on January 27, 2021, which does not engage in substantive business operations and has no Business Registration Certificate, is not a "qualified service provider". If the Company and/or any of our subsidiaries meet the requirements of a qualified service provider to establish a medical institution in the future as well as other requirements set out in applicable PRC laws and regulations governing sole proprietorship hospitals and the relevant government authority accepts applications for the relevant licenses made by wholly-owned foreign investment entities, the equity interest of Guangzhou Clinic held by Guangzhou Yunkang and Yunkang Industry will be transferred to the Company or relevant subsidiary.

Our PRC Legal Advisers and the Joint Sponsors' PRC legal advisers conducted interviews with Health Commission of Guangdong Province (廣東省衛生健康委員會), Guangzhou Municipal Health Commission (廣州市衛生健康委員會), Health Commission of Sichuan Province (四川省衛生健康委員會), Chengdu Municipal Health Commission (成都市衛生健康委員會), Nanchang Municipal Health Commission (南昌市衛生健康委員會), Health Commission of Anhui Province (安徽省衛生健康委員會), Shanghai Municipal Health Commission (上海市衛生健康委員會), Health Commission of Yunnan Province (雲南省衛生健康委員會), Health Commission of High-Tech District, Jinan City (濟南市高新區衛生健康委員會), Nanning Municipal Health Commission (南寧市衛生健康委員會) and Health Bureau of Nanming District, Guiyang City (貴陽市南明區衛生健康局) on August 30, 2021, January 13, 2021, January 14, 2021, January 11, 2021, December 18, 2020, January 6, 2021, January 29, 2021, January 15, 2021, August 30, 2021, August 30, 2021 and February 10, 2022, respectively. According to the officers, (i) foreign investors are not allowed to directly or indirectly hold any equity interest in a company carrying out clinical genetic testing service; (ii) foreign investors are not allowed to circumvent the restrictions on the shareholding ratio of investment in domestic medical institutions carrying out medical outpatient service; and (iii) the execution and performance of the Contractual Arrangements do not require any approval or authorization by them. Our PRC Legal Advisers has advised us that the above government agencies are competent authorities and the officers interviewed are competent to give such confirmation in respect of foreign investments, and are of the view that our Company, as a foreign entity, (i) shall not hold any equity interests in Yunkang Industry, and (ii) shall not hold more than 70% equity interests in Guangzhou Clinic.

The provision of clinical genetic testing service is inalienable from the remaining testing services of Yunkang Industry's subsidiaries for the following reasons: (i) genetic testing forms part of its diagnostic testing services and could not be separated as a stand-alone type of service. Most clinical examination and diagnosis items need to combine gene service and non-gene service to arrive at the diagnosis conclusion, such as nucleic acid test, NGS genetic test for solid tumors and non-invasive fetal chromosomal abnormality prenatal genetic test, respectively in the categories of infectious disease diagnostic tests, pathology tests and genetic disease diagnostic tests; (ii) genetic testing services and the remaining testing services share similar target hospitals, require similar raw materials such as assays and devices and are operated under the same group of sophisticated laboratory staff. Practically, target hospitals do not accept separate reports issued by separate independent clinical laboratories based on the same specimens and test samples collected from the same patients. It is infeasible for the medical institution customers in our diagnostic testing services for medical institution alliances to build separate diagnostic centers and engage with our separate entities to perform genetic and non-genetic diagnostic tests; (iii) the operation of our clinical genetic testing service involves the development and application of gene diagnosis and treatment technology which requires the collaboration of well-trained personnel with expertise in different areas. Personnel required for genomic-based testing services are largely the same as those required by other testing services of our Group; (iv) to ensure the comparability and reliability of the test results under different testing items, it is infeasible to separate the limited specimens and test samples collected for the use of either genetic testing or non-genetic testing in separate laboratories. In addition, it is infeasible to request hospitals to procure extra specimens and samples and deliver

the specimens and samples to separate laboratories, since it is common industry practice for the hospital to procure different diagnostic testing services from one laboratory using the same specimen to ensure the comparability and reliability of the test results and achieve better efficiency. It may also undermine our market competitiveness and business operation if different diagnostic testing services for the hospital are separately conducted in our laboratories; and (v) we do not differentiate the setup and layout of our independent clinical laboratories and on-site diagnostic centers for different types of testing services. We provided both genetic and non-genetic testing services under our Consolidated Affiliated Entities during the Track Record Period. As such, our PRC Legal Advisers are of the view, and the Joint Sponsors concur that the Contractual Arrangements are narrowly tailored.

We provide four categories of diagnostic testing services, namely infectious disease diagnostic tests, pathology tests, genetic disease diagnostic tests and routine diagnostic tests. Except routine diagnostic tests, the rest of the diagnostic testing services involve the application of gene diagnosis and treatment technology. Please refer to "Financial Information – Description of Key Items in Our Consolidated Statements of Comprehensive Income – Revenue" for the revenue contribution of each diagnostic testing service.

Value-added Telecommunication Service

According to relevant regulations in the PRC, foreign investors are not allowed to hold more than 50% of the equity interests in a company providing value-added telecommunications services. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must possess prior experience in and a proven track record of operating value-added telecommunications businesses overseas (the "**Qualification Requirements**"). Enterprises engaged in value-added telecom business in the PRC with foreign investors that meet these requirements must obtain approvals from MIIT and/or its authorized local counterparts which retain considerable discretion in granting such approvals. Currently none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirements. The MIIT issued a guidance memorandum on the application requirement for establishing foreign-invested value-added telecommunications enterprises in the PRC. According to this guidance memorandum, an applicant is required to provide, among other things, the applicant's previous telecommunications business licenses issued by the relevant local authorities, satisfactory proof of the Qualification Requirements and a business development plan. The guidance memorandum does not provide any further guidance on the proof, record or document required to support the proof satisfying the Qualification Requirements. Further, this guidance memorandum does not purport to provide an exhaustive list on the application requirement. Our PRC Legal Advisers has advised us that as of the Latest Practicable Date, (i) this guidance memorandum has no legal or regulatory effect under the PRC laws and (ii) no applicable PRC laws, regulations or rules have provided clear guidance or interpretation on the Qualification Requirements.

Despite the lack of clear guidance or interpretation on the Qualification Requirements, we have taken the following measures to be prepared for meeting the Qualification Requirements when we initiate the value-added telecommunication service in the future.

- We are in the process of registering trademarks outside the PRC for the expansion of its business operations overseas as and when appropriate;

- We have incorporated a subsidiary in Hong Kong, namely YK HK, which can readily service as an overseas platform when it expands its business outside the PRC;

- We have considered expansion plans for overseas markets and have further conducted overseas market and overseas investment feasibility research; and

- We are planning to establish an overseas website that will facilitate our overseas expansion and will help potential overseas users to better understand our services and businesses.

Pursuant to the Service Guidelines for the Examination and Approval of Telecommunications Business License (電信業務經營許可審批服務指南) published on the governmental service platform of MIIT, record of the foreign investors filing or operating famous website (if any) should be provided as materials demonstrating the fulfilment of Qualification Requirements. Our PRC Legal Advisers are of the view that the above-mentioned measures taken or to be taken by us to meet the Qualification Requirements are reasonable and appropriate.

Our PRC Legal Advisers and the Joint Sponsors' PRC legal advisers also conducted an interview with Guangdong Communications Administration (廣東省通信管理局) on August 25, 2021 to confirm that relevant authorities will not approve or grant ICP licenses applied by a foreign investment entity. Our PRC Legal Advisers has advised us that the above government agency is competent authorities and the officer interviewed are competent to give such confirmation in respect of foreign investments, and are of the view that our Company, as a foreign entity, will not be approved to hold or granted the ICP licenses. We will, as applicable and when necessary, disclose the updates to the Qualification Requirements in our annual and interim reports to inform Shareholders and other investors after the [**REDACTED**]. We will also make periodic inquiries with relevant PRC authorities to understand any new regulatory development and assess whether our level of overseas experience is sufficient to meet the Qualification Requirements.

Control of Yunkang Lingnan through the Contractual Arrangements

Yunkang Lingnan is a wholly-owned subsidiary of Yunkang Industry and was established as a project company for the development of a parcel of land to fulfil the commitments in an investment agreement (the "**Investment Agreement**") entered into on September 9, 2019 between Yunkang Industry and Guangzhou Development Zone Investment Promotion Bureau (廣州市開發區投資促進局) (the "**Investment Promotion Bureau**"). Pursuant to the Investment Agreement, the Investment Promotion Bureau would facilitate Yunkang Industry to acquire the land use right to one parcel of land through a public tender, auction and listing-for-sale process and to construct the global headquarters of the Group, medical centres and other facilities on the site.

Yunkang Industry and Guangzhou Municipal Planning and Natural Resources Bureau (廣州市規劃和自然資源局) (the "**Planning and Natural Resources Bureau**") entered into a state-owned construction land use right transfer agreement (the "**Transfer Agreement**") on November 25, 2019 and a supplemental agreement to the Transfer Agreement on December 3, 2019, pursuant to which Yunkang Lingnan acquired the land use right (the "**Land Use Right**") to one parcel of land with an area of 6,251 m^2 for a consideration of approximately RMB137 million. Pursuant to the Transfer Agreement, if the transferee transfers the Land Use Right in any manner, such as transferring the equity interest in the project company, within 40 years after the transfer of the Land Use Right without the written consent of the Guangzhou Huangpu District Government, the Guangzhou Development Zone Management Committee or their relevant working departments, the transferor has the right to recover the land, and all the proceeds obtained by the transferee shall belong to the transferor.

The Company has communicated with the Investment Promotion Bureau regarding possibilities of transfer of the Land Use Right or the equity interests in Yunkang Lingnan. According to a written confirmation dated November 26, 2020 issued by the Investment Promotion Bureau, (a) Yunkang Lingnan is not allowed to transfer the Land Use Right to any other entities, including affiliates of Yunkang Industry or other third parties; and (b) the transfer of equity interest in Yunkang Lingnan by Yunkang Industry or the transfer of equity interest in Yunkang Industry by its shareholders will constitute a breach of the Investment Agreement (the "**Restrictions**"). Pursuant to the Transfer Agreement, the Planning and Natural Resources Bureau may recover the Land Use Right if the Group does not comply with the Restrictions.

Pursuant to the Notice of the Office of the Guangzhou Development Zone Management Committee on Issuing the Provisions on the Main Responsibilities and Staffing of the Guangzhou Development Zone Investment Promotion Bureau (廣州開發區管委會辦公室關於印發廣州開發區投資促進局主要職責內設機構和人員編製規定的通知), the Investment Promotion Bureau is a working department of the Guangzhou Development Zone Management Committee and is responsible for investment promotion matters within Guangzhou Huangpu District and Guangzhou Development Zone. Our PRC Legal Advisers conducted a general telephone consultation with an official of the Investment Promotion Bureau on January 8, 2021, who has verbally confirmed that the Investment Promotion Bureau is a working department of the Guangzhou Huangpu District Government. As advised by our PRC Legal Advisers, the Investment Promotion Bureau is the competent authority to advise the matters in relation to the Investment Agreement and the investment promotion activities within Guangzhou Huangpu District and Guangzhou Development Zone and the interviewee is authorized and competent to provide the relevant confirmations on behalf of the Investment Promotion Bureau.

During the Track Record Period and as of the Latest Practicable Date, Yunkang Lingnan was not engaged in any business operations. The Group plans to use the land to construct the global headquarter of the Group and medical centres. As of the Latest Practicable Date, we had entered into a collaboration agreement with a third-party developer for the construction and development of the new headquarters on such parcel of land. For details, please see

"Business—Business Strategies—Continue to upgrade and enhance our operational capabilities." The construction and development of the new headquarters is expected to be completed by the end of 2021. Yunkang Lingnan will not be dissolved upon the completion of the project. Although Yunkang Lingnan will not conduct any clinical genetic testing services or any other prohibited business under the PRC laws and regulations, the Group have controlled Yunkang Lingnan through the Contractual Arrangements because the Group will lose the Land Use Right if the Land Use Right or the equity interests in Yunkang Lingnan are transferred to another member of the Group, which will have a material adverse impact on the Group's financial positions and future plans.

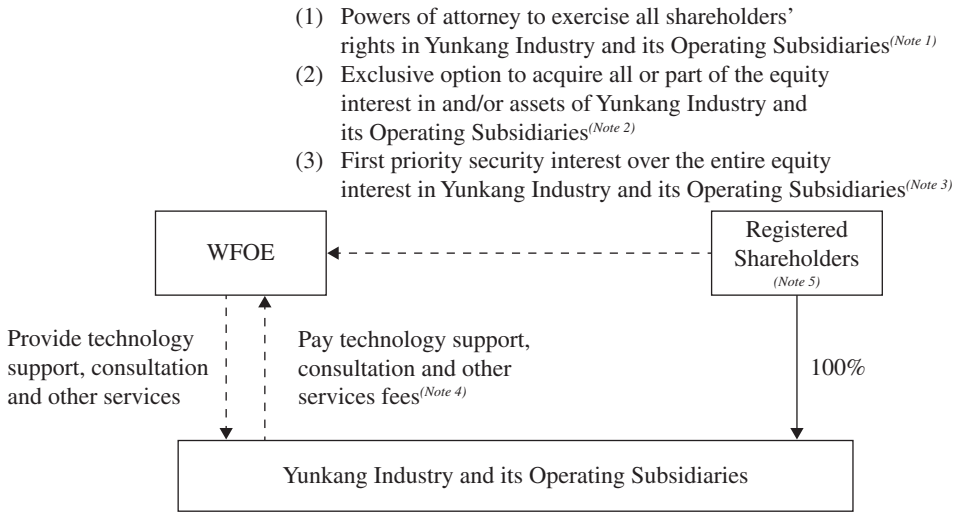
After considering that (i) the Contractual Arrangements enable our Group to conduct business in industries that are subject to foreign investment restrictions or prohibitions in the PRC; and (ii) the above reasons for the control of Yunkang Lingnan through the Contractual Arrangements, our Directors are of the view that the Contractual Arrangements are narrowly tailored for the purpose of foreign ownership restrictions requirement. To comply with the narrowly tailored requirements, we undertake that (i) Yunkang Lingnan will not conduct any business activities other than the acquisition of the Land Use Right and the development of the land into the global headquarters of the Group, medical centers and other facilities, and (ii) Yunkang Lingnan will transfer the Land Use Right to a wholly-owned subsidiary of the Group upon such arrangement is allowed by the relevant authorities.

Circumstances under Which We will Terminate the Contractual Arrangements

As regards the Contractual Arrangements, if and when MOFCOM and/or other relevant governmental departments promulgate any measures for the administration of foreign-invested enterprises engaging in clinical genetic testing service and/or medical outpatient service, or such entities invested by foreign investors, depending on the limit of the percentage equity interest permitted to be held by foreign investors (if any), we will partially unwind the Contractual Arrangements and hold (directly or indirectly) equity interest in the Consolidated Affiliated Entities up to the percentage limit prescribed by such measures; and if there is no prescribed limit of the percentage equity interest permitted to be held by foreign investors and that our Company would be allowed to directly hold 100% of the equity interests in Consolidated Affiliated Entities, we will fully unwind the Contractual Arrangements and directly hold the entire equity interest in the Consolidated Affiliated Entities.

SUMMARY OF THE MATERIAL TERMS OF THE CONTRACTUAL ARRANGEMENTS

The following simplified diagram illustrates the flow of economic benefits from our Consolidated Affiliated Entities to our Group stipulated under the Contractual Arrangements:



Notes:

(1) Please refer to "– *Shareholders' Voting Rights Entrustment Agreement" for details.*

(2) Please refer to "– *Exclusive Option Agreement" for details.*

(3) Please refer to "– *Equity Pledge Agreement" for details.*

(4) Please refer to "– *Exclusive Consultancy and Service Agreement" for details.*

(5) The Registered Shareholders are the following persons who together hold the 100% equity interest of Yunkang Industry. For details of the Registered Shareholders, please refer to "History—Shareholding and Corporate Structure."

Shareholders	**Registered Capital** *(RMB)*	**Approximate percentage of shareholding**
Da An Gene	432,000,300	46.96%
Gaoxin Yangguang	287,999,900	31.3%
Mouduanshan	107,999,800	11.74%
Tongfu Zhongchuang	32,000,400	3.48%
Guangzhou Huigang	12,800,000	1.39%
Guangzhou Anjianxin	9,600,200	1.04%
Heyuan Rongwei	9,200,000	1%
Kangcheng Da An	8,999,400	0.98%
Guangzhou Guoju	8,000,300	0.87%
Zhuhai Haochuang	4,600,000	0.5%
Mr. Lan Fu	2,300,000	0.25%
Guangzhou Kefeng	2,300,000	0.25%
Guangzhou Qiyi	1,199,700	0.13%
Guangzhou Jin An	1,000,000	0.11%

"⟶" *denotes direct legal and beneficial ownership in the equity interest*

"— →" *denotes contractual relationship*

Exclusive Consultancy and Service Agreement

Under the exclusive consultancy and service agreement between Yunkang Industry and the WFOE on October 22, 2019 and amended on February 24, 2021 and the exclusive consultancy and service agreement between the WFOE and the Operating Subsidiaries of Yunkang Industry on February 4, 2022 (collectively, the "**Exclusive Consultancy and Service Agreements**"), Yunkang Industry and its Operating Subsidiaries agreed to engage the WFOE as their exclusive provider to provide technology support, consultation and other services within the business scope of Yunkang Industry and its Operating Subsidiaries.

Pursuant to the Exclusive Consultancy and Service Agreements, the service fee shall be equivalent to the total consolidated profit of Yunkang Industry and its Operating Subsidiaries within the scope of interests corresponding to the proportion of equity directly or indirectly held by Yunkang Industry, after offsetting the prior-year loss (if any), operating costs, expenses, taxes and other statutory contributions. Notwithstanding the foregoing, the WFOE shall have the right to adjust the amount of the service fee based on the actual service scope. Yunkang Industry and its Operating Subsidiaries shall make payment to the bank account designated by the WFOE upon the written request of the WFOE, quarterly or annually within the specified time. Our PRC Legal Advisers, are of the opinion that such payment of service fees is not subject to any legal or regulatory requirements in the PRC and does not violate any PRC laws.

In addition, pursuant to the Exclusive Consultancy and Service Agreements, without the prior written approval from the WFOE, Yunkang Industry and its Operating Subsidiaries shall not accept the same or any similar services provided by any third party and shall not, establish cooperation relationships similar to that formed by the Exclusive Consultancy and Service Agreements with any third party.

The Exclusive Consultancy and Service Agreements also provides that all intellectual property rights generated, developed or created during the performance of the Exclusive Consultancy and Service Agreements belong to the WFOE.

The Exclusive Consultancy and Service Agreements has a term of 15 years and shall automatically renew for ten years. Nonetheless, the WFOE shall always have the rights to terminate this agreement by giving a prior written notice of termination.

Exclusive Option Agreement

Under the exclusive option agreement on October 22, 2019 and amended on December 29, 2020 and February 24, 2021 among the WFOE, Yunkang Industry and the Registered Shareholders and the exclusive option agreement among WFOE, Yunkang Industry and its Operating Subsidiaries on February 4, 2022 (collectively, the "**Exclusive Option Agreements**"), WFOE has been granted an irrevocable, unconditional and exclusive right to require the Registered Shareholders and Yunkang Industry to transfer any or all of their equity

interests in Yunkang Industry and its Operating Subsidiaries, respectively, to the WFOE and/or its designated third party, in whole or in part at any time and from time to time (the "**Exclusive Option**"). Yunkang Industry, its Operating Subsidiaries and the Registered Shareholders have covenanted, among other things, that:

(i) without the prior written consent of the WFOE, they shall not in any manner supplement, change or amend the constitutional documents of Yunkang Industry, and its Operating Subsidiaries increase or decrease their registered capital, or change the structure of their registered capital in other manner, divide, dissolve or change the structure of the corporate form in other manner;

(ii) they shall maintain Yunkang Industry and its Operating Subsidiaries' corporate existence and prudently and effectively operate its business and handle its affairs in accordance with good financial and business standards, practices and legal requirements;

(iii) without the prior written consent of the WFOE, they shall not, at any time after execution of the Exclusive Option Agreements, sell, transfer, pledge or dispose of in any manner any assets, business, operation rights, legal or beneficial interest in the income of Yunkang Industry and/or its subsidiaries or allow any guarantee or security to be created upon them;

(iv) without the prior written consent of the WFOE, Yunkang Industry and its Operating Subsidiaries shall not incur, inherit, guarantee or assume any debt, except for payables (a) incurred in the ordinary or usual course of business not generated by way of borrowing loans or (b) that has been previously disclosed to and consented by the WFOE in writing;

(v) Yunkang Industry and its Operating Subsidiaries shall conduct their businesses in the ordinary course of business to maintain asset value and refrain from any action/omission that may adversely affect operating status and asset value of Yunkang Industry and its Operating Subsidiaries;

(vi) without the prior written consent of the WFOE, Yunkang Industry and its Operating Subsidiaries shall not enter into any material contract with a value of more than RMB30 million, except for contracts executed in the ordinary course of business;

(vii) without the prior written consent of the WFOE, Yunkang Industry and its Operating Subsidiaries shall not provide any loan, credit or any form of guarantee to any person;

(viii) they shall provide the WFOE with information on business operations and financial condition of Yunkang Industry and its Operating Subsidiaries upon the request of the WFOE;

(ix) if requested by the WFOE, they shall procure and maintain insurance in respect of the assets and business of Yunkang Industry and its Operating Subsidiaries from an insurance carrier acceptable to the WFOE, for an amount and type of coverage typical for companies that operate similar businesses;

(x) if the WFOE exercise the Exclusive Option, the consideration should be the minimum purchase price permitted under PRC laws and regulations and shall be returned to WFOE or its representatives by the Registered Shareholders;

(xi) without the prior written consent of the WFOE, Yunkang Industry and its Operating Subsidiaries shall not merge, partner, consolidate, joint venture with, acquire or invest over RMB30 million in, any person;

(xii) they shall immediately notify the WFOE of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to the assets, business or revenue of Yunkang Industry and its Operating Subsidiaries, and shall not settle without the prior written consent of the WFOE;

(xiii) they shall sign all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate claims or raise necessary and appropriate defenses against all claims to maintain Yunkang Industry and its Operating Subsidiaries ownership of all their assets;

(xiv) without the prior written consent of the WFOE, Yunkang Industry and its Operating Subsidiaries shall not in any manner distribute dividends (including any undistributed profit after tax generated prior to the commencement of the Exclusive Option Agreements) to their shareholders;

(xv) at the request of the WFOE, they shall appoint any persons designated by the WFOE as the directors, supervisors and senior management of Yunkang Industry and its Operating Subsidiaries; without the prior written consent or request of the WFOE, no replacement or removal of any directors, supervisors and senior management of Yunkang Industry and its Operating Subsidiaries shall be made;

(xvi) at the request of the WFOE, Yunkang Industry and its Operating Subsidiaries shall submit their respective company chops to the custody of person(s) designated by the WFOE; and consent from the WFOE is required for external use of such chops; and

(xvii) they shall not terminate or procure the management team of Yunkang Industry and its Operating Subsidiaries to terminate any of the Contractual Arrangements entered into with the WFOE, or enter into any agreements that contradict with the Contractual Arrangements; and shall terminate immediately any other material contracts that would are in conflict with the Contractual Arrangements.

The validity period of the Exclusive Option Agreements shall take effect upon the execution date and shall remain effective unless terminated (a) when the entire equity interests held by the Registered Shareholders or their successors or the transferees in Yunkang Industry and the relevant equity interest held by Yunkang Industry in its Operating Subsidiaries have been transferred to the WFOE or nominee(s) designated by Yunkang Industry; or (b) by written notice from the WFOE.

Equity Pledge Agreement

Under the equity pledge agreement on October 22, 2019 and amended on December 29, 2020 and February 24, 2021 among the WFOE, Yunkang Industry and the Registered Shareholders, each of the Registered Shareholders agreed to pledge all of their respective equity interests in Yunkang Industry to the WFOE as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts under the Contractual Arrangements. Further, on February 4, 2022, WFOE, Yunkang Industry and its Operating Subsidiaries also entered into the equity pledge agreement (collectively, the "**Equity Pledge Agreements**"), pursuant to which Yunkang Industry, Chengdu Da An and Guangzhou Da An agreed to pledge to the WFOE their equity interests in the registered capital of the Operating Subsidiaries.

If Yunkang Industry and Operating Subsidiaries declare any dividend during the term of the pledge, the WFOE is entitled to receive all such dividends, bonus issue or other income arising from the pledged equity interests, if any.

The equity pledge shall remain valid until all the contractual obligations of Yunkang Industry, Operating Subsidiaries and the Registered Shareholders are satisfied and all secured indebtedness are settled in full under the Contractual Arrangements, or the nullification or termination of the Contractual Arrangements, whichever is later.

Upon the occurrence and during the continuance of an event of default (as defined in the Equity Pledge Agreements), unless such default is cured within ten (10) Business Days following the Registered Shareholders or Operating Subsidiaries or Yunkang Industry's receipt of the written notice which requests for the cure of such default, the WFOE shall have the right to exercise all such rights as a secured party under the Equity Pledge Agreements and in compliance with applicable PRC law, including but not limited to (i) require the Registered Shareholders and/or Yunkang Industry and/or Operating Subsidiaries to settle all outstanding debts and other payables in full under the Contractual Arrangements immediately; (ii) being paid in priority with the equity interests based on the monetary valuation that such equity interest would convert into or from the proceeds from auction or sale of such equity interest; or (iii) dispose in any manner the pledged equity upon written notice to the Registered Shareholders under any applicable PRC law.

The registration of the pledge of equity interest in Yunkang Industry has been completed as of May 2021 in accordance with the terms of the Equity Pledge Agreements and the applicable PRC laws and regulations. As of the Latest Practicable Date, Operating Subsidiaries, except for Yunkang Lingnan, Shanghai Daan, Jiangxi Yunkang Daan Medical Laboratory Co., Ltd., Shantou Yunkang Daan Medical Laboratory Co., Ltd., and Guiyang Yunkang Daan Medical Laboratory Co., Ltd., have completed the registration of the pledge of their

corresponding equity interest. On March 17, 2022, the Investment Promotion Bureau issued the "Reply Letter on Matters Concerning the Pledge of the Equity Interest in Yunkang Lingnan", which believes that the pledge of the equity interest in Yunkang Lingnan violates the Investment Agreement. Thus, Yunkang Industry was not able to complete the registration process of the pledge of the equity interest in Yunkang Lingnan to the WFOE. The pledge of equity interest in Shanghai Daan, Jiangxi Yunkang Daan Medical Laboratory Co., Ltd., Shantou Yunkang Daan Medical Laboratory Co., Ltd., and Guiyang Yunkang Daan Medical Laboratory Co., Ltd. are in the process of registration and are expected to be completed before [**REDACTED**] without obstacles.

Shareholders' Voting Rights Entrustment Agreement

Under the restated and amended shareholders' voting rights entrustment agreement among each of Yunkang Industry, the Registered Shareholders and WFOE on October 22, 2019 and amended on December 29, 2020 and February 24, 2021 and the shareholders' voting rights entrustment agreement among WFOE, Yunkang Industry and its Operating Subsidiaries on February 4, 2022 (collectively, the "**Shareholders' Voting Rights Entrustment Agreements**"), each of the Registered Shareholders and Yunkang Industry irrevocably, unconditionally and exclusively appointed the persons designated by the WFOE as its attorneys-in-fact to exercise on his/her/its behalf, any and all shareholder's right that he/she/it has in respect of its equity interests in Yunkang Industry and its Operating Subsidiaries, respectively, including without limitation:

(i) to propose to convene and to attend shareholders' meetings of Yunkang Industry and its Operating Subsidiaries;

(ii) to transfer or dispose in any form of any or all of the equity interests in Yunkang Industry and its Operating Subsidiaries within the scope of interests corresponding to the proportion of equity directly or indirectly held by Yunkang Industry and, for the purpose of the foregoing, sign all required documents and perform all required procedures on behalf of the Registered Shareholders and Yunkang Industry;

(iii) to exercise voting rights and execute any and all written resolutions and meeting minutes in the name and on behalf of such shareholder, including without limitation, to nominate, elect, appoint or remove the directors, supervisors or senior management of Yunkang Industry and its Operating Subsidiaries;

(iv) to increase or decrease the registered capital, approve merger, reorganization, dissolution, liquidation or amendments on the articles of association of Yunkang Industry and its Operating Subsidiaries;

(v) to inspect or by other means review all documents and information of Yunkang Industry and its Operating Subsidiaries, including without limitation, business, operation, customers, financial position or employees;

(vi) to receive notice for shareholders' meetings, execute written resolutions and meeting minutes, and to file any registration documents related to the operations of Yunkang Industry and its Operating Subsidiaries to relevant governmental authorities and/or with administrative registration departments; and

(vii) to exercise any other rights granted to shareholders pursuant to Yunkang Industry and its Operating Subsidiaries' articles of association (including rights granted subsequent to amendments of such articles) or relevant laws and regulations.

The Shareholders' Voting Rights Entrustment Agreements has a term of 15 years and shall automatically renew for ten years. The Shareholders' Voting Rights Entrustment Agreements will be terminated when (i) all the equity interest or assets have been legally and effectively transferred to the WFOE or its appointed representative in accordance with the Exclusive Option Agreements; (ii) the WFOE terminates this Shareholders' Voting Rights Entrustment Agreements in accordance with the provisions herein; or (iii) the agreements are terminated pursuant to the operation of laws of the PRC. In addition, the WFOE shall have the right to terminate the agreements by giving written notice to the Registered Shareholders and Yunkang Industry.

Shareholders' Powers of Attorney

Pursuant to the restated and amended Shareholders' Powers of Attorney dated February 24, 2021 and executed by the Registered Shareholders in favor of the Directors, their successors (including a liquidator replacing the Directors) and the WFOE, each of the Registered Shareholders irrevocably authorized and appointed the WFOE, as his/her/its agent to act on his/her/its behalf to exercise or delegate the exercise of all his/her/its rights as shareholders of Yunkang Industry. Pursuant to the Shareholders' Powers of Attorney dated February 4, 2022 and executed by Yunkang Industry and the WFOE, Yunkang Industry irrevocably authorized and appointed the WFOE, as its agent to act on its behalf to exercise or delegate the exercise of all its rights as shareholder of its Operating Subsidiaries. For details of the rights granted, see "—Shareholders' Voting Rights Entrustment Agreement" above.

Spouse Undertakings

The spouse of the individual Registered Shareholder, namely, Mr. Lan Fu, has signed an undertaking to the effect that: (i) his spouse has full knowledge of the entering into of the Contractual Arrangements by WFOE, the Registered Shareholders and Yunkang Industry; (ii) the equity interest of Yunkang Industry held by Mr. Lan Fu do not fall within the scope of communal properties in case of divorce; (iii) at any time, the spouse shall not take any actions against the disposal of such interests and shall not make any claim relating to such interests; and (iv) the performance, amendment or termination of the Contractual Arrangements does not require consent from the spouse.

In addition, the spouse of each of the ultimate beneficial owners or controllers of Gaoxin Yangguang, Mouduanshan, Tongfu Zhongchuang, Guangzhou Huigang, Yujiang Anjin and Guangzhou Anjianxin, where appropriate, has entered into an undertaking to the effect that: (i) the respective spouse has full knowledge of the entering into of the Contractual Arrangements by WFOE, the Registered Shareholders and Yunkang Industry; (ii) the performance, amendment or termination of the Contractual Arrangements does not require consent from the spouse; (iii) if he/she is transferred any shares, directly or indirectly, he/she will be bound by the Contractual Arrangements and will sign all necessary documents and to take all necessary actions to ensure the Contractual Arrangements are properly preformed.

Succession

Pursuant to the Contractual Arrangements, the rights and obligations of the Registered Shareholder, will be legally binding on any assignee or successor of the parties. In addition, the spouse of the individual Registered Shareholder, Mr. Lan Fu, and the spouse of each of the ultimate beneficial owners or controllers of Gaoxin Yangguang, Mouduanshan, Tongfu Zhongchuang, Guangzhou Huigang, Yujiang Anjin and Guangzhou Anjianxin, where appropriate, has provided irrevocable undertakings which stipulate certain matters to succession of the rights and obligations under the Contractual Arrangements. Please refer to "– Spouse Undertakings" above.

Considering the above, our PRC Legal Advisers are of the view that (i) the Contractual Arrangements provide protection to our Group even in the event of loss of capacity, death, bankruptcy or divorce of the Registered Shareholders and its ultimate beneficial owners ("**successorship events**"); and (ii) such successorship events would not affect the validity of the Contractual Arrangements, and WFOE can enforce its right under the Contractual Arrangements against the successors.

Dispute Resolution

Each of the Contractual Arrangements provides that:

(i) any dispute arising out of or in connection with the Contractual Arrangements shall be resolved through negotiation;

(ii) if the parties are unable to settle the dispute within 30 days, any party shall have the right to refer the dispute to and have the dispute finally resolved by arbitration administered by Guangzhou Arbitration Commission in Guangzhou under the prevailing effective arbitration rules thereof and the language to be used during the arbitration shall be Chinese. The results of the arbitration shall be final and binding on all relevant parties;

(iii) the arbitration commission shall have the right to award remedies over the shares and assets (including land assets) of Yunkang Industry, injunctive relief (for the conduct of business or to compel the transfer of assets) or order the winding up of Yunkang Industry; and

(iv) upon request by any party, the courts of competent jurisdictions shall have the power to grant interim remedies in support of the arbitration pending formation of the arbitral tribunal or in appropriate cases. The courts of Hong Kong, Cayman Islands, the PRC and the place where our Company or the Yunkang Industry's principal assets are located, shall be considered as having jurisdiction for the above purposes.

In connection with the dispute resolution mechanisms as set out in the Contractual Arrangements and the practical consequences, we are advised by our PRC Legal Advisers that:

(i) under the PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order for the purpose of protecting assets of or equity interest in Yunkang Industry. As such, these remedies may not be available to our Group under the PRC laws;

(ii) further, under the PRC laws, courts or judicial authorities in the PRC generally would not award injunctive relief over the equity interest and/or assets of Yunkang Industry, as interim remedies before there is any final outcome of arbitration;

(iii) however, the PRC laws do not disallow the arbitral body to give award of transfer of assets of or an equity interest in Yunkang Industry at the request of arbitration applicant. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support such award of the arbitral body when deciding whether to take enforcement measures;

(iv) in addition, interim remedies or enforcement orders granted by courts of other jurisdictions such as that of Hong Kong may not be recognizable or enforceable in the PRC; therefore, in the event we are unable to enforce the Contractual Arrangements, we may not be able to exert effective control over each of our Consolidated Affiliated Entities, and our ability to conduct our business may be negatively affected; and

(v) even if the above-mentioned provisions may not be enforceable under the 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 our Consolidated Affiliated Entities 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 our Consolidated Affiliated Entities and conduct our business could be materially and adversely affected. See the section headed "Risk Factors—Risks Relating to Contractual Arrangements" for details.

Loss Sharing

In the event that our Consolidated Affiliated Entities incur any loss or encounter any operational crisis, the WFOE may, but is not obliged to, provide financial support to our Consolidated Affiliated Entities. None of the agreements constituting the Contractual Arrangements provide that our Company or its wholly-owned PRC subsidiary, the WFOE, is obligated to share the losses of our Consolidated Affiliated Entities or provide financial support to our Consolidated Affiliated Entities. Further, our Consolidated Affiliated Entities shall be solely liable for its own debts and losses with assets and properties owned by it.

Under the PRC laws and regulations, our Company or the WFOE, is not expressly required to share the losses of our Consolidated Affiliated Entities or provide financial support to our Consolidated Affiliated Entities. Despite the foregoing, given that our Consolidated Affiliated Entities' financial condition and results of operations are consolidated into our Group's financial condition and results of operations under the applicable accounting principles, our Company's business, financial condition and results of operations would be adversely affected if our Consolidated Affiliated Entities suffer losses. However, due to the restrictive provisions contained in the Contractual Arrangements as set out in the paragraphs immediately above, the potential adverse effect on the WFOE and our Company in the event of any loss suffered from our Consolidated Affiliated Entities can be limited to a certain extent.

Insurance

Our Company does not maintain any insurance policy to cover the risks relating to the Contractual Arrangements. As advised by our PRC Legal Advisers, it is not a compulsory legal requirement to purchase insurance for Contractual Arrangements under PRC laws. Please refer to "Risk Factors—Risks relating to Contractual Arrangements" for the potential risks in relation to the Contractual Arrangements.

Arrangement to Address Potential Conflict of Interest

We have in place arrangements to address the potential conflicts of interest between the Registered Shareholders and our Company. Pursuant to the Exclusive Option Agreements, the WFOE has the right to require the Registered Shareholders to transfer any or all of their equity interests in Yunkang Industry to the WFOE or its designated third party. The Shareholders' Voting Rights Entrustment Agreement provides that, in order to avoid potential conflicts of interest, where the Registered Shareholders are Directors, the power of attorney is granted in favor of other unrelated Directors or senior management of our Company. Based on the

foregoing, our Directors are of the view that the measures we have adopted are sufficient to mitigate the risks associated with potential conflicts of interest between our Group and the Registered Shareholders and that these measures are sufficient to protect our Group's interest in our Consolidated Affiliated Entities.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

PRC Legal Opinions

Based on the above, our PRC Legal Advisers are of the opinion that the Contractual Arrangements are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations and that:

(i) each of our Consolidated Affiliated Entities was duly incorporated and is validly existing under the PRC laws, each of the Registered Shareholders is a legally established and validly subsisting entity;

(ii) the Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements are legal, valid and binding on the parties thereto, enforceable under PRC laws and regulations, except that the Contractual Arrangements provide that the arbitral body may award remedies over the shares and/or assets of our Consolidated Affiliated Entities, injunctive relief and/or winding up of our Consolidated Affiliated Entities, and that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal, while under PRC laws, an arbitral body has no power to grant injunctive relief and may not directly issue a provisional or final liquidation order for the purpose of protecting the assets of or equity interest in our Consolidated Affiliated Entities in case of disputes. In addition, interim remedies or enforcement orders granted by overseas courts such as the courts of Hong Kong may not be recognizable or enforceable in China, and the Contractual Arrangements would not be deemed void under Articles 144, 146, 153 and 154 of the PRC Civil Code;

(iii) each of the Contractual Arrangements is not in violation of provisions of the articles of association of our Consolidated Affiliated Entities and The WFOE;

(iv) appropriate arrangements have been made to protect the Group's interest in the event of winding-up of Yunkang Industry's registered shareholders to avoid any practical difficulties in enforcing the Contractual Arrangements; and

(v) each of the Contractual Arrangements is enforceable under PRC laws and regulations, the entering into and the performance of each of the Contractual Arrangements do not require any approvals or authorizations from the PRC governmental authorities, except that: (i) the pledge of any equity interest in Yunkang Industry in favor of the WFOE is subject to registration requirements with

relevant Administration of Industry and Commerce; and (ii) the transfer of equity interest in Yunkang Industry contemplated under the Contractual Arrangements is subject to applicable approval and/or registration requirements under the then applicable PRC laws. According to the interviews conducted by our PRC Legal Advisers and the Joint Sponsors' PRC legal advisers, the relevant competent regulatory authorities have confirmed that the Contractual Arrangements will not be subject to challenges from or penalties imposed by them.

For details in relation to the risks involved in the Contractual Arrangements, see "Risk Factors—Risks Relating to Contractual Arrangements" in this document.

Directors' Views on the Contractual Arrangements

After considering that (i) the Contractual Arrangements enable our Group to conduct business in industries that are subject to foreign investment restrictions or prohibitions in the PRC; and (ii) the reasons for the control of Yunkang Lingnan through the Contractual Arrangements, our Directors are of the view that the Contractual Arrangements are narrowly tailored for the purpose of foreign ownership restrictions requirement.

As of the date of this document, we have not encountered any interference or encumbrance from any governing bodies in our plan to adopt the Contractual Arrangements so that the financial results of the operation of our Consolidated Affiliated Entities can be consolidated to those of our Group, and based on the advice of our PRC Legal Advisers, the Directors are of the view that the Contractual Arrangements are enforceable under the PRC laws and regulations, except for relevant arbitration provisions, as disclosed in the paragraph headed "Dispute Resolution" in this section.

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon the [**REDACTED**] and it is impracticable and unduly burdensome for them to be subject to the relevant requirements under the Listing Rules as our Directors are of the view that the transactions contemplated under the Contractual Arrangements are fundamental to our Group's legal structure and business operations, that such transactions have been and shall be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Please also refer to "Connected Transactions—Continuing Connected Transactions" in this document.

CONSOLIDATED FINANCIAL RESULTS OF OUR CONSOLIDATED AFFILIATED ENTITIES

According to HKFRS 10 – Consolidated Financial Statements, a subsidiary is an entity that is controlled by another entity (known as the parent). An [**REDACTED**] 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 our Consolidated Affiliated

Entities, the Contractual Arrangements as mentioned above enable our Company to exercise control over our Consolidated Affiliated Entities. Accordingly, the Consolidated Affiliated Entities are treated as subsidiaries of our Group and consolidated by our Group in the consolidated financial statements of our Group.

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

Background of the Foreign Investment Law

On January 1, 2020, the Foreign Investment Law passed by the second session of the thirteenth National People's Congress became effective. The Foreign Investment Law has replaced the Law of the People's Republic of China on Chinese-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 Chinese-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 Wholly Foreign-Owned Enterprises (中華人民共和國外資企業法) to become the legal foundation for foreign investment in the PRC. The Implementation Regulations for the Foreign Investment Law of the People's Republic of China (中華人民共和國外商投資法實施條例) (the "**Implementation Regulations for the Foreign Investment Law**") was passed by the 74th Executive Session of the State Council on December 12, 2019 and was implemented with effect from January 1, 2020.

Impact and Potential Consequences of the Foreign Investment Law on our Contractual Arrangements

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including us, to obtain and maintain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions or prohibitions in China. The Foreign Investment Law does not explicitly stipulate the contractual arrangements as a form of foreign investment. As advised by our PRC Legal Advisers, since contractual arrangements are not specified as foreign investment under the Foreign Investment Law or the Implementation Regulations for the Foreign Investment Law, and if the future laws, regulations and rules do not incorporate contractual arrangements as a form of foreign investment, the Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements will not be affected and will continue to be legal, valid and binding on the parties.

For details of risks relating to the Foreign Investment Law, please see "Risk Factors—Risks Relating to 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."

However, there are possibilities that future laws, administrative regulations and provisions prescribed by the State Council may regard the Contractual Arrangements as a form of foreign investment, at which time it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the then effective foreign investment access requirements and how the above-mentioned Contractual Arrangements will be handled. In addition, the specific review standards by the relevant authorities determining the Contractual Arrangements as a form of the foreign investment is unpredictable, and the interpretation or implementation ultimately adopted by the relevant authorities of the Foreign Investment Law or the Implementation Regulations for the Foreign Investment Law may be inconsistent with our PRC Legal Advisers' understanding.

The Potential Impact to Our Company in the Worst Scenario pursuant to the Foreign Investment Law that the Contractual Arrangements Are Treated as a Foreign Investment

If the clinical genetic testing service and medical outpatient service are no longer in the Negative List and our Group can legally operate the clinical genetic testing service and medical outpatient service under PRC Laws, the WFOE will exercise the Equity Option under the Exclusive Option Agreements to acquire the equity interest in Yunkang Industry and unwind the Contractual Arrangements subject to re-approval by the relevant authorities.

If the clinical genetic testing service and medical outpatient service are in the Negative List, the Contractual Arrangements may be viewed as restricted foreign investment. Although contractual arrangements are not specified as foreign investment under the Foreign Investment Law, the Contractual Arrangements may be regarded as invalid and illegal if the future laws, administrative regulations or provisions prescribed by the State Council define contractual arrangements as a form of foreign investment and clinical genetic testing service and medical outpatient service are still in the Negative List. In the event the Contractual Arrangements in respect of the Guangzhou Clinic are treated as a foreign investment, foreign ownership in Guangzhou Clinic may be deemed to have exceeded the statutory maximum, and we may need to take further actions in order to comply with regulation requirements. In an extreme scenario, we may be required to unwind the Contractual Arrangements and dispose of our interests in Guangzhou Clinic. As a result, our Group would not be able to operate our Consolidated Affiliated Entities through the Contractual Arrangements and we would lose our rights to receive the economic benefits of our Consolidated Affiliated Entities. Accordingly, the financial results of our Consolidated Affiliated Entities would no longer be consolidated into our Group's financial results and we would have to derecognize their assets and liabilities according to the relevant accounting standards. An investment loss would be recognized as a result of such derecognition.

Nevertheless, considering that a number of existing conglomerates are operating under contractual arrangements and some of which have obtained listing status abroad and contractual arrangements are not specified as foreign investment under the Foreign Investment Law, our Directors are of the view that it is unlikely that the relevant regulations will take retrospective effect to require the relevant enterprises to remove the contractual arrangements.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

(i) 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;

(ii) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

(iii) our Company will disclose the overall performance and compliance with the Contractual Arrangements in its annual reports to update the Shareholders and potential [**REDACTED**]; and

(iv) 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, review the legal compliance of The WFOE and our Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

So far as our Directors are aware, immediately following the completion of the [**REDACTED**] and assuming that the [**REDACTED**] is not exercised, the following persons will have interests and/or short positions (as applicable) in the Shares or underlying shares of our Company, which would be required to be disclosed to us and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of the Company or any other members of the Group:

Name of substantial shareholder	**Nature of interest**	**Number of Shares after the Share Subdivision**	**Approximate percentage of interest in our Company as of the Latest Practicable Date**	**Approximate percentage of interest in our Company immediately following the completion of the [REDACTED] (assuming [REDACTED] is not exercise)**	**Approximate percentage of interest in our Company immediately following the completion of the [REDACTED] (assuming [REDACTED] is fully exercised)**
YK Development[(1)]	Beneficial owner	250,108,000	50.02%	[**REDACTED**]%	[**REDACTED**]%
Huizekx Limited[(1)]	Interested in a controlled corporation	250,108,000	50.02%	[**REDACTED**]%	[**REDACTED**]%
Mr. Zhang Yong[(1)]	Interested in a controlled corporation	250,108,000	50.02%	[**REDACTED**]%	[**REDACTED**]%
Mouduans Limited[(2)]	Interested in a controlled corporation	250,108,000	50.02%	[**REDACTED**]%	[**REDACTED**]%
Tongfuzc Limited[(2)]	Interested in a controlled corporation	250,108,000	50.02%	[**REDACTED**]%	[**REDACTED**]%
WJJR Investment Limited[(2)]	Interested in a controlled corporation	250,108,000	50.02%	[**REDACTED**]%	[**REDACTED**]%

Name of substantial shareholder	Nature of interest	Number of Shares after the Share Subdivision	Approximate percentage of interest in our Company as of the Latest Practicable Date	Approximate percentage of interest in our Company immediately following the completion of the [REDACTED] (assuming [REDACTED] is not exercise)	Approximate percentage of interest in our Company immediately following the completion of the [REDACTED] (assuming [REDACTED] is fully exercised)
Jin Jun Ying Limited[(2)]	Interested in a controlled corporation	250,108,000	50.02%	[**REDACTED**]%	[**REDACTED**]%
Source Capital RW Limited[(2)]	Interested in a controlled corporation	250,108,000	50.02%	[**REDACTED**]%	[**REDACTED**]%
Daan International[(3)]	Beneficial owner	234,782,500	46.96%	[**REDACTED**]%	[**REDACTED**]%
Guangzhou Daan Gene[(3)]	Interested in a controlled corporation	234,782,500	46.96%	[**REDACTED**]%	[**REDACTED**]%
Da An Gene[(3)]	Interested in a controlled corporation	234,782,500	46.96%	[**REDACTED**]%	[**REDACTED**]%

Notes:

(1) As of the Latest Practicable Date, YK Development is held as to 64.04% and controlled by Huizekx Limited, which is wholly-owned by Mr. Zhang Yong. Therefore, Huizekx Limited and Mr. Zhang Yong are deemed to be interested in the Shares held by YK Development under the SFO.

(2) As of the Latest Practicable Date, YK Development is held as to approximately 23.47%, 6.95%, 3.04%, 0.50% and 2.00%, by Mouduans Limited, Tongfuzc Limited, WJJR Investment Limited, Jin Jun Ying Limited and Source Capital RW Limited, respectively. Pursuant to Guidance Letter HKEX GL89-16, Huizekx Limited, Mouduans Limited, Tongfuzc Limited, WJJR Investment Limited, Jin Jun Ying Limited and Source Capital RW Limited are a group of Controlling Shareholders of the Company.

(3) Daan International is wholly-owned by Guangzhou Daan Gene Technology Co., Ltd (廣州市達安基因科技有限公司) ("**Guangzhou Daan Gene**"), a company wholly-owned by Da An Gene. Therefore, Guangzhou Daan Gene and Da An Gene is deemed to be interested in the Shares held by Daan International under the SFO.

SUBSTANTIAL SHAREHOLDERS

Except as otherwise disclosed herein, our Directors are not aware of any persons who will, immediately following completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), have any interests and/or short positions in the Shares or underlying shares of our Company which would fall to be disclosed to the Company and the Stock Exchange 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 nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group.

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized and issued share capital of our Company in issue and to be issued as fully paid or credited immediately following the completion of Share Subdivision and the [**REDACTED**] (assuming the [**REDACTED**] is not exercised).

Authorized Share Capital

Number of Shares	Aggregate nominal value of Shares
25,000,000,000	US$50,000

Issued Share Capital

Number of Shares	Description of Shares	Aggregate nominal value of Shares	% of issued Share capital
499,999,500	Shares in issue as of the date of this document	US$999.999	[**REDACTED**]%
[**REDACTED**]	New Shares to be issued pursuant to the [**REDACTED**]	US$[**REDACTED**]	[**REDACTED**]%
[**REDACTED**]	Shares in issue immediately following the [**REDACTED**]	US$[**REDACTED**]	100.00%

ASSUMPTIONS

The above table assumes that the [**REDACTED**] becomes unconditional, the Shares are issued pursuant to the [**REDACTED**]. It does not take into account any additional Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as referred to below.

RANKING

The [**REDACTED**] will rank *pari passu* in all respects with all Shares currently in issue or to be issued as mentioned in this document, and will qualify and 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.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Our Company will have only one class of Shares upon completion of the [**REDACTED**], namely ordinary shares, and each ranks *pari passu* with the other Shares.

Pursuant to the Cayman Companies Act and the terms of the Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of Shareholders (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its shares into several classes; (iv) subdivide its shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, our Company may subject to the provisions of the Cayman Companies Act reduce its share capital or capital redemption reserve by its Shareholders passing a special resolution. See "Appendix III—Summary of the Constitution of Our Company and Cayman Islands Companies Law."

GENERAL MANDATE TO ISSUE SHARES

Subject to the [**REDACTED**] becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and [**REDACTED**] with Shares with a total number of not more than the sum of:

- 20% of the total number of the Shares in issue immediately following completion of the [**REDACTED**] (excluding the Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**], if any); and

- the total number of Shares repurchased by us under the authority referred to in the paragraph headed "—General Mandate to Repurchase Shares" in this section.

This general mandate to issue Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or

- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

For further details of this general mandate to allot, issue and [**REDACTED**] with Shares, see "Appendix IV—Statutory and General Information—A. Further Information about Our Group—4. Written Resolutions Passed by Our Shareholders on February 20, 2022."

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the [**REDACTED**] becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase our own securities with nominal value of up to 10% of the total number of our Shares in issue immediately following the completion of the [**REDACTED**] (excluding the Shares which may be allotted and issued pursuant to the exercise of the [**REDACTED**], if any).

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are [**REDACTED**] (and which are recognized by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. For a summary of the relevant Listing Rules, see "Appendix IV—Statutory and General Information—A. Further Information about Our Group—5. Repurchase of Our Own Securities—(a) Provision of the Listing Rules."

This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or

- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

For further details of the repurchase mandate, see "Appendix IV—Statutory and General Information—A. Further Information about Our Group—5. Repurchase of Our Own Securities."

You should read the following discussion and analysis in conjunction with our consolidated financial statements included in "Appendix I—Accountant's Report" to this document, together with the accompanying notes. Our consolidated financial information has been prepared in accordance with HKFRSs issued by the Hong Kong Institute of Certified Public Accountants, which may differ in material aspects from generally accepted accounting principles in other jurisdictions. You should read the entire Accountant's Report and not merely rely on the information contained in this section.

The following discussion and analysis contain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether the actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. For details, see "Forward-looking Statements" and "Risk Factors."

OVERVIEW

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

As a medical operation service provider in China, we have been able to achieve sustainable growth through our diagnostic expertise and strong standardization capabilities, the diagnostic testing services for medical institution alliances, a broad and loyal customer base, and an experienced management team. We believe these competitive strengths are difficult to replicate and we are well positioned to capture the significant growth potential of China's medical operation service market. In 2018 and 2019, we recorded loss for the year of RMB50.3 million and RMB31.5 million, respectively. Driven by the expansion of our diagnostic testing services for medical institution alliances and the increased volume of infectious disease diagnostic tests primarily due to the COVID-19 pandemic, we recorded profit for the year of RMB260.2 million for the year ended December 31, 2020. Our profit further increased to RMB381.9 million for the year ended December 31, 2021, primarily due to the increased number of COVID-19 tests we provided in 2021.

KEY 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, many of which may be beyond our control. A discussion of the key factors is set out below.

Growth of the Medical Operation Service Market in China

Our financial performance and future business growth depend on the development and growth of the medical operation service market in China. The size of the medical operation service market was approximately RMB30,694.9 million in China in 2020, increasing from RMB11,739.2 million from 2016 at a CAGR of 27.2%, according to Frost & Sullivan. The medical operation service market is largely driven by the overall growth of the healthcare market in China. In recent years, the growth of the healthcare service market in China was driven by favorable government policies to promote healthcare reform, growing healthcare expenditures as well as growing awareness for healthcare in China. According to Frost & Sullivan, from 2016 to 2020, the market size of healthcare service market in China has increased from RMB3,316.6 billion to RMB4,869.0 billion, representing a CAGR of 10.1%. Driven by the increasing awareness of healthcare and the aging population, the healthcare service market in China is forecasted to reach RMB7,519.6 billion by 2025, which represents a CAGR of 9.1% from 2020 to 2025. As the healthcare service market grows, the medical operation service market in China is expected to continue to grow at a CAGR of 9.3% to reach RMB47,946.1 million by 2025. As a medical operation service provider in China, we expect to capture growth opportunities in this market, which will impact our results of operations and future performance. For details, see "Industry Overview."

Healthcare Reform in China

Over the past decade, the PRC government has issued a series of laws, regulations and policies to reform the healthcare industry in China. A key goal in China's healthcare reform is to resolve the uneven distribution of medical resources by re-allocating resources efficiently across medical institutions in China. One part of the solution to this problem is the introduction of medical institution alliances pursuant to the Circular on Further Improving the Key Work Concerning the Construction of the Graded Diagnosis and Treatment System (關於進一步做好分級診療制度建設有關重點工作的通知), which was promulgated in August 2018, and the Administration Measures of Medical Institution Syndicate (For Trial Implementation) (醫療聯合體管理辦法(試行)), which was promulgated in July 2020. Medical institution alliances, which are associations of member hospitals, community health clinics and other medical institutions, aim to optimize the allocation of medical resources and have since been established in various cities and regions in China. To better allocate medical resources, medical institution alliances have sought medical operation services from ICLs and to build up their own laboratories to conduct diagnostic testing, which is critical in directing patients to the appropriate hospitals or clinics. As one of the first movers in this industry, the number of on-site diagnostic centers we assisted in establishing and operating have increased from 79 as of December 31, 2018 to 132 as of December 31, 2019 and further to 275 as of December 31, 2021. Healthcare reform

policies continue to be implemented, and medical institution alliances are still being developed nationwide in China, which will continue to shape and affect the medical operation services industry, and in turn, affect our future financial performance.

Revenue and Gross Profit

During the Track Record Period, we primarily generated revenue from providing diagnostic outsourcing services and diagnostic testing services for medical institution alliances. To a lesser extent, we also provided diagnostic testing services for non-medical institutions. Our revenue amounted to RMB596.3 million, RMB677.8 million, RMB1,200.3 million and RMB1,696.7 million for the years ended December 31, 2018, 2019, 2020 and 2021, respectively.

- *Diagnostic outsourcing services*. We provide diagnostic testing services to hospitals, other medical institutions and public institutions, who outsource testing to us due to their lack of relevant testing capabilities and/or cost-effectiveness. Our revenue from this increased from RMB449.3 million in 2018 to RMB463.1 million in 2019, and further increased to RMB857.7 million in 2020. Our revenue from this further increased to RMB1,024.3 million in 2021. As a percentage of total revenue, our revenue from this has decreased from 75.3% in 2018 to 68.3% in 2019, and then increased to 71.5% in 2020. Our revenue from diagnostic outsourcing services has decreased to 60.4% in 2021 primarily because the increase in revenue from diagnostic testing services for medical institution alliances outpaced the increase in revenue from diagnostic outsourcing services. As we continuously improve and enhance our diagnostic outsourcing services, we have achieved more economies of scale and in turn, higher gross profit margins of 39.0%, 42.3%, 54.6% and 52.4% for the years ended December 31, 2018, 2019, 2020 and 2021, respectively. Our gross profit margin from diagnostic outsourcing services in 2021 was slightly lower than 2020 because the prices of COVID-19 tests set by government pricing protocols was lowered as COVID-19 tests became a routine test. The significant increase in revenue from such services in 2020 due to increased volume of infectious disease diagnostic tests, in particular as a result of the increasing number of COVID-19 tests in response to the COVID-19 pandemic, has also enabled us to increase gross profit margins through economies of scale and negotiate discounts based on volume with certain suppliers. The fluctuation of revenue from such services as a percentage of total revenue will continue to impact our overall gross profit margin.

- *Diagnostic testing services for medical institution alliances.* We assist hospitals to build on-site diagnostic centers and provide diagnostic testing services for hospitals within medical institution alliances. Our revenue from this increased from RMB100.8 million in 2018 to RMB166.1 million in 2019. As a result of the increase in infectious disease diagnostic tests, especially COVID-19 tests, revenue from this further increased to RMB275.8 million in 2020. For the same reason and as demand for genetic disease diagnostic tests grew with recovery from COVID-19 pandemic and the expansion of two of our genetic disease diagnostic centers, our revenue from this further increased to RMB619.4 million in 2021. As a percentage of total revenue, our revenue from this has increased from 16.9% in 2018 to 24.5% in 2019 in line with the increase in volume of diagnostic testing services provided. The decrease in its share of total revenue to 22.9% in 2020 was primarily because revenue generated from our diagnostic outsourcing services increased significantly in 2020 due to an increase in infectious disease diagnostic tests. As a percentage of total revenue, our revenue from this has further increased to 36.5% in 2021. As a result of the increasing cooperation among lead hospitals and member hospitals, it is expected that diagnostic testing services for medical institution alliances can expand organically to more member hospitals, especially for those in under-developed regions. Our diagnostic testing services for medical institution alliances generally have a higher gross profit margin as we generally charge higher diagnostic service fees of approximately 5% to 10% on top of the fees under diagnostic outsourcing services with reference to (i) the customers in diagnostic outsourcing services with similar expected testing volume and (ii) the integrated service package we provide to our customers in diagnostic testing services for medical institution alliances. Our gross profit margins from diagnostic testing services for medical institution alliances were 42.5%, 49.3%, 51.9% and 52.8% in 2018, 2019, 2020 and 2021, respectively. As our revenue from such services generally represented a growth trend in terms of our overall revenue, we expect the higher and increasing gross profit margins from this to affect our overall gross profit margins in the future.

- *Diagnostic testing services for non-medical institutions*. During the Track Record Period, a small portion of our revenue was generated from diagnostic testing services for non-medical institutions. Our gross profit margin for diagnostic testing services for non-medical institutions were 48.4%, 44.0%, 66.0% and 67.3% for the years ended December 31, 2018, 2019, 2020 and 2021, respectively. Our gross profit margin for diagnostic testing services for non-medical institutions decreased from 48.4% in 2018 to 44.0% in 2019 primarily attributable to an increase in certain fixed costs after opening of our outpatient clinic in Guangdong province in 2019 while the volume of tests performed at the outpatient clinic decreased primarily due to cessation of business with insurance companies in 2019 as we gradually shifted our focus to cooperate with other non-medical institutions which we are able to charge a high selling price. Our gross profit margin for such services increased from 44.0% in 2019 to 66.0% in 2020, and further increased to 67.3% in 2021, primarily driven by the increased demand for COVID-19 tests from non-medical institutions as a result of the COVID-19 pandemic and increase in revenue from COVID-19 tests as a percentage of revenue from diagnostic testing services in 2021.

During the Track Record Period, we have focused our diagnostic testing primarily on pathology tests, genetic disease diagnostic tests, infectious disease diagnostic tests and routine diagnostic tests. As we began our diagnostic testing focusing on these areas, we have been able to capture growth in demand in each of these areas. In particular, our infectious disease diagnostic tests capabilities build up has enabled us to provide COVID-19 tests in 2020 and 2021, which experienced significant demand due to the pandemic. Our total revenue increased from RMB677.8 million in 2019 to RMB1,200.3 million in 2020 and further to RMB1,696.7 million in 2021. In particular, we recorded revenue of RMB547.1 million and RMB985.7 million from COVID-19 tests in 2020 and 2021, respectively, which accounted for 45.6% and 58.1% of our total revenue for the same periods. The gross profit margin of our COVID-19 tests in terms of our revenue generated from diagnostic testing services for medical institution alliances and diagnostic outsourcing services amounted to 55.6% and 63.8%, respectively, in 2020 and 54.0% and 57.4%, respectively, in 2021. As hospitals, physicians and the general public increasingly recognize the importance of diagnostic testing in these areas of focus and as public healthcare awareness grows, we believe the demand for our services will to continue to be significant.

Our Operating Expenses

During the Track Record Period, we primarily incurred selling expenses and administrative expenses as we laid the foundation for our medical operation services and built our network with medical institution alliances and other customers. Fluctuations in our operating expenses, especially variable expenses such as marketing and promotion expenses, had and will continue to impact our profitability.

- *Selling expenses.* Our selling expenses primarily consisted of marketing and promotion expenses, which mainly represent services fees paid to third-party marketing service providers that help us with marketing activities, as well as staff costs for our sales and marketing personnel. For the years ended December 31, 2018, 2019, 2020 and 2021, our selling expenses were RMB187.1 million, RMB192.7 million, RMB219.0 million and RMB273.3 million, respectively. The period-on-period increase was primarily due to an increase in marketing and promotion expenses in line with the overall growth of our business and scale of marketing and promotion activities. As a percentage of revenue, our selling expenses decreased from 31.4% in 2018 to 28.4% in 2019, and further decreased to 18.2% in 2020, because we improved the efficiency of our sales and marketing personnel with the growth of our business scale and in particular in 2020, the provision of COVID-19 tests generally required less sales and marketing efforts due to various government support and subsidies at the early stage of COVID-19 pandemic. As a percentage of revenue, our selling expenses further decreased to 16.1% in 2021 because we participated the government-funded full screening project for Covid-19 tests in Guangdong province in 2021, which required less marketing efforts.

- *Administrative expenses*. Our administrative expenses primarily consisted of staff costs, consultancy and professional service fees, depreciation and amortization charges, and cost of reagent and pharmaceuticals consumed associated with our research and development. For the years ended December 31, 2018, 2019, 2020 and 2021, our administrative expenses were RMB104.6 million, RMB112.7 million, RMB104.8 million and RMB152.1 million, respectively. The increase in administrative expenses from 2018 to 2019 primarily reflected an increase in the staff costs and consultancy and professional service fees in relation to professional compliance and tax consultation. From 2019 to 2020, our administrative expenses decreased as we no longer required third-party strategic planning services where the consultancy and professional service fees decreased correspondingly. Our administrative expenses further increased to RMB152.1 million in 2021, primarily reflecting the [**REDACTED**] we incurred in 2021. As a percentage of revenue, our administrative expenses decreased from 17.5% in 2018 to 16.6% in 2019, and further decreased to 8.7% in 2020, reflecting our ability to manage our costs while our business expands. As a percentage of revenue, our administrative expenses increased slightly to 9.0% in 2021 primarily due to the [**REDACTED**] we incurred.

BASIS OF PREPARATION

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

The preparation of financial information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying our accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in note 4 to the Accountant's Report as set out in Appendix I to this document.

HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" which are effective for the accounting period beginning on January 1, 2018 and HKFRS 16 "Leases" which is effective for the accounting period beginning on January 1, 2019 have been consistently applied by us throughout the Track Record Period.

CRITICAL ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

The preparation of our financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenue, 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 requires a material adjustment to the carrying amounts of the assets or liabilities affected in the future. Our significant accounting policies, judgments and estimates are set forth in detail in Notes 2 and 4 in the Accountant's Report set out in Appendix I to this document. Set out below are the significant accounting policies which we believe are most important for an understanding of our financial condition and results of operations.

Revenue Recognition

Our revenue during the Track Record Period mainly represented proceeds from rendering diagnosis testing services to different types of customers, including diagnostic outsourcing customers, customers of diagnostic testing services for medical institution alliances and non-medical institutions. Revenue from diagnostic testing business is recognized when diagnostic testing reports were delivered to and accepted by customers.

Impairment for Trade Receivables

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

We make provision for expected credit losses of trade and other receivables based on assumptions about risk of default and expected loss rates. We used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the our past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and doubtful debt expenses in the periods in which such estimate has been changed.

Fair Value Measurement of FVOCI and FVTPL

The fair value assessment of FVOCI and FVTPL that are measured at level 3 fair value hierarchy requires significant estimates, which include risk-free rates, expected volatility, relevant underlying financial projections, market information of recent transactions (such as recent fund raising transactions undertaken by the investees) and other assumptions. Changes in these assumptions and estimates could materially affect the respective fair value of these investments.

Our finance department performs the valuation of level 3 financial instruments for financial reporting purposes. We manage the valuation exercise of the investments on a case by case basis. At least once a year, our finance department uses valuation techniques to determine the fair value of our level 3 instruments and reports to senior management and the directors of our Company. For details, see note 3.3 to the Accountants' Report as set out in Appendix I to this document.

Our financial assets at FVOCI and FVTPL which are categorized within level 3 of fair value measurements were mainly equity investments and debts investments.

In respect of the assessment of fair value of the equity investments and debts investments, with reference to the guidance under the "Guidance Note on Directors' Duties in the Context of Valuations in Corporate Transactions" issued by the SFC in May 2017 applicable to directors of companies listed on the Stock Exchange, our Directors have undertaken the following key actions: (i) considering available information in assessing the financial forecast and assumptions including but not limited to the historical financial performance, market prospects, comparable companies' conditions, economic, political and industry conditions; (ii) engaging an independent external valuer to assist our management to assess the fair value; (iii) considering the independence, reputation, capabilities and objectivity of the external valuer to ensure the suitability of such valuer; (iv) reviewing and discussing with our management and the external valuer on the valuation models and approaches; and (v) reviewing the valuation work papers and results prepared by the valuer. Valuation techniques are verified by the independent and recognized international business valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. In respect of the valuation of our equity investments and debts investments, details and the quantitative information about the significant unobservable inputs used in level 3 fair value measurements are set forth in Note 23 to the Accountants' Report set out in Appendix I.

The Reporting Accountant has carried out necessary audit works in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants for the purpose of expressing an opinion on the Group's historical financial information for the Track Record Period as a whole in Appendix I to this document. The Reporting Accountant's opinion on the historical financial information of the Group for the Track Record Period as a whole is set out on page I-2 of Appendix I to this document.

The Joint Sponsors have conducted relevant due diligence work, including (i) obtaining information on the credentials of the valuer and the background, qualifications and work experience of its core team members; (ii) obtaining and reviewing the valuation reports issued by the valuer; (iii) understanding from the valuer the key basis and assumptions for the valuation of financial assets categorized as level 3 fair value measurements; (iv) reviewing relevant notes in the Accountants' Report as contained in Appendix I to this document; and (v) understanding from the management of the Company and the Reporting Accountant the work they have performed in relation to the valuation of the level 3 financial instruments for the purpose of reporting on the historical financial information of the Group for the Track Record Period as a whole. Having considered the work done by the Company management and the Reporting Accountant, and the relevant due diligence done as stated above, nothing material has come to the Joint Sponsors' attention that indicates that the Company management have not undertaken sufficient investigation and due diligence, or that the Company management's reliance on the work products of the valuer is unreasonable.

Assessment of Controls Over Non-profit Clinics Founded by our Group

During the Track Record Period, there were a total of 31 non-profit community health clinics, which were founded by our Group. As of the Latest Practicable Date and to the best knowledge of our Directors, 17 out of the remaining 22 (excluding nine community health clinics which had ceased operation in 2020) non-profit community health clinics ("**Community Clinics**") are still in operation. After the Group's disposal in January 2021, the other 5 Community Clinics ceased operation or were sold during June and July 2021. Despite the fact that we invested in the clinics, we did not have the controlling power over the clinics. We have entered into agreements with those clinics pursuant to which we obtained contractual rights to provide management services at the non-profit community health clinics for certain periods and were entitled to receive performance based management fees for the years ended December 31, 2018, 2019 and 2020. These contractual rights had been disposed along with the disposal of the subsidiary engaged in the management of Community Clinics by the Group in January 2021.

We did not have control over such non-profit community health clinics (the "Community Clinics") after taking into account of the following considerations:

According to Hong Kong Financial Reporting Standards 10 "Consolidated Financial Statements" ("HKFRS 10"), the principle of control sets out the following three elements of control including whether the investor has the following conditions:

(a) power over investee;

(b) exposure, or rights, to variable return from its involvement with the investee; and

(c) the ability to use its power over the investee to affect the amount of the investor's return.

We had performed an analysis based on the principle set out in HKFRS 10:

(a) No power over the Community Clinics

According to the articles of association of each of the Community Clinics, the executive committee (理事會) is the highest decision-making authority for material business matters of the Community Clinics. During the Track Record Period, the executive committee of each of the Community Clinics comprised of three to eight members, of which only one of them was appointed by us and the remaining executive committee members were elected by an employee representatives committee (職工代表大會). Therefore, we did not have power over material business matters of the Community Clinics, as the employee representatives (as a group) had de facto veto rights in respect of these matters;

One of the executive committee members (the "**Executive Member**") also acts as the general manager of Ganjiang New Area Yunzhou Information Technology Service Co., Ltd. (previously know as Nanchang Yunzhou Information Technology Service Co., Ltd.) ("**Ganjiang Yunzhou**") and the general manager of another two subsidiaries of the Group, Zhuhai Yinhua Trade Development Co., Ltd. ("**Zhuhai Yinhua**") and Zhuhai Zhuchang Trading Co., Ltd. ("**Zhuhai Zhuchang**").

Ganjiang Yunzhou, which principally engaged in sales and marketing activities, is not a major subsidiary of the Group. All the sales and marketing activities undertaken by Ganjiang Yunzhou, including contracts negotiations, pricing and signing, are subject to the Group's review and approval. Accordingly, the Executive Member has no final decision-making power and only executed the decisions made at Group level.

Zhuhai Yinhua and Zhuhai Zhuchang are subsidiaries of the disposal group with no substantial business operations.

In addition, the employee representatives committee of each community clinic are elected by employees of community clinics with a term of 1-3 years. The employee representatives would be re-elected upon expiry of the term according to the articles and regulations of the community clinics. All of the employees of the clinics are eligible to vote based on the candidate's reputation, and enthusiasm to participate in the community clinic's affairs. The election and re-election of employee representatives do not require the prior approval of the Group. The employees of the community clinic are eligible to re-nominate another preferred employee representative if they consider the current employee representative is not representing and acting for their best interest.

Taking into account of the above analysis, the Directors consider (i) Ganjiang Yunzhou, Zhuhai Yinhua and Zhuhai Zhuchang are either belong to disposal group with no business operations or not major subsidiaries of the Group; (ii) the Executive Member has no final decision-making or influencing power over our Group; and (iii) the employee representatives committee of each community clinic are elected and could be re-elected by the employees of each community clinic without the prior approval or consent of the Group.

As such our Directors are of the view that even the Executive Member holds directorship or senior management position in the Group's subsidiary or the subsidiaries of the disposal group, it would not affect the conclusion that the Group did not have control over the non-profit community health clinics as the Group has no power over such clinics.

(b) No ability to use our power over the Community Clinics to affect the service fees entitled

The management fee rates and other critical terms included in the hospital management agreements, which were considered as material business matters of the Community Clinics, were determined based on the negotiations between each Community Clinic and us with reference to the revenue growth and market rate, and subject to a simple majority approval by the executive committees of the Community Clinics. We do not have discretionary power or ability to affect the amount of management fees payable by the Community Clinics or the other material terms included in the hospital management agreements.

Taking into account of the above analysis, we considered we do not have control over the Community Clinics according to HKFRS 10. As part of the Reorganization, we have disposed of the subsidiary engaging in the management of the Community Clinics in January 2021. For details, see "History, Reorganization and Corporate Structure."

Our Directors, after discussing with the Reporting Accountant, have considered the investments in non-profit community health clinics are accounted as intangible assets as contractual rights to provide management services in accordance with Hong Kong Accounting Standard 38 "Intangible Assets" ("**HKAS 38**"). The Reporting Account's opinion, which was issued in accordance with Hong Kong Standard on Investment Circular Reporting Engagement 200 "Accountants' Report on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants, on the historical financial information of the Group as a whole for the Track Record Period is set out in Appendix I to the Document.

The contractual rights to provide management services relating to the 31 Community Clinics were acquired from third parties during 2018 and 2019 with an aggregated cost of RMB42.7 million.

Pursuant to these agreements, we provide management services to these hospitals for a period of 40 years. The contractual rights to provide management services are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of contractual rights over their useful lives of 40 years.

The assets that are subject to amortization are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Given that certain community health clinics were still in the stage with marginal net income, our management consider that there were indicators for impairment and performed impairment testing as of December 31, 2018, 2019 and 2020.

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

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

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

Notes:

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

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

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

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

Current and Deferred Income Tax

We are subject to corporate income taxes in the PRC. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. Deferred tax assets relating to certain temporary differences and tax losses are recognized when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

Impairment of Non-current Assets

We performed the impairment testing related the non-current assets including investments in associates, prepayments and contractual rights to provide management services on an annual basis. Investment in associates, prepayment and intangible assets are tested whenever events or changes in circumstances indicate that the carrying amount of those assets exceed its recoverable amount. The recoverable amount is determined based on the higher of fair value less cost to sell and value in use. Determination of the value in use is an area involving management judgement in order to assess whether the carrying value of the intangible development assets not available for use or investment in associates can be supported by the net present value of future cash flows. In calculating the net present value of the future cash flows, we made certain assumptions including management's expectations of (i) timing of commercialization, productivity and market size; (ii) revenue compound growth rate; (iii) costs and operating expenses; and (iv) the selection of discount rates to reflect the risks involved.

DESCRIPTION OF KEY ITEMS IN OUR CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The following table sets forth our consolidated statements of comprehensive income for the periods indicated:

	For the year ended December 31,							
	2018		2019		2020		2021	
	(RMB in thousands, except for percentages)							
Revenue	596,308	100.0%	677,826	100.0%	1,200,320	100.0%	1,696,740	100.0%
Cost of revenue	(355,923)	(59.7)	(378,632)	(55.9)	(544,425)	(45.4)	(797,603)	(47.0)
Gross profit	240,385	40.3	299,194	44.1	655,895	54.6	899,137	53.0
Selling expenses	(187,080)	(31.4)	(192,655)	(28.4)	(219,015)	(18.2)	(273,304)	(16.1)
Administrative expenses	(104,639)	(17.5)	(112,749)	(16.6)	(104,753)	(8.7)	(152,078)	(9.0)
Net impairment losses on financial assets	(117)	–	(6,386)	(0.9)	(5,315)	(0.4)	(23,073)	(1.4)
Other income	22,513	3.8	6,115	0.9	14,056	1.2	7,869	0.5
Other losses	(851)	(0.1)	(289)	–	(1,288)	(0.1)	(1,121)	(0.1)
Fair value changes on financial assets at fair value through profit or loss	2,532	0.4	9,830	1.5	1,882	0.2	264	0.0
Finance costs – net	(4,810)	(0.8)	(11,731)	(1.7)	(17,075)	(1.4)	(6,474)	0.4
Share of net loss of associates accounted for using the equity method	(485)	(0.1)	(1,961)	(0.3)	(1,559)	(0.1)	–	–
(Loss)/Profit before income tax	(32,552)	(5.5)	(10,632)	(1.6)	322,828	26.9	451,220	26.6
Income tax credit/(expenses)	3,808	0.6	(757)	(0.1)	(52,519)	(4.4)	(78,722)	(4.6)
(Loss)/Profit from continuing operations	(28,744)	(4.8)	(11,389)	(1.7)	270,309	22.5	372,498	22.0
(Loss)/Profit from discontinued operation	(21,600)	(3.6)	(20,155)	(3.0)	(10,137)	(0.8)	9,395	0.6
(Loss)/profit for the year	(50,344)	(8.4)	(31,544)	(4.7)	260,172	21.7	381,893	22.5
(Loss)/Profit attributable to:								
– Owners of our Company	(49,408)	(8.3)	(30,957)	(4.6)	255,334	21.3	380,932	22.5
– Non-controlling interests	(936)	(0.2)	(587)	(0.1)	4,838	0.4	961	0.1
Other comprehensive (loss)/income, net of tax	(11,171)	(1.9)	10,387	1.5	15,805	1.3	3,303	0.2
Total comprehensive (loss)/income for the year	(61,515)	(10.3)	(21,157)	(3.1)	275,977	23.0	385,196	22.7
Total comprehensive (loss)/income attributable to:								
– Owners of our Company	(60,371)	(10.1)	(20,763)	(3.1)	270,845	22.6	384,065	22.6
– Non-controlling interests	(1,144)	(0.2%)	(394)	(0.1%)	5,132	0.4%	1,131	0.1%

BUSINESS SUSTAINABILITY

Historical Financials

We recorded accumulated losses of RMB83.3 million as of January 1, 2018. The accumulated loss as of January 1, 2018 was primarily due to the net losses from 2015 to 2017, which were attributable to (i) the lower gross profit margins from 2015 to 2017 primarily due to a significant portion of our diagnostic testing at that time being routine diagnostic tests, which generally have a lower gross profit margin, (ii) more selling expenses as we engaged more third-party marketing service providers to build up our sales network of diagnostic testing services, and (iii) more administrative expenses attributable to (a) higher staff costs as we hired more employees to support our business and research and development activities; and (b) higher research and development expenses as the development of the Yunkang apps was expensed off in 2016 and 2017; as well as certain research and development costs relating to the improvement of cold chain logistics system and the research and development of our IT system and diagnostic methods. Yunkang apps are our in-house developed apps for physicians and medical institutions. They consist of (i) Yunkang Doctor, which enables physicians to review the diagnostic testing reports issued by us; and (ii) Yunkang Medical Institution Report Review App, which enables medical institution to review the diagnostic testing progress and diagnostic testing reports they sent us. Currently, Yunkang Doctor has over 768 users and Yunkang Medical Institution Report Review App has over 3,160 users.

We recorded net losses of RMB49.4 million and RMB31.0 million for the years ended December 31, 2018 and 2019, respectively. Our financial performance in 2018 and 2019 primarily reflected our efforts to promote our diagnostic testing services for medical institution alliances and to develop our diagnostic capabilities and platforms, which required preliminary expenditures and investments. We incurred substantial operating expenses, especially selling expenses as we conducted significant marketing and promotion activities to promote our medical operation services. In addition, we recorded relatively high administrative expenses in 2019 due to an increase in staff costs as we hired more employees to support our business expansion and an increase in consultancy and professional expenses in 2019, which primarily related to the one-time service fees we paid for obtaining market research and analysis to better understand the medical operation service market and its competitive landscape in China.

Measures Taken

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

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

- ***Cost control.*** We have taken various measures to control our cost, in particular administrative expenses. We have streamlined our headcount, in particular in our IT department who were responsible for R&D from 101 as of December 31, 2016 to 58 as of December 31, 2018 and further to 49 as of December 31, 2021. The decrease of our headcount in the IT department was primarily because historically we engaged a number of employees to develop software and IT system for non-profit community health clinics which we gradually ceased to focus on. We have also decreased our R&D expenditure on reagent and pharmaceuticals consumed associated with our research and development on our diagnostic capabilities which decreased from RMB16.4 million in 2018 to RMB14.4 million in 2019, and further decreased to RMB11.5 million in 2020 except there was a slight increase to RMB13.3 million in 2021 due to an overall business expansion as reflected in our revenue growth. There was also decrease in consultancy and professional fees decreased from RMB18.5 million in 2019 to RMB11.5 million in 2021. The implementation of these cost control measures have result in decrease in our administrative expenses as a percentage of revenue. Our administrative expenses decreased from 17.5% in 2018 to 16.6% in 2019, which decreased to 8.7% in 2020. As a percentage of revenue, our administrative expenses (excluding the [**REDACTED**]) decreased from 7.7% in 2020 to 7.0% in 2021, primarily reflecting our cost control effort as the growth of administrative expenses is slower than the growth of revenue. In addition, we have improved our operational efficiency in terms of our in-house sales and marketing efforts. As a percentage of revenue, our staff costs under selling expenses decreased from 8.9% in 2018 to 7.7% in 2019, and further decreased to 4.6% in 2020 while our travelling and entertainment expenses under selling expenses decreased from 2.8% in 2018 to 2.3% in 2019 and further decreased to 1.4% in 2020. Our staff costs under selling expenses further decreased to 4.0% in 2021 while our travelling and entertainment expenses under selling expenses increased from 1.4% in 2020 to 1.8% in 2021 due to partial resumption of travel in 2021 after the COVID-19 pandemic.

- ***Quick response to COVID-19 tests.*** Leveraging our existing professional and standardized diagnostic capabilities and our experiences and insights in infectious disease diagnostic testing, we have been able to respond quickly to market demand

for COVID-19 tests in 2020. We started to offer COVID-19 testing (nucleic acid testing) as early as January 2020. Our Guangzhou laboratory was included by the Guangdong Provincial Health Commission (廣東省衛生健康委) in the first batch of medical institutions with the COVID-19 nucleic acid testing capability. For the year ended December 31, 2020, we recorded revenue of RMB547.1 million and gross profit of RMB347.7 million from COVID-19 tests as compared to nil and nil in 2019 prior to the COVID-19 outbreak. For the year ended December 31, 2021, we recorded revenue of RMB985.7 million and gross profit of RMB560.0 million from COVID-19 tests as compared to RMB547.1 million and RMB347.7 million for the year ended December 31, 2020, respectively.

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

As a result of the above, we have been able to turnaround our financials starting from 2020. In 2020, our gross profit and net profit amounted to RMB655.9 million and RMB260.2 million respectively. For the year ended December 31, 2021, our gross profit and net profit amounted to RMB899.1 million and RMB381.9 million, respectively.

DISCUSSION OF KEY ITEMS IN OUR CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Revenue

Our revenue is generated from (i) providing diagnostic outsourcing services, including infectious disease diagnostic tests, pathology tests, genetic disease diagnostic tests and routine diagnostic tests; (ii) providing diagnostic testing services for medical institution alliances, including infectious disease diagnostic tests, pathology tests, genetic disease diagnostic tests and routine diagnostic tests; and (iii) providing diagnostic testing services for non-medical institutions, which mainly include personalized diagnostic testing, report consultation and hospital referral. Please see "Business—Our Services" for details.

The table below sets forth a breakdown of our revenue by customer type for the periods indicated:

	For the year ended December 31,							
	2018		2019		2020		2021	
	(RMB in thousands, except for percentages)							
Diagnostic outsourcing services								
– Infectious disease diagnostic tests	79,880	13.4%	93,052	13.7%	555,111	46.2%	732,058	43.1%
– COVID-19 tests	–	–	–	–	461,429	38.4	637,959	37.6
– Pathology tests	89,884	15.1	100,100	14.7	95,852	8.1	105,726	6.3
– Genetic disease diagnostic tests	187,758	31.4	179,825	26.6	126,236	10.5	101,697	6.0
– Routine diagnostic tests	91,756	15.4	90,128	13.3	80,534	6.7	84,793	5.0
Subtotal	449,278	75.3	463,105	68.3	857,733	71.5	1,024,274	60.4
Diagnostic testing services for medical institution alliances								
– Infectious disease diagnostic tests	13,061	2.2	28,501	4.2	104,709	8.7	388,874	22.9
– COVID-19 tests	–	–	–	–	64,467	5.4	327,623	19.3
– Pathology tests	25,628	4.3	47,379	7.0	75,941	6.3	101,827	6.0
– Genetic disease diagnostic tests	48,047	8.1	65,339	9.6	62,392	5.2	83,789	4.9
– Routine diagnostic tests	14,075	2.3	24,845	3.7	32,726	2.7	44,866	2.7
Subtotal	100,811	16.9	166,064	24.5	275,768	22.9	619,356	36.5
Diagnostic testing services for non-medical institutions								
– Non-COVID-19 tests	46,219	7.8	48,657	7.2	45,664	3.8	33,018	1.9
– COVID-19 tests	–	–	–	–	21,155	1.8	20,092	1.2
Subtotal	46,219	7.8	48,657	7.2	66,819	5.6	53,110	3.1
Total	596,308	100.0%	677,826	100.0%	1,200,320	100.0%	1,696,740	100.0%

During the Track Record Period, a majority of our revenue were generated from medical institutions located in the same provinces/municipalities as our ICLs. The following table sets for a breakdown of our revenue by geographical location for the periods indicated.

	Diagnostic outsourcing services								Diagnostic testing services for medical institution alliances								Diagnostic testing services for non-medical institutions							
	For the year ended December 31,																							
	2018		2019		2020		2021		2018		2019		2020		2021		2018		2019		2020		2021	
	Revenue	*%*	*Revenue*	*%*	*Revenue*	*%*	*Revenue*	*%*	*Revenue*	*%*	*Revenue*	*%*	*Revenue*	*%*	*Revenue*	*%*	*Revenue*	*%*	*Revenue*	*%*	*Revenue*	*%*	*Revenue*	*%*
	RMB in millions, except for percentage																							
Guangdong	285.3	63.5%	312.8	67.5%	646.5	75.4%	800.1	78.1%	74.9	74.3%	134.4	80.9%	214.0	77.6%	538.5	86.9%	25.4	55.0%	40.0	82.3%	57.8	86.5%	40.5	76.3%
Sichuan	60.6	13.5%	47.1	10.2%	51.5	6.0%	65.3	6.4%	3.8	3.7%	8.7	5.2%	15.1	5.5%	24.5	4.0%	1.5	3.2%	0.1	0.2%	1.8	2.6%	2.5	4.7%
Shanghai	20.4	4.5%	23.2	5.0%	62.2	7.2%	53.2	5.2%	–	–	–	–	–	–	–	–	1.0	2.2%	0.2	0.4%	0.7	1.0%	6.6	12.5%
Anhui	12.6	2.8%	9.4	2.0%	28.5	3.3%	30.2	2.9%	–	–	1.7	1.0%	5.9	2.1%	19.8	3.2%	5.1	11.0%	2.4	5.0%	1.3	2.0%	0.2	0.4%
Jiangxi	21.8	4.8%	23.1	5.0%	27.2	3.2%	22.9	2.2%	–	–	0.4	0.2%	1.1	0.4%	2.2	0.4%	0.5	1.1%	–	–	–	–	–	–
Yunnan	2.7	0.6%	1.9	0.4%	6.1	0.7%	3.0	0.3%	20.8	20.7%	14.9	9.0%	15.5	5.6%	12.9	2.1%	3.0	6.5%	2.4	4.9%	–	–	–	–
Henan	0.1	–	0.2	–	0.4	–	17.4	1.7%	–	–	–	–	0.9	0.3%	2.8	0.5%	0.7	1.5%	–	–	–	–	0.1	0.1%
Jiangsu	15.5	3.4%	11.9	2.6%	10.1	1.2%	10.0	1.0%	–	–	–	–	–	–	–	–	0.3	0.6%	–	–	1.6	2.5%	–	–
Others	30.3	6.9%	33.4	7.3%	25.2	3.0%	22.1	2.2%	1.3	1.3%	6.0	3.7%	23.3	8.5%	18.7	2.9%	8.7	18.9%	3.6	7.2%	3.6	5.4%	3.2	6.0%
Total	449.3	100.0%	463.0	100.0%	857.7	100.0%	1,024.2	100.0%	100.8	100.0%	166.1	100.0%	275.8	100.0%	619.4	100.0%	46.2	100.0%	48.7	100.0%	66.8	100.0%	53.1	100.0%

Cost of Revenue

Our cost of revenue primarily consists of (i) cost of reagent and pharmaceuticals consumed, which mainly includes procurement costs for materials used in providing our services; (ii) staff costs, representing wages, benefits and bonuses of our business operation personnel; (iii) subcontracting costs, which represents the fees we paid to third-party subcontractors that provide certain diagnostic testing services; (iv) transportation expenses associated with our service provision, such as to obtain test samples from hospitals; (v) depreciation and amortization charges, which primarily include depreciation of medical equipment used to provide diagnostic testing services as well as amortization of software; and (vi) others, primarily including office expenses, rental expenses and travelling and entertainment expenses. The following table sets forth a breakdown of our cost of revenue for the periods indicated:

	For the year ended December 31,							
	2018		2019		2020		2021	
	(RMB in thousands, except for percentages)							
Cost of reagent and pharmaceuticals consumed	149,590	42.0%	149,459	39.5%	267,493	50.4%	418,585	52.5%
Staff costs	78,086	21.9	93,876	24.8	103,971	19.1	166,017	20.8
Subcontracting costs	81,408	22.9	81,153	21.4	80,633	14.8	95,041	11.9
Transportation expenses	14,347	4.0	17,851	4.7	31,656	5.8	43,955	5.5
Depreciation and amortization charges	19,042	5.4	23,521	6.2	30,248	5.6	41,555	5.2
Others[(1)]	13,450	3.8	12,772	3.4	23,220	4.3	32,450	4.1
Total	355,923	100.0%	378,632	100.0%	544,425	100.0%	797,603	100.0%

Note:

(1) Primarily include other miscellaneous costs, such as rental expenses, traveling and entertainment expenses, and office expenses.

Gross Profit and Gross Profit Margin

Our gross profit represents our revenue less cost of revenue. For the years ended December 31, 2018, 2019, 2020 and 2021, our gross profit was RMB240.4 million, RMB299.2 million, RMB655.9 million and RMB899.1 million, respectively. Gross profit margin represents our gross profit as a percentage of our revenue. For the years ended December 31, 2018, 2019, 2020 and 2021, our gross profit margin was 40.3%, 44.1%, 54.6% and 53.0%, respectively.

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

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

Selling Expenses

Our selling expenses primarily consist of (i) marketing and promotion expenses, which mainly represents service fee paid to the third-party marketing service providers to promote our services to hospitals; (ii) staff costs, representing wages, benefits and bonuses of our in-house sales and marketing team; (iii) travelling and entertainment expenses incurred by our in-house sales and marketing team; (iv) depreciation and amortization charges of office equipment; and (v) office expenses. The overall increase in our total selling expenses during the Track Record Period was mainly due to increases in service fees paid to the third-party marketing service providers for the designated marketing services which are based on the revenue we generated from the hospitals in terms of diagnostic testing we provided. As such, the increase in such service fees was in line with the increase in the scale of our business and sales and marketing activities to further expand our business outreach. Depending on the different types of diagnostic tests, we generally set the service fee based on a certain percentage of the revenue we generate from the provision of diagnostic services which is determined based on the number of diagnostic tests that we have performed for the relevant medical institutions that a third-party marketing service provider has provided marketing services for. For a majority of our third-party marketing service providers during the Track Record Period, the percentage we paid them generally ranged from 15% to 45%, which are generally comparable to that of our competitors, according to Frost & Sullivan. For the years ended December 31, 2018, 2019,

2020 and 2021, the amount of marketing and promotion expenses we paid to the third-party marketing service providers were RMB105.0 million, RMB118.0 million, RMB139.8 million and RMB169.3 million, respectively, which on average represents 35%, 36%, 36% and 36% of our revenue generated from the diagnostic testing services that these third-party marketing service providers promoted[1], respectively. These third-party marketing service providers are responsible for promoting our services through various activities, including but not limited to visiting hospitals and organizing academic conferences. In addition, our third-party marketing service providers visit our customers on behalf of us on a regular basis to maintain the long term relationship and ensure that we receive their feedbacks in a timely manner. They also assist us in collecting receivables from our customers. The decrease in the amount we paid to these third-party marketing service providers as a percentage of our revenue generated from the diagnostic testing services that these third-party marketing service providers promoted for the year ended December 31, 2021 was primarily because we increased our in-house sales and marketing activities and therefore relied less on these third-party marketing service providers and the full screening project for COVID-19 tests require less marketing efforts during such period. The service fees paid by us to our third-party marketing service providers as a percentage in terms of the revenue of our Group generated from the corresponding testing services was generally comparable in the industry, according to Frost & Sullivan. For details, see "Business—Sales and Marketing—Sales Model." The following table sets forth a breakdown of our selling expenses for the periods indicated:

	For the year ended December 31,							
	2018		2019		2020		2021	
	(RMB in thousands, except for percentages)							
Marketing and promotion expenses	105,008	56.1	117,990	61.2	139,780	63.7	169,292	61.9
Staff costs	53,135	28.4%	52,183	27.1%	55,457	25.3%	67,485	24.7%
Travelling and entertainment expenses	16,759	9.0	15,776	8.2	17,234	7.9	30,365	11.1
Depreciation and amortization charges	1,386	0.7	830	0.4	779	0.4	1,997	0.7
Office expenses	5,052	2.7	3,528	1.8	1,705	0.8	1,241	0.5
Others	5,740	3.1	2,348	1.3	4,060	1.9	2,924	1.1
Total	187,080	100.0%	192,655	100.0%	219,015	100.0%	273,304	100.0%

Our Directors confirmed that, to their best knowledge, information and belief, none of the third-party marketing service providers we engaged, their shareholders, directors or senior management, or any of their respective associates, have any other past or present relationships (including, without limitation, business, employment, family, financing or otherwise) with us, our subsidiaries, our shareholders, Directors or senior management, or any of their respective associates.

(1) Calculated by dividing our total marketing service fees by our revenue generated from the diagnostic testing services promoted by third-party marketing service providers for the corresponding year.

Administrative Expenses

Our administrative expenses primarily consist of (i) staff costs, representing wages, benefits and bonuses of our administrative staff and R&D staff; (ii) [**REDACTED**], representing the service fees payable to professional parties in relation to our proposed [**REDACTED**]; (iii) cost of reagent and pharmaceuticals consumed associated with our research and development to enhance our diagnostic capabilities; (iv) depreciation and amortization charges in relation to our properties and buildings and office equipment; (v) consultancy and professional service fees; (vi) office expenses; (vii) travelling and entertainment expenses; (viii) insurance costs; and (ix) auditors' remuneration. The following table sets forth a breakdown of our administrative expenses for the periods indicated:

	For the year ended December 31,							
	2018		2019		2020		2021	
	(RMB in thousands, except for percentages)							
Staff costs	41,570	39.7%	44,997	39.9%	39,113	37.3%	56,245	37.0%
[**REDACTED**]	–	–	–	–	12,047	11.5	33,481	22.0
Cost of reagent and pharmaceuticals consumed	16,352	15.6	14,381	12.8	11,532	11.0	13,349	8.8
Depreciation and amortization charges	8,561	8.2	8,688	7.7	8,962	8.6	12,287	8.1
Consultancy and professional service fees	12,771	12.2	18,538	16.4	9,955	9.5	11,486	7.6
Office expenses	6,883	6.6	6,475	5.7	8,972	8.6	10,183	6.7
Travelling and entertainment expenses	4,375	4.2	5,601	5.0	3,447	3.3	5,810	3.8
Insurance costs	3,875	3.7	3,727	3.3	2,498	2.4	2,087	1.4
Auditors' remuneration	1,024	1.0	988	0.9	993	0.9	250	0.2
Others[(1)]	9,228	8.8	9,354	8.3	7,234	6.9	6,900	4.4
Total	104,639	100.0%	112,749	100.0%	104,753	100.0%	152,078	100.0%

Note:

(1) Primarily include maintenance costs in relation to our leased properties, training expenses and technical development expenses.

Staff costs

In 2018, 2019, 2020 and 2021, our staff costs in administrative expenses amounted to RMB41.6 million, RMB45.0 million, RMB39.1 million and RMB56.2 million, respectively. The decrease in our staff costs in administrative expenses in 2020 primarily because (i) we enjoyed certain government policies on partially or fully waiving the company's contributions to social insurance and housing provident fund; and (ii) there was a decrease in number of general and administrative staff. Our staff costs in administrative expenses increased in 2021 primarily because we hired more administrative staff to refill the headcounts in response to our increased business demand as reflected in our revenue growth. The following table summarizes the breakdown of our administrative staff.

	For the year ended December 31,			
	2018	**2019**	**2020**	**2021**
***Average number of administrative staff during the period*[(1)]**				
General and administrative staff	128	159	141	159
R&D staff	79	74	101	119
Total	207	233	242	278

Note:

(1) The numbers of administrative staff here represent the staff that we paid salaries to during such periods, including full-time and part-time employees.

During the Track Record Period, the R&D activities that our R&D staff conducted included (i) development and application of diagnostic testing technologies, especially in genetic disease testing and pathology testing; and (ii) development, update and application of software and platform for our diagnostic testing services for medical institution alliances to enhance efficiency, including Yunkang apps, logistics platform and big data application, among others.

Consultancy and professional service fees

For the years ended December 31, 2018, 2019, 2020 and 2021, we paid RMB12.8 million, RMB18.5 million, RMB10.0 million and RMB11.5 million, respectively, as consultancy and professional service fees to third-party consultancy firms. We normally only engage reputable firms that we believe can provide us insights of the medical operation service market or consulting firms that can provide us with the professional services. During the Track Record Period, such service providers primarily included:

(i) in 2021, we paid (a) RMB3.3 million to an education service provider to conduct strategic planning related training to our management team for online cloud services; and (b) RMB1.3 million to an authorized dealer of an industry-leading Internet cloud service operator;

(ii) in 2020, we paid (a) RMB3.4 million to an education service provider to conduct strategic planning related training to our management team, (b) RMB1.0 million to a tax consultancy firm for tax consulting services in relation to business expansion and (c) RMB0.7 million as software license fees;

(iii) in 2019, we paid (a) RMB7.2 million to an industry consultant to conduct market research and analysis and issue quarterly market research and analysis reports with respect to the research and investment prospect in the industry of in-vitro diagnosis, demand and development trends of third-party medical laboratories, present and future of the medical equipment and the influences of medical reforms; (b) RMB6.2 million to an industry consultancy service firm to conduct market research and analysis and issue quarterly market reports with respect to community healthcare system, healthcare big data and IT application, investment in local hospitals and network platform in the healthcare industry; and (c) RMB0.5 million to a consulting firm for human resource services; and

(iv) in 2018, we paid (a) RMB6.7 million to a technology service provider to enhance our IT systems for supply chain management and business operations; (b) RMB2.0 million to Da An Gene for technical consultancy services and (c) RMB0.7 million to a well-known third-party IT cloud solution provider for IT consultation services.

For the remaining consultancy and professional service fees, we primarily procured consulting services, generally including tax, legal, financial, public tendering services, human resources and business strategic planning. Save for Da An Gene, being our connected person, our Directors confirmed that, to their best knowledge, information and belief, all the third-party consulting firms we engaged, their shareholders, directors or senior management, or any of their respective associates, do not have any other past or present relationships (including, without limitation, business, employment, family, financing or otherwise) with us, our subsidiaries, our shareholders, Directors or senior management, or any of their respective associates.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets primarily consists of impairment made for trade and other receivables. For the years ended December 31, 2018, 2019, 2020 and 2021, we recorded net impairment losses on financial assets of RMB0.1 million, RMB6.4 million, RMB5.3 million and RMB23.1 million, respectively.

Other Income

Our other income primarily consists of (i) government grants, which mainly include one-off industry related government grants we received from local governments in recognition of the qualification of certain members of our Group on being high and new technology enterprises; (ii) sales of equipment and reagents, which represents income we generated from the sales of pharmaceutical products and reagents in 2020 and 2021 which was non-recurring in nature; (iii) interest income, which represents interest income generated from fixed time deposits which expired in 2018 and turned into demand deposits subsequently; and (iv) others, which mainly include income tax refund for our employees. The following table sets forth a breakdown of our other income for the periods indicated:

	For the year ended December 31,			
	2018	**2019**	**2020**	**2021**
	(RMB in thousands)			
Government grants	4,708	5,880	2,885	6,195
Sales of equipment and reagents	–	–	10,969	1,524
Interest income	17,462	–	–	–
Others	343	235	202	150
Total	22,513	6,115	14,056	7,869

Among the government grants we received for the years ended December 31, 2018, 2019, 2020 and 2021, RMB4.7 million, RMB5.9 million, RMB2.9 million and RMB6.2 million were one-off or had fulfilled conditions from the government, respectively, which were recognized in profit or loss. An amount of RMB4.5 million, RMB5.9 million and RMB0.2 million had unfulfilled conditions or other contingencies attached to such grants as of December 31, 2018, 2019 and 2020, respectively, which were recognized as deferred revenue in the consolidated statements of financial position. We did not have any deferred revenue as of December 31, 2021.

Other Losses

Other losses primarily consist of losses on disposal of property and equipment. The following table sets forth a breakdown of our other losses for the periods indicated:

	For the year ended December 31,			
	2018	**2019**	**2020**	**2021**
	(RMB in thousands)			
Losses on disposal of equipment	640	223	1,174	666
Others	211	66	114	455
Total	851	289	1,288	1,121

Fair Value Changes on Financial Assets at Fair Value through Profit or Loss

We recorded fair value changes on financial assets at fair value through profit or loss mainly (i) reflecting our investment in two companies engaged in consultancy services, namely Shenzhen Huaxia Cornerstone Zhiku Technology Co., Ltd. (深圳華夏基石智庫科技有限公司) and Hengqin Huaxia Cornerstone Yunkang Zhiku Health Technology Co., Ltd. (橫琴華夏基石雲康智庫健康科技有限公司), and one engaged in investment management, namely Shenzhen Huaxia Cornerstone Zhiku Service Co., Ltd. (深圳華夏基石智庫服務有限公司); and (ii) wealth management products, which represented a principal-guaranteed wealth management product purchased from an asset management company, which had been redeemed in February 2021. For details, see note 23 in the Accountants' Report as set out in Appendix I to this document.

Finance Costs – Net

Our finance income comprises interest income of bank savings. Our finance costs mainly comprise interest expenses on borrowings and interest on lease liabilities. The following table sets forth a breakdown of our finance income/(costs) for the periods indicated:

	For the year ended December 31,			
	2018	2019	2020	2021
	(RMB in thousands)			
Finance income				
Interest income from bank deposits	437	1,188	2,123	10,751
Finance costs				
Interest expenses on borrowings	(4,010)	(11,936)	(18,559)	(15,557)
Interests expenses on lease liabilities	(1,237)	(983)	(639)	(1,668)
Total	(4,810)	(11,731)	(17,075)	(6,474)

Share of Net Loss of Associates Accounted for Using the Equity Method

During the Track Record Period, our investments in associates accounted for using the equity method consisted of our 40% equity interest in Guangzhou Yunjia Health and Medical Technology Co., Ltd. and our 30% equity interest in Tianjin Hanyi Technology Co., Ltd.. Share of loss with aggregate amount of RMB4.0 million was recognized in relation to the start-up expenditure incurred in relation to Tianjin Hanyi Technology Co., Ltd., which would not be recovered. For details, see "—Description of Certain Items in the Consolidated Statements of Financial Position—Investments Accounted for Using the Equity Method."

Income Tax Credit/(Expenses)

Our income tax credit/(expenses) consists of current and deferred income taxes payable in the PRC by our subsidiaries.

Income tax provision in respect of our operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the year or period, based on existing legislation and interpretations and practices in respect thereof. The statutory tax rate was 25.0% for the Track Record Period. Certain of our subsidiaries in the PRC have been qualified as high and new technology enterprises under the relevant tax rules and regulations of the PRC, and accordingly, were subjected to a preferential income tax rate of 15.0% during the Track Record Period. Certain of our subsidiaries in the PRC are qualified as small enterprises under the relevant tax rules and regulations of the PRC, and accordingly, the part of their taxable income not exceeding RMB3 million are subject to a reduced corporate income tax rate of 20.0% during the Track Record Period. Our expenses related to research and development incurred as tax deductible expenses.

Our Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act of the Cayman Islands and, accordingly, is exempted from Cayman Islands income tax. Our subsidiaries incorporated in the Cayman Islands and BVI are not subject to any income tax. Our subsidiary incorporated in Hong Kong was not liable for income tax as it did not have any assessable profits arising in Hong Kong for the years ended December 31, 2018, 2019, 2020 and 2021.

For the years ended December 31, 2018, 2019, 2020 and 2021, our effective income tax rates, calculated as income tax expenses or credit divided by profit or loss before income tax, was 11.7%, -7.1%, 16.3% and 17.4%, respectively. For 2018 and 2019, we recorded income tax expenses that were incurred by our subsidiaries with taxable profit, while we recorded loss before income tax for the same periods, which was mainly attributable to the operating losses incurred by loss-making subsidiaries which were not tax deductible. During the Track Record Period and up to the Latest Practicable Date, we had paid all applicable taxes when due and there were no matters in dispute or unresolved with any tax authorities.

(Loss)/Profit from Discontinued Operations

We recorded (loss)/profit from discontinued operations reflecting operating results derived from our hospital management business and research and development institution, both of which were disposed of in January 2021 as part of our Reorganization.

In January 2021, we disposed of Guangzhou Yunkang Medical Technology Research Institute Co., Ltd. (廣州雲康醫學科技研究院有限公司), Shenzhen Yunkang Medical Service Co., Ltd. (深圳雲康醫學服務有限公司) and its four subsidiaries. During the Track Record Period, these disposed subsidiaries primarily engaged in (i) providing management services for non-profit community health clinics; and (ii) research and development of testing kits. We decided to discontinue these operations as part of our efforts to streamline our corporate structure. See "History, Reorganization and Corporate Structure—Major Acquisitions, Disposals and Mergers."

The following table sets forth the results of discontinued operations for the periods indicated.

	For the year ended December 31,			
	2018	**2019**	**2020**	**2021**
	(RMB in thousands)			
Loss from discontinued operations:				
Operation in management of non-profit community health clinics	(6,180)	(6,265)	(9,592)	10,120
Operation in research & development activities	(15,420)	(13,890)	(545)	(725)
Total	(21,600)	(20,155)	(10,137)	9,395

The amount of non-profit community health clinics management fees for the years ended December 31, 2018, 2019, 2020 and 2021 was nil, RMB869,000, RMB1,062,000 and nil, respectively. The Community Clinics receive and consume the benefits provided by our Group. Revenue from provision of hospital management services is recognized over the period in which the services are rendered.

The management fee is computed based on a percentage of annual revenue of the Community Clinics on a yearly basis. The percentage was determined based on the result of discussion between the employee representatives and the representative of our Group in the executive committee meetings of the relevant Community Clinic. Such percentage was reviewed on an annual basis and has to be approved by the executive committee of the Community Clinic based on a simple majority vote.

COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2021 Compared to Year Ended December 31, 2020

Revenue

Our total revenue increased by 41.4% from RMB1,200.3 million in 2020 to RMB1,696.7 million in 2021, primarily due to a significant increase in revenue from diagnostic testing services for medical institution alliances. Our revenue from diagnostic outsourcing services increased as well.

Diagnostic Outsourcing Services

Revenue generated from diagnostic outsourcing services increased by 19.4% from RMB857.7 million for the year ended December 31, 2020 to RMB1,024.3 million for the year ended December 31, 2021, primarily because the increased number of COVID-19 tests we conducted due to the government-funded full screening project in mid-2021 in Guangdong province.

Diagnostic Testing Services for Medical Institution Alliances

Revenue generated from diagnostic testing services for medical institution alliances increased by 124.6% from RMB275.8 million for the year ended December 31, 2020 to RMB619.4 million for the year ended December 31, 2021, primarily due to the expansion of our on-site diagnostic center network, increasing from 164 as of December 31, 2020 to 275 as of December 31, 2021, and as a result of the increasing demand for our infectious disease diagnostic tests, in particular COVID-19 tests as more hospitals needed to build up their testing capabilities, and the recovery of our provision of genetic disease diagnostic tests from the COVID-19 pandemic and the increase in the number of our genetic disease diagnostic centers.

Diagnostic Testing Services for Non-Medical Institutions

Revenue generated from diagnostic testing services for non-medical institutions decreased by 20.5% from RMB66.8 million for the year ended December 31, 2020 to RMB53.1 million for the year ended December 31, 2021, primarily because a significant amount of non-medical institutions were closed in order to support the government-funded full screening project for COVID-19 tests in Guangdong province in mid-2021.

Cost of Revenue

Our cost of revenue increased by 46.5% from RMB544.4 million for the year ended December 31, 2020 to RMB797.6 million for the year ended December 31, 2021, primarily due to an increase in demand for our infectious disease diagnostic tests as a result of the government-funded full screening project for COVID-19 tests in Guangdong province in mid-2021, which caused increases in our cost of reagent and pharmaceuticals consumed, staff costs and transportation expenses.

Gross Profit and Gross Profit Margin

Our gross profit increased by 37.1% from RMB655.9 million for the year ended December 31, 2020 to RMB899.1 million for the year ended December 31, 2021, primarily due to a significant growth in our diagnostic testing services for medical institution alliances as a result of the increasing demand for our infectious disease diagnostic tests, in particular COVID-19 tests. Our gross profit margin decreased from 54.6% for the year ended

December 31, 2020 to 53.0% for the year ended December 31, 2021, primarily due to a decrease in gross profit margin from COVID-19 tests because of its lower average selling price while the gross profit margins of our other test types remained relatively stable.

Selling Expenses

Our selling expenses increased by 24.8% from RMB219.0 million for the year ended December 31, 2020 to RMB273.3 million for the year ended December 31, 2021, primarily due to (i) an increase in marketing expenses to promote our diagnostic testing activities; and (ii) an increase in staff costs as we hired more marketing and sales personnel in line with our business expansion.

Administrative Expenses

Our administrative expenses increased by 45.1% from RMB104.8 million for the year ended December 31, 2020 to RMB152.1 million for the year ended December 31, 2021, primarily due to [**REDACTED**] of RMB[**REDACTED**] million, which were one-off in nature.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets increased by 335.8% from RMB5.3 million for the year ended December 31, 2020 to RMB23.1 million for the year ended December 31, 2021, mainly because of the increase in provision of impairment on accounts receivables as a result of the increase in the accounts receivable.

Other Income

Our other income decreased from RMB14.1 million for the year ended December 31, 2020 to RMB7.9 million for the year ended December 31, 2021, primarily due to the decrease in our sales of equipment and reagents, partially offset by the increase in government grants from local authorities for supporting certain R&D projects.

Other Losses

Our other losses decreased from RMB1.3 million for the year ended December 31, 2020 to RMB1.1 million for the year ended December 31, 2021.

Fair Value Changes on Financial Assets at Fair Value through Profit or Loss

Our fair value changes on financial assets at fair value through profit or loss decreased from RMB1.9 million to RMB0.3 million for the year ended December 31, 2021 mainly attributable to the redemption of certain wealth management product.

Finance Costs – Net

Our net finance costs amounted to RMB17.1 million for the year ended December 31, 2020 and we recorded net finance gain of RMB6.5 million for the year ended December 31, 2021, primarily due to the increased interest income resulting from our increased bank deposits.

Share of Net Loss of Associates Accounted for Using the Equity Method

We recorded share of net loss of associates accounted for using the equity method of RMB1.6 million and nil for the year ended December 31, 2020 and for the year ended December 31, 2021, respectively.

Income Tax Credit/(Expenses)

Our income tax expenses increased by 49.9% from RMB52.5 million for the year ended December 31, 2020 to RMB78.7 million for the year ended December 31, 2021, primarily because our effective tax rate was 16.3% for the year ended December 31, 2020, compared to 17.4% for the year ended December 31, 2021.

(Loss)/Profit from Discontinued Operations

Our loss from discontinued operations was RMB10.1 million for the year ended December 31, 2020, primarily reflecting loss from operations in management of non-profit community health clinics, and to a lesser extent, loss from operations in research and development activities. Our profit from discontinued operations was RMB9.4 million for the year ended December 31, 2021, primarily due to profit from operations in management of non-profit community health clinics, partially offset by loss from operations in research and development activities.

Profit for the Period

As a result of the foregoing, our profit for the period increased by 46.8% to RMB381.9 million for the year ended December 31, 2021 from RMB260.2 million for the same period in 2020.

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Revenue

Our total revenue increased by 77.1% from RMB677.8 million in 2019 to RMB1,200.3 million in 2020, primarily due to an increase in revenue generated from diagnostic outsourcing services, driven by an increase in revenue from infectious disease diagnostic tests, and an increase in revenue generated from the expansion of our on-site diagnostic centers.

Diagnostic Outsourcing Services

Revenue from diagnostic outsourcing services increased by 85.2% from RMB463.1 million in 2019 to RMB857.7 million in 2020, primarily due to a significant increase in revenue from infectious disease diagnostic tests, which was mainly due to high demand for COVID-19 tests. In 2020, diagnostic outsourcing services in relation to COVID-19 tests represented 53.8% of our total diagnostic outsourcing services revenue for the same period. The increase in revenue from infectious disease diagnostic tests was partially offset by a decrease in revenue from genetic disease diagnostic tests and routine diagnostic tests, primarily due to a decrease in demand from hospitals and other medical institutions for such tests during the COVID-19 pandemic as hospitals operated at limited capacities and shift resources, and due to fewer patient visits for other diseases.

Diagnostic Testing Services for Medical Institution Alliances

Revenue generated from diagnostic testing services for medical institution alliances increased by 66.1% to RMB275.8 million in 2020 from RMB166.1 million in 2019, which primarily reflected the expansion of our on-site diagnostic center network, increasing from 132 as of December 31, 2019 to 199 as of December 31, 2020 and as a result of the increasing demand for our infectious disease diagnostic tests, in particular COVID-19 tests, due to the COVID-19 pandemic.

Diagnostic Testing Services for Non-Medical Institutions

Revenue from diagnostic testing services for non-medical institutions increased by 37.3% to RMB66.8 million in 2020 from RMB48.7 million in 2019, primarily driven by the increase in the demand for COVID-19 tests from non-medical institutions as a result of the COVID-19 pandemic.

Cost of Revenue

Our cost of revenue increased by 43.8% to RMB544.4 million in 2020 from RMB378.6 million in 2019, primarily driven by the increase in the demand for our infectious disease diagnostic tests as a result of the COVID-19 pandemic which accounted for approximately 36.6% of the total cost of revenue, which caused increases in our cost of reagent and pharmaceuticals consumed, staff costs and transportation expenses.

Gross Profit and Gross Profit Margin

Our gross profit increased significantly by 119.2% to RMB655.9 million in 2020 from RMB299.2 million in 2019 mainly because we leveraged our experience and foundation in infectious diseases and were able to provide a significant volume of infectious disease diagnostic tests to meet the large market demand for COVID-19 tests. Our gross profit margin increased from 44.1% in 2019 to 54.6% in 2020, primarily because our gross profit margins from diagnostic outsourcing services increased from 42.3% to 54.6% and gross profits from

this accounted for a larger portion of our total gross profit. The increases in gross profit margin from diagnostic outsourcing services was primarily attributable to the increase in volume of COVID-19 tests, which had a relatively higher gross profit margin in early stage of the pandemic. In addition, we were able to obtain volume discounts and achieve economies of scale in line with the increase in volume. The gross profit margin for our diagnostic testing services for medical institution alliances was 49.3% in 2019 and 51.9% in 2020.

Selling Expenses

Our selling expenses increased by 13.7% to RMB219.0 million in 2020 from RMB192.7 million in 2019, primarily due to (i) an increase in service fees paid to the third-party marketing service providers in line with the increased scale of our business and sales and marketing activities to further expand our business outreach; (ii) an increase in travelling and entertainment expenses attributable to several in-house marketing and promotion events we held in 2020; and (iii) an increase in staff costs due to an increase in the number of our in-house sales and marketing staff. As a percentage of revenue, our selling expenses decreased from 28.4% in 2019 to 18.2% in 2020, primarily because the volume of infectious disease diagnostic tests, especially COVID-19 tests, increased significantly due to high demand of COVID-19 tests, which did not require significant marketing and promotion efforts.

Administrative Expenses

Our administrative expenses decreased by 7.0% to RMB104.8 million in 2020 from RMB112.7 million in 2019, primarily due to a decrease in consultancy and professional service fees which primarily represented a one-time consultant fee paid to an industry consultant we engaged in 2019 to conduct market research and analysis. In addition, the decrease of our administrative expenses was also attributable to a decrease in staff costs as we enjoyed favorable government policies in relation to social insurance and housing provident fund contributions.

Net Impairment Losses on Financial Assets

We recorded net impairment losses on financial assets of RMB5.3 million in 2020, and net impairment losses on financial assets of RMB6.4 million in 2019, based on our assessment of the recoverability of certain trade receivables.

Other Income

Our other income increased to RMB14.1 million in 2020 from RMB6.1 million in 2019, primarily because we recorded sales of equipment and reagents of RMB11.0 million in 2020, partially offset by a decrease in government grants received in 2020, which were mainly one-off in nature.

Other Losses

Our other losses increased significantly to RMB1.3 million in 2020 from RMB0.3 million in 2019, primarily due to the adjustment on our fixed assets at the end of 2020 and the disposal of certain fixed assets with respect to diagnostic instruments and office equipment.

Fair Value Changes on Financial Assets at Fair Value through Profit or Loss

Our fair value changes on financial assets at fair value through profit or loss decreased to RMB1.9 million in 2020 from RMB9.8 million in 2019 primarily because of the fair value changes in the two companies engaging in consultancy services.

Finance Costs – Net

Our net finance costs increased to RMB17.1 million in 2020 from RMB11.7 million in 2019, primarily due to an increase in finance costs due to an increase in bank borrowings.

Share of Net Loss of Associates Accounted for Using the Equity Method

We recorded share of net loss of associates accounted for using the equity method of RMB2.0 million in 2019 in relation to our investment in two associate companies. We recorded share of net loss of associates accounted for using the equity method of RMB1.6 million in 2020.

Income Tax Credit/(Expenses)

We recorded income tax expenses of RMB52.5 million in 2020 and recorded income tax expenses of RMB0.8 million in 2019, and our effective tax rate was 16.3% in 2020, compared to -7.1% in 2019.

Loss from Discontinued Operations

Our loss from discontinued operations decreased to RMB10.1 million in 2020 from RMB20.2 million in 2019, primarily reflecting a decrease in loss from operations in research and development activities, and to a lesser extent, operations in management of non-profit community health clinics.

(Loss)/Profit for the Year

As a result of the foregoing, our profit for the year was RMB260.2 million in 2020 and our loss for the year was RMB31.5 million in 2019.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Revenue

Our revenue increased by 13.7% to RMB677.8 million for the year ended December 31, 2019 from RMB596.3 million for the year ended December 31, 2018, primarily due to increases in both revenue generated from diagnostic testing services for medical institution alliances and diagnostic outsourcing services. To a lesser extent, our revenue from diagnostic testing services for non-medical institutions increased as well.

Diagnostic Outsourcing Services

Revenue from diagnostic outsourcing services increased by 3.1% to RMB463.1 million for the year ended December 31, 2019 from RMB449.3 million for the year ended December 31, 2018, primarily due to increases in revenue generated from infectious disease diagnostic tests and pathology tests as a result of our successful business expansion in 2019 compared to 2018, which were partially offset by a decrease in revenue generated from genetic disease diagnostic tests as a result of a decrease in demand from hospital customers as they adjusted to changes in qualification requirements for genetic testing.

Diagnostic Testing Services for Medical Institution Alliances

Revenue from diagnostic services increased by 64.8% to RMB166.1 million for the year ended December 31, 2019 from RMB100.8 million for the year ended December 31, 2018, primarily due to increases in revenue generated from genetic disease diagnostic tests and pathology tests in 2019 compared to 2018, which in turn reflected the growth of our on-site diagnostic center network, which increased from 79 as of December 31, 2018 to 132 as of December 31, 2019.

Diagnostic Testing Services for Non-Medical Institutions

Revenue from diagnostic testing services for non-medical institutions increased to RMB48.7 million for the year ended December 31, 2019 from RMB46.2 million for the year ended December 31, 2018 as a result of an increase in demand for report consultation and hospital referrals.

Cost of Revenue

Our cost of revenue increased by 6.4% to RMB378.6 million for the year ended December 31, 2019 from RMB355.9 million for the year ended December 31, 2018, primarily due to an increase in staff costs as we recruited more operational and testing staff along with the increase in the volume of our diagnostic testing services, partially offset by the volume discount we achieved as a result of the increasing number of supplies we procured to meet our customers' needs.

Gross Profit and Gross Profit Margin

Our gross profit increased by 24.5% to RMB299.2 million for the year ended December 31, 2019 from RMB240.4 million for the year ended December 31, 2018 in line with the increase in volume of diagnostic testing services we provided. Our gross profit margin increased from 40.3% for the year ended December 31, 2018 to 44.1% for the year ended December 31, 2019, primarily due to the increase in gross profit margin of our diagnostic testing services for medical institution alliances from 42.5% to 49.3% which accounted for a larger percentage of our total gross profit from 17.8% in 2018 to 27.4% in 2019. In addition, our gross profit margin for diagnostic outsourcing services increased from 39.0% in 2018 to 42.3% in 2019. The increases in gross profit margin were primarily due to effective cost control measures we took to optimize supplier selection, procuring domestic pharmaceuticals and consumables, which are generally cheaper than the imported pharmaceuticals and consumables we previously used, and economies of scale we achieved, as certain fixed costs remained at similar levels as we expanded our business.

Selling Expenses

Our selling expenses increased by 3.0% to RMB192.7 million for the year ended December 31, 2019 from RMB187.1 million for the year ended December 31, 2018, primarily due to an increase in marketing and promotion expenses, which was generally in line with the increase in our revenue and the expansion of our business. As a percentage of revenue, our selling expenses decreased from 31.4% in 2018 to 28.4% in 2019, which was primarily attributable to the improvement in efficiencies of our sales and marketing staff.

Administrative Expenses

Our administrative expenses increased by 7.7% to RMB112.7 million for the year ended December 31, 2019 from RMB104.6 million for the year ended December 31, 2018, primarily due to (i) an increase in consultancy and professional service fees as we engaged industry consultant conduct market research and analysis and (ii) an increase in staff costs as we grew our operations.

Net Impairment Losses on Financial Assets

We recorded net impairment losses on financial assets of RMB6.4 million for the year ended December 31, 2019, and net impairment losses on financial assets of RMB0.1 million for the year ended December 31, 2018, based on our assessment of the recoverability of certain trade receivables. The expected credit losses for trade receivables with aging of 181 to 365 days increased in 2019 primarily attributable to the financial conditions of certain customers.

Other Income

Our other income decreased by 72.9% to RMB6.1 million for the year ended December 31, 2019 from RMB22.5 million for the year ended December 31, 2018, primarily due to a decrease in interest income from RMB17.5 million in 2018 to nil in 2019, as we turned the fixed time deposits, which expired in 2018, into demand deposits to support our business operations.

Other Losses

We recorded net other losses of RMB0.3 million for the year ended December 31, 2019, and RMB0.9 million for the year ended December 31, 2018, which primarily included losses on disposal of equipment of RMB0.6 million.

Fair Value Changes on Financial Assets at Fair Value through Profit or Loss

Our fair value changes on financial assets at fair value through profit or loss increased to RMB9.8 million for the year ended December 31, 2019 from RMB2.5 million for the year ended December 31, 2018 primarily due to fair value changes of the two companies engaging in consultancy services.

Finance Costs – Net

Our finance income increased by 200.0% to RMB1.2 million for the year ended December 31, 2019 from RMB0.4 million for the year ended December 31, 2018. Our finance costs increased by 148.1% to RMB12.9 million for the year ended December 31, 2019 from RMB5.2 million for the year ended December 31, 2018, primarily due to an increase in interests paid as a result of the increase in bank borrowings in 2019. As a result of the foregoing, we recorded net finance costs of RMB11.7 million for the year ended December 31, 2019 and net finance costs of RMB4.8 million for the year ended December 31, 2018.

Share of Net Loss of Associates Accounted for Using the Equity Method

We recorded share of net loss of associates accounted for using the equity method of RMB0.5 million for the year ended December 31, 2018, and RMB2.0 million for the year ended December 31, 2019.

Income Tax Credit/(Expenses)

In 2018, we had an income tax credit of RMB3.8 million whereas in 2019 we had an income tax expenses of RMB0.8 million. We recorded income tax expenses that were incurred by our subsidiaries with taxable profit, while we recorded loss before income tax for the same periods, which was mainly attributable to the operating losses incurred by loss-making subsidiaries which were not tax deductible. Our effective income tax rate decreased to -7.1% for the year ended December 31, 2019 from 11.7% for the year ended December 31, 2018, primarily reflecting a decrease in losses incurred by certain subsidiaries which were not deductible for tax in 2019.

Loss from Discontinued Operations

Our loss from discontinued operations decreased by 6.5% to RMB20.2 million for the year ended December 31, 2019 from RMB21.6 million for the year ended December 31, 2018, primarily reflecting decreases in operating loss and cost of sales associated with provision of management services to non-profit community health clinics.

Loss for the Year

As a result of the foregoing, our loss for the year decreased to RMB31.5 million for the year ended December 31, 2019 from RMB50.3 million for the year ended December 31, 2018.

DESCRIPTION OF CERTAIN ITEMS IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Property and Equipment

Our property and equipment consist of properties and buildings, medical equipment, vehicles, furniture and office equipment, leasehold improvement and right-of-use assets. Our property and equipment gradually increased from RMB99.9 million as of December 31, 2018 to RMB102.7 million as of December 31, 2019, primarily because we leased certain premises as offices in 2018 and we procured more medical equipment to support our business growth. Our property and equipment further increased to RMB277.1 million as of December 31, 2020 primarily because we successfully obtained the land use rights in relation to our new headquarters in 2020. Our property and equipment further increased to RMB485.2 million as of December 31, 2021 primarily because we procured more medical equipment to support our business growth, partially offset by depreciation charges and the addition of construction in progress.

Intangible Assets

Our intangible assets represent our software associated with our business and daily operation and contractual rights to provide management services. Contractual rights to provide management services represent the hospital management agreements we have entered with the 31 non-profit community health clinics during the Track Record Period. We provide management services to these clinics for a period for 40 years and such contractual rights are carried at cost less accumulated amortization which is calculated using the straight-line method to allocate the cost of contractual rights over the useful lives of 40 years. Our intangible assets increased from RMB39.7 million as of December 31, 2018 to RMB55.1 million as of December 31, 2019, primarily due to an increase in contractual rights to provide management services as we entered into hospital management agreements with non-profit community health clinics. Our intangible assets decreased from RMB55.1 million as of December 31, 2019 to RMB6.5 million as of December 31, 2020, primarily because we recategorized the contractual rights to provide management services as assets associated with the disposal group under current assets and we amortized certain software. Our intangible assets further decreased to RMB5.7 million as of December 31, 2021 primarily due to amortization in our software. The cost of intangible assets in relation to the contractual rights to provide management services was recognized based on cost incurred when we acquired these contractual rights at initial acquisition, of which the cost amount was determined and agreed in the relevant hospital management agreements based on several factors, including the average number of patients per day, local public health expenditure, medicine cost rate and staff costs. For details of our disposal group, see note 13 in the Accountant's Report set out in Appendix I to this document.

The following table sets forth a breakdown of our intangible assets as of the dates indicated:

	As of December 31,			
	2018	**2019**	**2020**	**2021**
	(RMB in thousands)			
Software	17,523	13,579	6,509	5,675
Contractual rights to provide management services	22,203	41,516	–	–
Total	39,726	55,095	6,509	5,675

Investments Accounted for Using the Equity Method

Our investments accounted for using the equity method consisted of our investments in Tianjin Hanyi Technology Co., Ltd., for a health city project, which is to construct a healthcare industry county, and in Guangzhou Yunjia Health and Medical Technology Co., Ltd., for a healthcare internet platform construction project. The health city project is designed to construct training hospitals and medical universities in Yunnan province. The healthcare internet construction platform is designed to construct an internet platform, utilizing cloud technology and big data for the transmission of healthcare data. We initially invested RMB4.0 million in Tianjin Hanyi Technology Co., Ltd. and RMB20.0 million in Guangzhou Yunjia Health and Medical Technology Co., Ltd. for the health city project. Our investments accounted for using the equity method increased from RMB3.5 million as of December 31, 2018 to RMB21.6 million as of December 31, 2019, primarily because we increased our investment in Guangzhou Yunjia Health and Medical Technology Co., Ltd. in 2019. Our investments accounted for using the equity method decreased from RMB21.6 million as of December 31, 2019 to RMB20.0 million as of December 31, 2020, primarily because we recognized share of loss of RMB1.6 million in relation to its start-up expenditures in 2020 which would not be recovered as the health city project we collaborated with Tianjin Hanyi Technology Co., Ltd. was suspended as we decided to focus our business on diagnostic outsourcing services and diagnostic testing services for medical institution alliances. Our investments accounted for using the equity method was nil as of December 31, 2021 because we subsequently withdrew the investment in Guangzhou Yunjia Health and Medical Technology Co., Ltd. and received the refund of the investment in the amount of RMB20 million.

Financial Assets at Fair Value through OCI ("FVOCI")

Our financial assets at FVOCI mainly represent our minority interests in three companies, which we invested in to expand our business in the healthcare industry. These included our investment of (i) a total of RMB74.5 million for a 15.28% of equity interest in a company in Guangzhou from 2015 to 2019; (ii) RMB1.5 million for a 19.0% of equity interest of a company in Shenzhen in 2017; and (iii) RMB100.0 million for a 10.0% of equity interest in a limited liability partnership enterprise in Shenzhen in 2019. All of these three entities primarily engage in investment management business covering a full range of medical operation services. We recorded financial assets at FVOCI of RMB53.8 million, RMB187.6 million, RMB108.7 million and RMB110.0 million as of December 31, 2018, 2019, 2020 and 2021, respectively. Our fair value changes of financial assets at FVOCI amounted to a loss of RMB11.2 million, and a gain of RMB10.4 million, RMB15.8 million, and RMB3.3 million for the years ended December 31, 2018, 2019, 2020 and 2021, respectively. We have terminated our investment in the limited liability partnership enterprise in Shenzhen as we decided to focus our business on diagnostic testing services for medical institution alliances and diagnostic outsourcing services and sold our interests in such entity in November 2020, and our investment amount of RMB100.0 million has been repaid to us.

Financial Assets at Fair Value through Profit or Loss ("FVTPL")

Our financial assets at FVTPL mainly represent our minority interests in two companies engaged in consultancy services and one company engaged in healthcare related investment management, which we invested in to enhance our capabilities and realize business synergies. These included (i) our investment of RMB20.0 million in a consulting company in Shenzhen (representing 2.2% of its registered capital) in December 2018; (ii) our investment of RMB20.0 million in a consulting company in Shenzhen (representing 10.0% of its registered share capital) in January 2019; and (iii) our investment of RMB5.0 million in a healthcare related investment management company in Zhuhai (representing 15.0% of its registered share capital) primarily engaging in November 2016. We recorded financial assets at FVTPL of RMB47.5 million, RMB57.4 million, RMB209.2 million and RMB58.2 million as of December 31, 2018, 2019, 2020 and 2021, respectively. Our fair value changes on financial assets at FVTPL amounted to RMB2.5 million, RMB9.8 million, RMB1.9 million and RMB0.3 million for the years ended December 31, 2018, 2019, 2020 and 2021, respectively.

Inventories

Our inventories primarily consist of reagents and pharmaceuticals used in diagnostic tests. The following table sets forth our inventories as of the dates indicated:

	As of/for the year ended December 31,			
	2018	**2019**	**2020**	**2021**
	(RMB in thousands)			
Reagent and pharmaceuticals	17,191	15,156	24,553	41,697
Inventory turnover days[(1)]	27	15	13	15

Note:

(1) Inventory turnover days for a period are calculated by dividing the arithmetic mean of the opening and ending balance of inventories in that period by cost of revenue for the corresponding period and then multiply by 365.

Our inventories decreased by 11.6% to RMB15.2 million as of December 31, 2019 from RMB17.2 million as of December 31, 2018, primarily because we improved our inventory turnover rate to mitigate the expiration risk for our reagent and pharmaceuticals. Our inventories increased by 61.8% to RMB24.6 million as of December 31, 2020 from RMB15.2 million as of December 31, 2019 because we generally maintain higher inventory level prior to the national day and mid-autumn holidays. Our inventories increased by 69.8% from RMB24.6 million as of December 31, 2020 to RMB41.7 million as of December 31, 2021 because we strategically maintained higher inventory to meet the unpredictable demand for COVID-19 tests. Our inventory turnover days decreased from 27 days in 2018 to 15 days in 2019, primarily because we had a high inventory level as of January 1, 2018 as a result of high market price of reagents and consumables we used. Our inventory turnover days further decreased to 13 days in 2020, reflecting our efforts in improving our inventory turnover and mitigating the expiration risk for our reagent and pharmaceuticals. Our inventory turnover days increased to 15 days for the year ended December 31, 2021 because we had a higher inventory level at the end of 2021 in order to meet the demand of COVID-19 tests.

As of January 31, 2022, RMB33.5 million, or 80%, of our inventories as of December 31, 2021, had been consumed.

Trade Receivables

Our trade receivables primarily represent outstanding amounts due from our hospital customers for diagnostic outsourcing services and diagnostic testing services for medical institution alliances. During the Track Record Period, we generally granted our customers a credit period of up to 180 days. The following table sets forth our trade receivables as of the dates indicated:

	As of/for the year ended December 31,			
	2018	**2019**	**2020**	**2021**
	(RMB in thousands)			
Trade receivables				
– Third parties	245,774	283,030	512,411	877,604
– Related parties	2,735	1,776	1,817	323
Less: allowance for impairment of trade receivables	(17,910)	(24,401)	(29,714)	(52,626)
Total	230,599	260,405	484,514	825,301

	As of/for the year ended December 31,			
	2018	2019	2020	2021
	(RMB in thousands)			
Trade receivables turnover days[(1)]	142	132	113	141

Note:

(1) Trade receivables turnover days for a period are calculated by dividing the arithmetic mean of the opening and ending balance of trade receivables – net in that period by revenue for the corresponding period and then multiplying by 365.

Our trade receivables increased from RMB230.6 million as of December 31, 2018 to RMB260.4 million as of December 31, 2019, primarily due to an increase in trade receivables recorded from third-party customers. Our trade receivables increased from RMB260.4 million as of December 31, 2019 to RMB484.5 million as of December 31, 2020, primarily due to an increase in trade receivables from third parties as a result of an increase in our revenue and more invoices issued to our hospital customers in 2020. Our trade receivables increased from RMB484.5 million as of December 31, 2020 to RMB825.3 million as of December 31, 2021 because we experienced relatively lower trade receivable settlement due to the outbreak of COVID-19 in Guangdong province in mid-2021. Our trade receivables turnover days decreased from 142 days in 2018 to 132 days in 2019 and further decreased to 113 days in 2020, primarily reflecting a relatively lower increase in our trade receivables compared to our revenue growth in these periods. Our trade receivables turnover days increased from 113 days for the year ended December 31, 2020 to 141 days for the year ended December 31, 2021 because we experienced relatively lower trade receivable settlement from government funded entities due to the outbreak of COVID-19 in Guangdong province in mid-2021.

We have established a credit control department to minimize our credit risk and maintain control over our outstanding receivables. Our management regularly review the settlement situations of customers with relatively long credit periods. For trade receivables, we generally follow up actively on settlement status to avoid overdue receivables. To measure the expected credit losses for trade receivables, we group trade receivables based on shared credit risk characteristics and aging. We also take forward looking information on macroeconomic factors affecting the ability of customers to settle the receivables into consideration when determining the expected credit losses. As of December 31, 2018, 2019, 2020 and 2021, we recorded impairment provision of RMB17.9 million, RMB24.4 million, RMB29.7 million and RMB52.6 million, respectively. The following table sets forth an aging analysis of trade receivables, based on invoice date, as of the dates indicated:

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

Our relatively substantial amount of trade receivables aged over 180 days was primarily due to the fact that certain of our major customers are state-owned hospitals and Chinese Center for Disease Control and Prevention ("**CDC**") since 2020 for diagnostic outsourcing services and diagnostic testing services for medical institution alliances, the settlement with which is usually time-consuming and involves prolonged internal administrative procedures, which is in line with the industry norm as advised by Frost & Sullivan. Frost & Sullivan has further advised that even though the turnover days of trade receivables from customers such as hospitals are normally longer than those from private clinics, the risk of failing to settle such payments is relatively low as they are generally state-owned entities.

As of December 31, 2018, 2019, 2020 and 2021, we recorded impairment provision of RMB17.9 million, RMB24.4 million, RMB29.7 million and RMB52.6 million, respectively, which we believe were sufficient as of the end of each period during the Track Record Period. As of January 31, 2022, RMB238.4 million, RMB263.6 million, RMB425.2 million and RMB78.3 million of our trade receivables as of December 31, 2018, 2019, 2020 and 2021 had been subsequently settled, reflecting 95.9%, 92.6%, 82.7% and 8.9% of our trade receivables as of the same date, respectively. Therefore, our Directors are of the view that a substantial amount of the trade receivables as of December 31, 2021 aged over 180 days will be able to be recovered. Based on the review of the relevant documents, including the impairment policy of trade receivables, trade receivables aging analysis and customer information provided by us, and discussions with the management of our Company and the Reporting Accountant, nothing material has come to the Joint Sponsors' attention that indicates that the Directors' view above is unreasonable.

Prepayments and Other Receivables

Our prepayments and other receivables primarily consist of (i) prepayments to suppliers, most of which are relating to medical equipment; (ii) prepayment for the health city project, which is a project that we invested in with other third parties, including a state-owned enterprise in Yunnan province, which was terminated in November 2020 as we decided to focus our business on diagnostic testing services for medical institution alliances for which we had received refund of a portion as of the Latest Practicable Date; (iii) prepayment to an IT service provider to improve the management efficiency of non-profit community health clinics, which was a business that we discontinued and for which the amounts were repaid to us in April and November 2020; (iv) prepayments for acquiring land use rights, which was acquired through public tender and will be used as our new headquarters, for which we paid certain deposits that were recorded as prepayments until we obtained the land use right certificate; (v) input VAT tax recoverable; and (vi) other receivables, which mainly include deposits, cash advance receivable, representing advances provided to employees for business purposes, loan receivables and non-current other receivables. Loans receivables as of December 31, 2018 and 2019 represented loans with a fixed interest rate of 4.0% per annum to non-profit community health clinics managed by Shenzhen Yunkang Medical Service Co., Ltd. Loans receivables as of December 31, 2020 represented our interest-free loans to a shareholder of Guangzhou Yunjia Health and Medical Technology Co., Ltd. ("**Guangzhou Yunjia**"). The loans were provided to maintain our long term relationship with Guangzhou Yunjia and further facilitate our cooperation with it to develop and build up our healthcare internet construction platform. As the project was subsequently suspended, the loans were fully repaid to us in February 2021. The following table sets forth a breakdown of our prepayments and other receivables as of the dates indicated.

	As of December 31,			
	2018	**2019**	**2020**	**2021**
	(RMB in thousands)			
Included in current assets				
Prepayments				
– Prepayments to third parties suppliers	19,576	23,147	9,330	4,901
– Prepayments to related parties suppliers	–	68	710	–
– Tax recoverable	1,965	3,865	758	1,966
– Prepayment for the construction materials	–	–	98,000	–
– Prepayments for [**REDACTED**]	–	–	4,010	9,426
	21,541	27,080	112,808	16,293

	As of December 31,			
	2018	2019	2020	2021
	(RMB in thousands)			
Other receivables				
– Receivables for the Health City Project	–	–	170,000	–
– Deposits receivables	1,892	2,956	4,050	5,662
– Cash advance to employees	2,136	1,427	291	1,418
– Loans receivables	1,765[(1)]	16,103[(1)]	62,700[(1)]	–
– Amounts due from related parties	30	471	1,199	21,220
– Others	274	720	16	–
	6,097	21,677	238,256	28,300
Less: allowance for impairment of other receivables	(119)	(21)	(16)	(177)
	5,978	21,656	238,240	28,123
	27,519	48,736	351,048	44,416

Note:

(1) Our loans receivables increased from RMB1.8 million as of December 31, 2018 to RMB16.1 million as of December 31, 2019 primarily because more non-profit community health clinics managed by Shenzhen Yunkang Medical Services Co., Ltd have obtained loans from us and we provided an interest-free loan of RMB5 million to a shareholder of Guangzhou Yunjia with respect to our healthcare internet platform construction project. Our loans receivables further increased to RMB62.7 million as of December 31, 2020 primarily because of an additional interest-free loan of RMB57.7 million provided to a shareholder of Guangzhou Yunjia with respect to our healthcare internet platform construction project. The loans were fully repaid to us in February 2021.

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

During the Track Record Period, certain prepayments we made were subsequently cancelled and repaid to us.

- In November 2018, we made prepayment of RMB40.0 million in respect to a project for community clinics informatisation construction. The payee is an Independent Third Party whose management has relevant experience in the development of facial recognition technology system. We were acquainted with such payee at a seminar in relation to the national equities exchange and quotations market in China. The payee was experienced in different industries such as hotel management, car park and WiFi customer information grouping, which involves big data analysis of customer information. We believe such experiences can assist us to better understand the target customer group of our non-profit community health clinics. As such, we engaged it with an aim to develop a facial recognition platform for our non-profit community health clinics. The project was subsequently suspended as we decided to focus our business operations on diagnostic outsourcing services and diagnostic testing services for medical institution alliances. After negotiation with the payee, the original contract was terminated without penalty and the prepayments were fully repaid to us in April 2020 and November 2020.

- In January 2019, we made prepayment of RMB3.2 million to a payee for importing glucose products from the United States for its plan to offer glucose tolerance testing service at community health clinics. The payee is an Independent Third Party who has rich experience in importing medical reagents and pharmaceutical products into China. We were acquainted with such payee through recommendations by industry peers. However, due to the impact of the trade tensions between China and the United States, the payee and us concluded that the contract cannot be performed and shall be terminated without penalty. In the meantime, with the outbreak of COVID-19 pandemic, we decided to shift our business focus to develop COVID-19 testing capabilities. As such, the prepayments of RMB3.2 million were fully repaid to us in 2020.

- In January 2019, we made prepayment of RMB22.0 million to a payee for importing certain medical equipment such as micro triple quadrupole mass spectrometry and desktop sequencer from the United States. The payee is an Independent Third Party, who has relevant experience in importing medical equipment. We were acquainted with such payees through recommendations by industry peers. However, due to the impact of the trade tensions between China and the United States and COVID-19 outbreak, the payee and us later concluded that the contract cannot be fulfilled and shall be terminated without penalty. In the meantime, with the outbreak of COVID-19 pandemic, we decided to shift our business focus to develop COVID-19 testing capabilities. As such, the prepayments of RMB22.0 million was fully repaid to us in 2020.

- In December 2020, we made prepayment of RMB98.0 million for the purchase of construction materials for our new headquarters. The payee is an Independent Third Party. We were acquainted with such payee through public tenders and this payee presented the most favorable commercial terms during the public center. Nevertheless, the payee subsequently realized that it cannot meet our expected delivery schedule and it began to negotiate with us for the termination of such contract. The contract was terminated without penalty and the prepayments were fully repaid to us in February 2021.

Our Directors confirm that to the best of their knowledge, information and belief, each of these payees (including their shareholders, directors, or senior management, or any of their respective associates) does not have any other past or present relationships (including, without limitation, business, employment, family, financing or otherwise) with our Company, our subsidiaries, our shareholders, Directors or senior management, or any of their respective associates.

Our prepayments and other receivables increased to RMB449.4 million as of December 31, 2019 from RMB315.5 million as of December 31, 2018, primarily due to an increase in prepayments to equipment supplier for purchase of medical equipment, which was partially refunded in early 2020, and prepayments for acquiring land use rights, which was acquired through public tender and will be used as our new headquarters. Our prepayments and other receivables decreased to RMB361.0 million as of December 31, 2020 from RMB449.4 million as of December 31, 2019, primarily due to (i) a decrease in the prepayment for the IT

system development and the health city project as there was no such prepayment as of December 31, 2020; and (ii) the prepaid consideration for the land use rights being reclassified to property, plant and equipment, partially offset by the prepayments of construction materials for our new headquarters. Our prepayments and other receivables decreased to RMB61.6 million as of December 31, 2021 from RMB361.0 million as of December 31, 2020, primarily due to (i) a decrease in receivables for the health city project as such receivables were settled as of December 31, 2021; (ii) a decrease in prepayment for the construction materials, as such amounts were refunded to us in February 2021 after we terminated the relevant procurement arrangement; and (iii) a decrease in loans receivable, as such loans were repaid in February 2021, which is offset by the prepayments for equipment to third party of approximately RMB15.4 million, which is expected to be transferred to non-current assets by May 2022.

With respect to our loans provided to third parties during the Track Record Period, as advised by our PRC Legal Advisors, any financing arrangements or lending transactions between non-financial institutions is prohibited by Article 61 of the General Lending Provisions. Furthermore, pursuant to Article 73 of the General Lending Provisions, PBOC may impose a fine on the non-compliant lender of one to five times of the income received by the lender from such loans. Notwithstanding the General Lending Provisions, the Supreme People's Court has made new interpretations concerning financing arrangements and lending transactions between non-financial institutions under the Judicial Interpretations on Private Lending Cases. According to Article 10 of the Judicial Interpretations on Private Lending Cases, the Supreme People's Court recognizes the validity and legality of financing arrangements and lending transactions between non-financial institutions so long as certain requirements, such as the interest rates charged, are satisfied and there is no violation of mandatory provisions of applicable laws and regulations. Our PRC Legal Advisors advised that, under the Judicial Interpretations on Private Lending Cases, PRC courts will support a non-financial institution's claim for interests on loans as long as the annual interest rate does not exceed four times of the loan prime rate, as published by the National Interbank Funding Center, for loans with maturities of one year applicable on the date of loan agreement, or other interest rate specified in the Judicial Interpretations on Private Lending Cases applicable on the date of such loan agreement. For details, please see "Risk Factors—Risks Relating to Our Financial Position and Prospects—Our lending activities may not be in compliance with the relevant PRC laws and regulations."

As of the Latest Practicable Date, we had not been imposed any administrative penalty by government authorities, or become subject to any investigation relating to the interest-bearing loans to related parties. The annual interest rates of loans we granted did not exceed the maximum interest rate allowed by the Supreme People's Court's interpretation. In addition, based on the search conducted by our PRC Legal Advisors, as of the Latest Practicable Date, there was no record of any administrative penalties imposed by the local offices of PBOC against any non-financial enterprise as a result of granting of interest-bearing loans. Based on the above, our PRC Legal Advisors are of the view that the risk that we would become subject to any penalty with respect to our interest-bearing loans pursuant to the General Lending Provisions is low, and our interest-bearing loans do not constitute material non-compliance of any applicable laws and regulations.

Assets Associated with Disposal Group

We disposed of certain subsidiaries to a related party in January 2021 as part of the Reorganization. These subsidiaries are mainly engaged in the provision of management services to non-profit community health clinics or in relation to research and development of testing kits, respectively. The associated assets relating to these entities, excluding amounts due to other companies of our Group, to be disposed of subsequent to December 31, 2020 were classified as assets associated with the disposal group as of December 31, 2020.

Cash and Cash Equivalents

Our cash and cash equivalents primarily consist of cash at bank and cash on hand. Most of our cash and cash equivalents were denominated in Renminbi during the Track Record Period. The following table sets forth a breakdown of our cash and cash equivalents as of the dates indicated:

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

Notes:

(1) Deposits for letter of guarantee are in relation to land use rights we are acquiring.

(2) In 2018, we and nine other medical institutions jointly applied for government subsidies in relation to a digital pilot project. As an initiator, we received government subsidies totalling RMB30 million on behalf of all applicants, in which we were entitled to RMB3.6 million. As of December 31, 2018, 2019, 2020 and 2021, we collected an amount of RMB3.6 million, RMB3.6 million, RMB2.9 million and RMB1.9 million, respectively.

Trade and Other Payables

Our trade and other payables primarily consist of (i) trade payables due to suppliers for the procurement of reagent and pharmaceuticals used for our diagnostic testing services and due to subcontractors; (ii) other payables, which mainly represent other payables to related parties in relation to leased offices, government grants we received on behalf of joint applicants in connection with a digital pilot project, marketing and promotion expenses payable to third-party marketing service providers, payables related to contractual rights for managing non-profit community health clinics, accruals for miscellaneous expenses for business development expenses and others; (iii) accrued staff cost; and (iv) other taxes payable. Our trade payables are normally settled on terms less than six months. The following table sets forth our trade and other payables as of the dates indicated:

	As of December 31,			
	2018	**2019**	**2020**	**2021**
	(RMB in thousands)			
Trade payables				
– Third parties	80,601	98,999	136,996	168,369
– Related parties	34,478	38,854	39,490	192,175
	115,079	137,853	176,486	360,544
Other payables				
– Related parties	12,454	8,442	7,056	9,937
– Government grants received on behalf of joint applicants	26,400	26,400	17,393	7,396
– Marketing and promotion expenses payable	14,520	8,910	26,894	36,030
– Other accrued expenses	10,370	7,202	9,161	19,175
– Unpaid considerations of contractual rights to provide management services	11,704	4,486	–	–
– Unpaid consideration of FVOCI[(1)]	4,000	6,000	6,000	6,000
– Interests payables	713	373	851	739
– Accrued [**REDACTED**]	–	–	10,597	5,397
– Others[(2)]	6,978	3,647	7,159	7,605
	87,139	65,460	85,111	92,279
Accrued staff cost	27,121	47,557	59,764	92,043
Other taxes payable	4,318	7,338	7,208	11,797
	233,657	258,208	328,569	556,663
Trade payable turnover days[(3)]	109	120	106	122

Note:

(1) The unpaid consideration of FVOCI represents our unpaid consideration in an entity which primarily engages in investment business, which was fully settled in January 2022.

(2) Primarily include deposits to certain service providers and other miscellaneous payables, such as payables to logistics service providers

(3) Trade payable turnover days are calculated by dividing the arithmetic mean of the opening and ending balance of trade payables in that period by cost of revenue for the corresponding period and then multiplying by 365.

We manage the settlement of trade payables with consideration of our working capital levels. Our trade and other payables increased from RMB233.7 million as of December 31, 2018 to RMB258.2 million as of December 31, 2019 and further increased to RMB328.6 million as of December 31, 2020. Our trade and other payables increased from RMB328.6 million as of December 31, 2020 to RMB556.7 million as of December 31, 2021. The general increase of our trade payables during the Track Record Period was primarily due to the increase in trade payables to third-party suppliers in line with our business expansion. The increase in our trade payable as of December 31, 2021 was also in part due to an increase in trade payables due to Da An Gene Group as we purchased more supplies to accompany with our business expansion and increased demand for COVID-19 tests.

Our other payables decreased from RMB87.1 million as of December 31, 2018 to RMB65.5 million as of December 31, 2019, primarily due to a decrease in marketing and promotion expenses payable to third-party marketing service providers, reflecting our increased settlement levels for such payables; and a decrease in payable related to contractual rights as we further settled the unpaid considerations in relation to the non-profit community health clinics. Our other payables increased from RMB65.5 million as of December 31, 2019 to RMB85.1 million as of December 31, 2020, primarily due to an increase in marketing and promotion expenses payable to third-party marketing service providers as we managed our payable settlement based on working capital levels and receivable settlement schedules. Our other payables increased from RMB85.1 million as of December 31, 2020 to RMB92.3 million as of December 31, 2021, reflecting the increase in marketing and promotion expenses payable to third-party marketing service providers and mainly attributable to the accrued reimbursement expenses primarily due to business growth and we managed our payable settlement based on working capital levels and receivable settlement schedules.

During the Track Record Period, our trade payable turnover days were 109, 120, 106 and 122 days for the years ended December 31, 2018, 2019, 2020 and 2021, respectively. Our trade payable turnover days increased from 109 days in 2018 to 120 days in 2019 because we decided to prioritize settlement with third-parties over related parties and therefore it took a longer time for us to settle trade payables with related parties. Our trade payable turnover days decreased to 106 days in 2020 primarily reflecting an increase in prepayments to our suppliers during the COVID-19 pandemic. Our trade payable turnover days then increased to 122 days for the year ended December 31, 2021 because we decided to prioritize settlement with third-parties over related parties and therefore it took a longer time for us to settle trade payables with related parties.

As of January 31, 2022, 13.0%, or RMB47.0 million of our trade payables as of December 31, 2021 had been subsequently settled.

As of December 31, 2018, 2019, 2020 and 2021, we recorded other payables of government grants received on behalf of joint applicants in the amount of RMB26.4 million, RMB26.4 million, RMB17.4 million and RMB7.4 million, respectively. The government grants were related to a digital pilot project to establish a healthcare big data HDTS platform covering Guangzhou and Luohu district in Shenzhen, enabling residents in Guangzhou and Shenzhen to enjoy and utilize medical resources in this area. As the initiator of the project, we are entitled to receive the subsidies totalling RMB30.0 million on behalf of all of the ten applicants, in which we were entitled to receive RMB3.6 million in 2018 and 2019, respectively, and an additional amount of RMB1.3 million in 2020 due to the withdrawal of certain project participant. The other nine applicants include Sun Yat-sen University, two hospitals in Guangzhou, one hospital group in Luohu district of Shenzhen, four reputable healthcare IT service companies in Guangdong province and the Guangzhou branch of a leading PRC commercial bank. As of the Latest Practicable Date, most of the applicants had completed their internal bidding process and the digital pilot project was under development.

Liabilities Associated with Disposal Group

We recorded liabilities associated with the disposal group of RMB12.6 million as of December 31, 2020.

Lease Liabilities

Our lease liabilities are in relation to our leased office premises and equipment. Under HKFRS 16, we recognized a corresponding lease liability for our right of use in respect of all leases unless they qualify for low value or short-term leases. As of December 31, 2021, we, as a lessee, had outstanding current and non-current lease liabilities of RMB71.3 million.

NET CURRENT ASSETS

The table below sets forth a summary of our net current assets as of the dates indicated:

	As of December 31,				As of January 31,
	2018	2019	2020	2021	2022
					(Unaudited)
			(RMB in thousands)		
Current assets					
Inventories	17,191	15,156	24,553	41,697	78,082
Trade receivables	230,599	260,405	484,514	825,301	939,216
Other receivables and prepayment	27,519	48,736	351,048	44,416	52,504
Financial assets at fair value through profit or loss ("FVTPL")	–	–	150,000	–	–
Restricted cash	30,004	30,300	42,041	31,146	31,146
Cash and cash equivalents	400,380	63,955	335,835	800,695	713,122
Assets associated with disposal group	–	–	47,053	–	–
Total current assets	705,693	418,552	1,435,044	1,743,255	1,814,070
Current liabilities					
Trade and other payables	233,657	258,208	328,569	556,663	626,662
Borrowings	128,070	136,526	421,272	208,322	170,395
Lease liabilities	11,354	15,957	16,500	27,171	27,749
Current income tax liabilities	1,088	1,282	33,149	71,932	60,763
Deferred revenue	–	–	7,175	6,750	6,750
Liabilities associated with disposal group	–	–	12,601	–	–
Total current liabilities	374,169	411,973	819,266	870,838	892,319
Net current assets	331,524	6,579	615,778	872,417	921,751

Net Current Assets

Our net current assets decreased from RMB331.5 million as of December 31, 2018 to RMB6.6 million as of December 31, 2019, primarily due to (i) a decrease in cash and cash equivalents due to more costs and expenses incurred to fund our operations and expand our business including the Health City product and the acquisition of financial assets at FVOCI and purchase of land use right; and (ii) an increase in trade and other payables reflecting our increased procurement as our business expands, partially offset by increases in trade receivables and prepayments to suppliers in line with our business expansion.

Our net current assets increased from RMB6.6 million as of December 31, 2019 to RMB615.8 million as of December 31, 2020, primarily due to primarily because of (i) an increase in trade receivables in line with our revenue increase in 2020; (ii) an increase in prepayments and other receivables due to the prepayment for the construction materials in preparation for the construction of our new headquarters in Guangzhou in December 2020; (iii) an increase in cash and cash equivalents given our increasing cash inflow from operations, partially offset by increases in trade and other payables, which was in line with our business expansion; and (iv) a financial product we invested in December 2020.

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

Our net current assets increased by 5.7% from RMB872.4 million as of December 31, 2021 to RMB921.8 million as of January 31, 2022, primarily due to an increase in cash and cash equivalents and inventories due to business growth and more purchase of reagents and consumables catering for high demand of COVID-19 tests, partially offset by increase in current liabilities including the trade and other payables due to more purchase of reagent, consumables and equipments in 2021.

Net Assets

As of January 1, 2018, our net assets were RMB873.1 million. Our net assets decreased to RMB811.6 million as of December 31, 2018, primarily reflecting a loss for the year of 2018 of RMB50.3 million, which was partially offset by negative changes in fair value of equity investments at FVOCI, net of tax, of RMB11.2 million.

Our net assets slightly decreased from RMB811.6 million as of December 31, 2018 to RMB790.4 million as of December 31, 2019, primarily reflecting loss for the year of 2019 of RMB31.5 million, which was partially offset by positive changes in fair value of equity investments at FVOCI, net of tax, of RMB10.4 million.

Our net assets increased from RMB790.4 million as of December 31, 2019 to RMB1,066.4 million as of December 31, 2020, primarily reflecting our profit for the year of 2020 of RMB260.2 million and positive changes in fair value of equity investments at FVOCI, net of tax, of RMB15.8 million.

Our net assets increased from RMB1,066.4 million as of December 31, 2020 to RMB1,451.6 million as of December 31, 2021, primarily reflecting our profit for the year ended December 31, 2021 of RMB381.9 million and positive changes in fair value of equity investments at FVOCI, net of tax, of RMB3.3 million.

For further details on the equity movement of our Group, see "Appendix I – Accountant's Report – Consolidated statements of changes in equity."

LIQUIDITY AND CAPITAL RESOURCES

Working Capital

Our principal use of cash during the Track Record Period was for working capital purposes. Our main source of liquidity has been generated from cash flow from operations and borrowings. As of January 31, 2022, being the latest practicable date for determining our indebtedness, we had capital resources of RMB1,041.2 million, consisting of cash and cash equivalents of RMB713.1 million, and unutilized bank facilities of RMB328.1 million. In the foreseeable future, we expect such sources to continue to be our principal sources of liquidity and we may use a portion of the [**REDACTED**] from the [**REDACTED**] to finance some of our capital requirements. Our Directors are of the opinion that, after taking into account the financial resources available to us including the estimated net [**REDACTED**] to be received by our Company from the [**REDACTED**], the existing borrowings and our internally generated funds, we have sufficient working capital to satisfy our requirements for at least the next 12 months following the date of this document.

Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated:

	For the year ended December 31,			
	2018	2019	2020	2021
	(RMB in thousands)			
Operating (loss)/profit before changes in working capital	(17,068)	34,066	388,181	547,758
Changes in working capital	52,014	(12,704)	(152,146)	(132,868)
PRC enterprise income tax paid	(574)	(320)	(11,088)	(44,805)
Net cash generated from operating activities	16,381	4,847	203,084	369,459
Net cash generated from/(used in) investing activities	97,381	(322,815)	(191,094)	310,722
Net cash generated from/(used in) financing activities	98,791	(18,457)	260,992	(215,321)
Net increase/(decrease) in cash and cash equivalents	212,553	(336,425)	272,982	464,860
Cash and cash equivalents at beginning of year	187,827	400,380	63,955	335,835
Cash and cash equivalents of disposal group	–	–	(1,102)	–
Cash and cash equivalents at end of year	400,380	63,955	335,835	800,695

Net Cash Flows Generated From Operating Activities

Our cash flow generated from operating activities was RMB369.5 million for the year ended December 31, 2021, primarily reflecting our cash generated from continuing operations of RMB414.9 million, partially offset by the PRC enterprise income tax paid of RMB44.8 million.

Our net cash generated from operating activities was RMB16.4 million in 2018, primarily reflecting our cash generated from continuing operations of RMB34.9 million, as adjusted for non-cash and non-operating items and cash used in discontinued operations of RMB18.0 million. Adjustments for non-cash and non-operating items primarily include depreciation of property and equipment of RMB21.9 million, amortization of intangible assets of RMB7.1 million and other income of RMB17.5 million. The amount was further adjusted for positive

working capital changes, including (i) an increase in trade and other payables of RMB54.8 million; and (ii) a decrease in inventories of RMB19.4 million, partially offset by an increase in restricted cash of RMB29.7 million.

Our net cash used in operating activities was RMB4.8 million in 2019, primarily reflecting our cash generated from continuing operations of RMB21.4 million, as adjusted for non-cash and non-operating items and cash used in discontinued operations of RMB16.2 million. Adjustments for non-cash and non-operating items primarily include depreciation of property and equipment of RMB26.0 million and net finance costs of RMB12.9 million. The amount was further adjusted for negative working capital changes, including (i) an increase in trade receivables of RMB37.0 million; and (ii) an increase in prepayments and other receivables of RMB6.7 million, partially offset by an increase in trade and other payables of RMB27.8 million.

Our net cash generated from operating activities was RMB203.1 million in 2020, primarily reflecting cash generated from continuing operations of RMB224.9 million, as adjusted for non-cash and non-operating items and cash used in discontinued operations of RMB21.9 million. Adjustments for non-cash and non-operating items primarily include depreciation of property and equipment of RMB32.7 million and finance costs of RMB19.2 million. The amount was further adjusted for negative working capital changes, including an increase in trade receivables of RMB230.1 million, partially offset by (i) an increase in trade and other payables of RMB81.7 million; and (ii) a decrease in prepayments and other receivables of RMB15.9 million.

Our net cash generated from operating activities was RMB369.5 million for the year ended December 31, 2021, primarily reflecting cash generated from continuing operations of RMB370.1 million, as adjusted for non-cash and non-operating items and cash used in discontinued operations of RMB0.6 million. Adjustments for non-cash and non-operating items primarily included depreciation of property and equipment of RMB52.1 million and net impairment losses on financial assets of RMB23.1 million. The amount was further adjusted for negative working capital changes, including an increase in trade receivables of RMB363.7 million, partially offset by an increase in trade and other payables of RMB228.5 million.

Net Cash Flows Generated From/(Used in) Investing Activities

Our net cash generated from investing activities was RMB97.4 million in 2018, which was primarily attributable to (i) payments for investments in the health city project and equipment and IT system development of RMB278.0 million; and (ii) payment for investments in FVOCI of RMB43.5 million, partially offset by receipts of fixed term deposits of RMB450.0 million and interest received of RMB19.8 million.

Our net cash used in investing activities was RMB322.8 million in 2019, which was primarily attributable to (i) payment for investments in FVOCI of RMB118.0 million; (ii) payments for investments in the health city project and equipment and IT system development of RMB85.2 million; (iii) purchase of land use rights of RMB27.4 million; and (iv) purchases of property and equipment of RMB27.4 million.

Our net cash used in investing activities was RMB191.1 million in 2020, which was primarily attributable to (i) purchase of land use rights of RMB130.2 million; (ii) purchases of property and equipment of RMB45.3 million; (iii) advances to a third party (a shareholder of Guangzhou Yunjia) of RMB57.7 million, (iv) purchase of financial products of RMB150.0 million; and (v) prepayments for construction materials for RMB98.0 million, partially offset by return of repayments of RMB65.2 million relating to IT system development and purchase of equipment and reagents and repayments of RMB128.0 million due to the cancellation of the health city project.

Our net cash generated in investing activities was RMB310.7 million for the year ended December 31, 2021, primarily reflecting (i) repayments of RMB170.0 million due to the cancellation of the health city project; (ii) proceeds from disposal of FVOCI and FVTPL of RMB154.9 million; (iii) repayments for construction materials of RMB98.0 million; and (iv) repayment from the cash advance to a third party of RMB62.7 million, partially offset by purchases of property and equipment of RMB222.9 million.

Net Cash Flows Generated From/(Used in) Financing Activities

Our net cash generated from financing activities was RMB98.8 million in 2018, which was primarily attributable to proceeds from bank and other borrowings we obtained of RMB147.8 million, partially offset by repayments of bank and other borrowings we made of RMB40.7 million.

Our net cash used in financing activities was RMB18.5 million in 2019, which was primarily due to (i) repayments of bank and other borrowings we made of RMB148.1 million; and (ii) interest payment we made of RMB12.3 million, partially offset by proceeds from bank and other borrowings we received of RMB147.2 million.

Our net cash generated from financing activities was RMB261.0 million in 2020, which was primarily due to proceeds from bank and other borrowings we received of RMB545.3 million, partially offset by (i) repayments of bank and other borrowings of RMB259.4 million; and (ii) interest payment we made of RMB18.1 million.

Our net cash use in financing activities was RMB215.3 million for the year ended December 31, 2021, primarily due to repayments of borrowings of RMB421.5 million, partially offset by proceeds of borrowings of RMB240.0 million.

INDEBTEDNESS

Our indebtedness primarily consisted of borrowings and lease liabilities. Our borrowings were primarily used for daily business operations during the Track Record Period. Our lease liabilities were primarily in relation to our leased office premises and equipment during the Track Record Period. The following tables set forth a breakdown of our indebtedness as of the dates indicated.

	As of December 31,				As of January 31,
	2018	2019	2020	2021	2022
					(Unaudited)
			(RMB in thousands)		
Non-current					
Bank borrowings	–	–	–	69,900	119,800
Other borrowings	67,071	59,001	68,220	50,785	50,938
Less: current portion of non-current borrowings	(8,070)	(9,279)	(17,316)	(38,322)	(38,475)
Lease liabilities	13,352	6,138	8,550	44,162	45,521
Subtotal	72,353	55,860	59,454	126,525	177,784
Current					
Bank borrowings[(i)]	130,000	127,240	403,956	170,000	131,920
Current portion of non-current borrowings	8,070	9,279	17,316	38,322	38,475
Lease liabilities	11,354	15,957	16,500	27,171	27,749
Subtotal	139,424	152,483	437,772	235,493	198,144
Total	211,777	208,343	497,226	362,018	375,928

Note:

(1) Among our current portion of bank borrowings, as of December 31, 2018, 2019, 2020 and 2021, our Group's bank borrowings secured by properties and buildings of our Group amounted to RMB80,000,000, nil, nil and nil, respectively. As of December 31, 2018, 2019, 2020 and 2021, our Group's bank borrowings were guaranteed by a subsidiary of our Group or Mr. Zhang Yong which amounted to RMB100,000,000, RMB127,246,704, RMB391,956,000 and RMB239,900,000, respectively.

As of December 31, 2021, except as disclosed in this section, we did not have any outstanding mortgages, charges, debentures, debt securities, other issued debt capital, bank overdrafts, borrowings, liabilities under acceptance or other similar indebtedness, any guarantees or other material contingent liabilities.

Since December 31, 2021, the latest practicable date for the purpose of the indebtedness statement, and up to the date of this document, there had been no material adverse change to our indebtedness.

Bank Borrowings

As of December 31, 2018, 2019, 2020 and 2021, interest-bearing bank borrowings of RMB80 million, nil, nil and nil were secured by our properties and buildings.

As of December 31, 2018, 2019, 2020 and 2021, interest-bearing bank borrowings of RMB100 million, RMB127.2 million, RMB392.0 million and RMB239.9 million, respectively, were guaranteed by subsidiaries of our Group and/or Mr. Zhang Yong. See "Relationship with our Controlling Shareholders—Independence from Controlling Shareholders—Financial Independence" for details of the guarantee provided by Mr. Zhang Yong.

On June 11, 2018 and February 5, 2020, we entered into facility agreements with Bank of China and Industrial and Commercial Bank of China with principal amounts of RMB20 million and RMB10 million, respectively. The loans bear interests at floating rates of People Bank of China benchmark lending rate for +187 points per annum and LPR + 100 points per annum, respectively.

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

Other Borrowings

In December 2015, Gaoxin Daan Health Industry Investment Co., Ltd., one of our subsidiaries, entered into a fund arrangement with CDB Development Fund, pursuant to which the fund institution raised funds of RMB40.0 million and injected directly to Guangzhou Daan and 6.18% equity interests of Guangzhou Daan were held by the fund institution as collateral of which we are obligated to redeem at predetermined prices. The fund bears a fixed annual interest rate of 1.2%. The funds have fixed repayment terms of 15 years, and was guaranteed by a related party. See "History, Reorganization and Corporate Structure—Major Acquisitions, Disposals and Mergers."

On September 8, 2020, we entered into an arrangement with a financial institution with a principal of RMB21 million, which was guaranteed by Mr. Zhang Yong. As of December 31, 2021, the outstanding balance was RMB11.8 million and the guarantee was released in February 2021.

Except for the guarantees provided by Da An Group, all the guarantees provided by the related parties had been released by March 2021 and there were no guarantees provided to the related parties during the Track Record Period. There were no pledges provided by/to the related parties during Track Record Period.

CAPITAL EXPENDITURE

Our capital expenditure during the Track Record Period consisted of additions of medical equipment, vehicles, furniture and office equipment, leasehold improvements, land use rights and right-of-use assets. The following table sets forth our capital expenditure for the periods indicated:

	For the year ended December 31,			
	2018	**2019**	**2020**	**2021**
	(RMB in thousands)			
Medical equipment	11,090	22,626	34,516	121,168
Vehicles, furniture and office equipment	932	2,039	2,047	7,340
Leasehold improvements	2,485	3,279	8,771	18,889
Land use rights	–	–	157,653	–
Right-of- use assets for leased properties, equipment and motor vehicles	18,475	1,764	7,806	57,041
Construction in progress	–	–	–	62,870
Total	**32,982**	**29,708**	**210,793**	**267,308**

To meet the needs of our growing business in China, we plan to build our new headquarters in Guangzhou. The project will be funded with cash inflow from our operations and bank borrowings.

In 2018, 2019, 2020 and 2021, the capital expenditure of medical equipment attributable to on-site diagnostic centers for our diagnostic testing services for medical institution alliances were RMB7.1 million, RMB12.2 million, RMB11.7 million and RMB36.8 million, respectively. As of December 31, 2018, 2019, 2020 and 2021, the net book amount of the medical equipment were RMB15.0 million, RMB21.3 million, RMB29.2 million and RMB54.5 million, accounting for 15.0%, 20.7%, 10.6% and 11.2% of the total property and equipment of our Group, respectively.

OFF-BALANCE SHEET ARRANGEMENTS

We did not have during the Track Record Period, and we do not currently have, any off-balance sheet arrangements such as relationships with unconsolidated entities or financial partnerships, which are often referred to as structured finance or special purpose entities, established for the purpose of facilitating financing transactions that are not required to be reflected on our balance sheets.

RELATED PARTY TRANSACTIONS

Significant Related Party Transactions

During the Track Record Period, we had a limited number of transactions with our related parties, namely our joint venture, associate, Controlling Shareholder and other shareholders. All of these transactions were carried out in the normal course of our business and on terms as agreed between transacting parties.

Provision of Services

For the years ended December 31, 2018, 2019, 2020 and 2021, we generated revenue from providing physical examination service and consultation services in relation to research & development projects to Da An Gene Group in an aggregate amount of RMB0.9 million, RMB1.3 million, RMB1.5 million and RMB3.2 million, respectively.

Purchase from Related Parties

For the years ended December 31, 2018, 2019, 2020 and 2021, we purchased testing support service, reagents, consumables and equipment from Da An Gene Group in an aggregate amount of RMB57.8 million, RMB45.9 million, RMB79.0 million and RMB216.0 million, respectively. For details, see "Connected Transactions—Non-exempt Continuing Connected Transactions—Reagents, Consumables and Equipment Procurement Framework Agreement" and "Connected Transactions—Non-exempt Continuing Connected Transactions—Laboratory Testing Service Framework Agreement."

Lease from Related Parties

During the Track Record Period, we leased from Da An Gene certain properties to serve as office buildings. The additional right-of-use assets from such lease amounted to RMB10.1 million, nil, nil and RMB7.1 million, as of December 31, 2018, 2019, 2020 and 2021, respectively. Our interest expenses paid/payable on lease liabilities due to related parties amounted to RMB0.6 million, RMB0.4 million, RMB0.2 million and RMB0.3 million for the years ended December 31, 2018, 2019, 2020 and 2021, respectively.

Commercial Property Management Service Fees due to Related Parties

During the Track Record Period, we engaged Da An Gene Group to provide property management services to us. We paid services fees to them in the amounts of RMB2.5 million, RMB2.3 million, RMB2.6 million and RMB3.2 million for the years ended December 31, 2018, 2019, 2020 and 2021, respectively.

Related Party Balances

The table below sets forth the balances with related parties as of the dates indicated.

	As of December 31,			
	2018	**2019**	**2020**	**2021**
	(RMB in thousands)			
Amounts due from related parties				
Trade				
– Da An Gene Group	2,730	2,245	3,694	1,764
– Sun Yat-sen University	29	58	Not applicable(1)	Not applicable(1)
– Mr. Zhang Yong	6	12	32	29
Non-Trade				
– Da An Gene Group	10,000	10,000	10,000	–
– Shiwei Kangjie	–	–	–	19,750
Total	12,765	12,315	13,726	21,543
Amounts due to related parties				
Trade				
– Da An Gene Group	(46,924)	(47,294)	(46,546)	(202,112)
– Sun Yat-sen University	(3,608)	(3,600)	Not applicable(1)	Not applicable(1)
– Mr. Zhang Yong	–	(2)	–	–
	(50,532)	(50,896)	(46,546)	(202,112)
Lease liabilities	(8,483)	(4,840)	(637)	(3,661)
Right of use assets	7,863	4,207	552	3,792

Note:

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

Except for the guarantees provided by Da An Gene Group, all the guarantee provided by the related parties had been released by March 2021 and there were no guarantees provided to the related parties during the Track Record Period. In addition, there were no pledges provided by/to the related parties during the Track Record Period. We expect to settle all the non-trade balances with related parties prior to [**REDACTED**].

KEY FINANCIAL RATIOS

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

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

Notes:

(1) Gross profit margin is calculated based on gross profit divided by revenue and multiplied by 100%.

(2) Current ratio is calculated based on total current assets divided by total current liabilities.

(3) Quick ratio is calculated based on total current assets less inventories divided by total current liabilities.

(4) Gearing ratio is calculated by the total debt (which includes payables incurred not in the ordinary course of business), representing borrowings and lease liabilities divided by the total equity as at the end of each year and multiplied by 100%.

Gross Profit Margin

For the years ended December 31, 2018, 2019, 2020 and 2021, our gross profit margin was 40.3%, 44.1%, 54.6% and 54.6%, respectively. For details, see "—Comparison of Results of Operations."

Current Ratio

Our current ratio decreased from 1.9 as of December 31, 2018 to 1.0 as of December 31, 2019, primarily due to a decrease in current assets as a result of a decrease in cash and cash equivalents due to (i) more costs and expenses incurred to fund our operations and expand our business, (ii) the acquisition of financial assets at FVOCI and (iii) purchase of land use right in 2019. Our current ratio increased from 1.0 as of December 31, 2019 to 1.8 as of December 31, 2020 primarily because of (i) an increase in trade receivables in line with our revenue increase in 2020; (ii) an increase in prepayments and other receivables representing the

prepayment for the construction materials in preparation for the construction of our new headquarters in Guangzhou in December 2020; (iii) an increase in cash and cash equivalents given our increasing cash inflow from operations, partially offset by increases in trade and other payables, which was in line with our business expansion; and (iv) a financial product we invested in December 2020. Our current ratio increased from 1.8 as of December 31, 2020 to 2.0 as of December 31, 2021, primarily attributable to a decrease in current liabilities due to a decrease in borrowings and an increase in current assets as a result of increases in cash and cash equivalents and trade receivables.

Quick Ratio

Our quick ratio decreased from 1.8 as of December 31, 2018 to 1.0 as of December 31, 2019, primarily due to a decrease in current assets due to a decrease in cash and cash equivalents as a result of the acquisition of financial assets at FVOCI and purchase of land use right. Our quick ratio increased from 1.0 as of December 31, 2019 to 1.7 as of December 31, 2020 primarily because of (i) an increase in trade receivables in line with our revenue increase in 2020; (ii) an increase in prepayments and other receivables representing the prepayment for the construction materials in preparation for the construction of our new headquarters in Guangzhou in December 2020; (iii) an increase in cash and cash equivalents given our increasing cash inflow from operations, partially offset by increases in trade and other payables, which was in line with our business expansion; and (iv) a financial product we invested in December 2020. Our quick ratio increased from 1.7 as of December 31, 2020 to 2.0 as of December 31, 2021, primarily due to a decrease in borrowings and an increase in current assets as a result of increases in cash and cash equivalents and trade receivables.

Gearing Ratio

Our debt-to-equity ratio stayed relatively stable of 0.3 as of December 31, 2018 and 0.3 as of December 31, 2019, and increased to 0.5 as of December 31, 2020. The increase was primarily due to an increase in total debt as our bank borrowings significantly increased as of December 31, 2020. Our gearing ratio decreased from 0.5 as of December 31, 2020 to 0.3 as of December 31, 2021, primarily due to a decrease in borrowings.

MARKET AND OTHER FINANCIAL RISKS

We are exposed to a variety of financial risks, including market risk, credit risk and liquidity risk, as set out below. We manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. For further details, including relevant sensitivity analysis, see note 3 in the Accountant's Report set out in Appendix I to this document.

Market Risk

Foreign Exchange Risk

Our normal operating activities are principally conducted in RMB since most of our operating entities are based in the PRC. We have no significant foreign currency risks as all of the operations of our entities are denominated in RMB which is also the functional currency of the relevant entities.

Cash Flow and Fair Value Interest Rate Risk

Our interest-rate risk arises from borrowings. Borrowings issued at variable rates expose us to cash flow interest-rate risk. Borrowings issued at fixed rates expose us to fair value interest-rate risk. We currently have not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

Other than interest-bearing short-term deposits, we have no other significant interest-bearing assets. Our Directors do not anticipate that there is any significant impact to interest-bearing assets resulted from the changes in interest rates because the interest rates of short-term deposits are not expected to change significantly.

For details of market risk, see note 3.1.1 in the Accountant's Report set out in Appendix I to this document.

Credit Risk

We are exposed to credit risk in relation to our trade and other receivables, amounts due from related parties and cash deposits at banks. 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.

For details and the analysis of credit quality at the end of each period during the Track Record Period, see note 3.1.2 in the Accountant's Report set out in Appendix I to this document.

Liquidity Risk

To manage the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance our operations and mitigate the effects of fluctuations in cash flows.

For details and the analysis of our financial liabilities during the Track Record Period, see note 3.1.3 in the Accountant's Report set out in Appendix I to this document.

DIVIDENDS

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

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

DISTRIBUTABLE RESERVES

As of December 31, 2021, our Company had no retained earnings and hence no distributable reserves.

[**REDACTED**]

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

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules is to illustrate the effect of the [**REDACTED**] on our consolidated net tangible liabilities of our Group as of December 31, 2021 as if the [**REDACTED**] had taken place on that date. The unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of our consolidated net tangible assets of our Group had the [**REDACTED**] been completed as of December 31, 2021 or at any future dates.

[**REDACTED**]

[**REDACTED**]

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, 2021 (being the date on which the latest audited consolidated financial information of our Group was prepared) and there has been no event since December 31, 2021 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 REQUIRED UNDER THE LISTING RULES

We confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules upon the [**REDACTED**] of the Shares on the Stock Exchange.

FUTURE PLANS AND PROSPECTS

See "Business—Business Strategies" for a detailed description of our future plans.

USE OF [REDACTED]

We estimate that we will receive net [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**] million, after deducting [**REDACTED**], fees and estimated expenses borne by us in connection with the [**REDACTED**], and assuming an [**REDACTED**] of HK$[**REDACTED**], which is the mid-point of the indicative [**REDACTED**] stated in this document. If the [**REDACTED**] is set at HK$[**REDACTED**] per Share, which is the high end of the indicative [**REDACTED**], the net [**REDACTED**] from the [**REDACTED**] will increase by approximately HK$[**REDACTED**] million. If the [**REDACTED**] is set at HK$[**REDACTED**] per Share, which is the low end of the indicative [**REDACTED**], the net [**REDACTED**] from the [**REDACTED**] will decrease by approximately HK$[**REDACTED**] million.

Assuming an [**REDACTED**] at the mid-point of the indicative [**REDACTED**], we currently intend to apply these net [**REDACTED**] for the following purposes:

- approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be allocated to expanding and deepening our medical institution alliance network over the next four years, primarily in Eastern China (Shanghai, Anhui, Jiangsu and Zhejiang), Central China (Hubei, Sichuan, Chongqing, Yunnan and Guizhou) and Southern China (Guangdong, Guangxi, Fujian and Hunan). We believe these are relatively developed regions where there are significant uneven distribution of medical resources, creating significant opportunities for the provision of diagnostic testing services for medical institution alliances. In anticipation of the needs for professional and standardized diagnostic services, we intend to assist in building on-site diagnostic centers, with approximately (i) [**REDACTED**]%, or HK$[**REDACTED**] million of the net [**REDACTED**] to be used to establish approximately 270 new pathology diagnostic centers, (ii) [**REDACTED**]%, or HK$[**REDACTED**] million of the net [**REDACTED**] to be used to establish approximately 270 new infectious disease diagnostic centers, and (iii) [**REDACTED**]%, or HK$[**REDACTED**] million of the net [**REDACTED**] to be used to establish approximately 23 new genetic disease diagnostic centers in China. These diagnostic centers do not include the 28 diagnostic center projects that were ongoing but had not yet commenced operation as the relevant hospitals were undergoing internal approval procedures as of the Latest Practicable Date. Based on our previous experiences, it normally takes two to three months for medical institutions to complete their internal approval procedures before the on-site diagnostic centers commence operations. We may also assist in establishing more than one on-site diagnostic center in different therapeutic areas at one lead hospital. The following table summarizes the types of on-site diagnostic centers in operation during the Track Record Period:

	As of December 31,				As of the Latest Practicable Date
	2018	2019	2020	2021	
Infectious disease diagnostic center	–	–	17	67	100
Pathology diagnostic center	63	109	153	175	176
Genetic disease diagnostic center	6	6	8	11	12
Routine diagnostic center	10	17	21	22	22

The following table summarizes our current plan on new on-site diagnostic centers with the net [**REDACTED**] from [**REDACTED**]

	Southern China				Central China				Eastern China				Total
	2022	2023	2024	2025	2022	2023	2024	2025	2022	2023	2024	2025	
Pathology diagnostic center	45	45	45	41	10	10	10	7	15	15	15	12	270
Genetic disease diagnostic center	3	2	2	2	2	2	2	1	2	2	2	1	23
Infectious disease diagnostic center	55	30	30	25	25	10	10	10	20	20	20	15	270

Market Demand and Investment Payback Period

We believe that there will be sufficient market demand in these regions for on-site diagnostic centers. According to Frost & Sullivan, Eastern China, Central China and Southern China are developed areas in China with high population density. There are significant healthcare demands in these areas. In 2020, there were 2,549, 1,485 and 929 Class II hospitals in Eastern China, Central China and Southern China, respectively, which are expected to increase to 2,726, 1,915 and 1,285 in these areas in 2025, respectively, according to Frost & Sullivan. As such, the Company believes there will be sufficient demand from these hospitals to engage service providers for diagnostic testing services for medical institution alliances as compared to the conventional outsourcing model, as on-site diagnostic centers can offer timely diagnostic testing solutions and can benefit other medical institutions within the same medical institution alliances.

The initial investment amount for each pathology diagnostic center and each infectious disease diagnostic center is expected to be approximately RMB600,000 and the initial investment amount for each genetic disease diagnostic center is expected to be RMB[**REDACTED**] million, with [**REDACTED**]% of which will be used for equipment procurement and [**REDACTED**]% for staff training and marketing related activities, which will be borne by us. Testing equipment for each diagnostic center primarily includes PCR equipment, and mass spectrometry. For each diagnostic center, we plan to retain or recruit and train 5-10 qualified technicians, who should hold a college degree or above. We expect the annual salary for each technician will be approximately RMB100,000. Medical institutions will be responsible for providing facilities to house these diagnostic centers. Based on our previous experience, we currently expect that each of the on-site diagnostic centers will achieve investment payback within 18 months of commencement of operation in anticipation of the growing demand for diagnostic testing services for medical institution alliances in China. The projected investment payback period is made based on the assumptions that (i) the revenue for the first year generated from each medical institution alliance corresponding to an on-site diagnostic center will

generally be in line with that during 2020; (ii) the revenue generated from medical institution alliances corresponding to these diagnostic centers will grow by 15% to 20% annually, based on our observations in newly-established on-site diagnostic centers in 2021 and (iii) cost of revenue will account for approximately 50% to 55% of the revenue over the next five years.

According to Frost & Sullivan, the diagnostic testing services for medical institution alliances market is expected to experience rapid growth in the future, with the number of on-site diagnostic centers in Class II and III hospitals more than doubling from 2020 to 2025. Leveraging our existing on-site diagnostic center network and established sales model, we plan to deepen our penetration in medical institution alliances and medical institutions within them. In addition, observing the market demand for different types of diagnostic testing services for medical institution alliances, we also plan to build different types of diagnostic centers within one medical institution to capture a larger market share in the future.

In 2018, 2019 and 2020, we assisted in establishing 32, 53 and 68 new on-site diagnostic centers, respectively, representing approximately 21%, 45% and 72% of the newly established on-site diagnostic centers of the total market in China for the corresponding year, according to Frost & Sullivan. In 2021, we also assisted in establishing 76 new on-site diagnostic centers. Considering that (i) our additional on-site diagnostic centers have already occupied a significant portion of the market's newly-established on-site diagnostic centers from 2018 to 2020; (ii) being the only execution partner of CLSI's healthcare business with the joint objectives to improve the overall performance of clinical laboratories in China; (iii) our deep and broad network of 310 on-site diagnostic centers as of the Latest Practicable Date; (iv) the high customer retention rate of the Group historically; and (v) the synergy achieved between the Company and its Controlling Shareholder, Da An Gene, a Shenzhen Stock Exchange listed PRC company specializing in the R&D, manufacturing and commercialization of testing kits and testing equipment, we believe we are able to implement our plan to develop 588 new on-site diagnostic centers in the next five years and to distinguish ourselves to capture the market opportunities.

Through these new on-site diagnostic centers, we believe we can gradually increase our market share in China's diagnostic testing services for medical institution alliances market. Even if the market leader has already captured a significant market share, several regions, in particular lower-tiered cities in these regions, in China still lack penetration of qualified ICLs or on-site diagnostic centers, for example, Central China. Further, although several regions, such as Southern China and Eastern China in these regions have qualified ICLs or on-site diagnostic centers, the medical operation service market is significantly under-served in light of the large number of medical institutions in these regions. As such, we plan to deepen our penetration in these areas where the current market leader does not have sufficient presence, and gradually expand to other areas in China to capture a larger market share in the future.

- approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be allocated to upgrading and enhancing our operational capabilities of a medical operation service provider to improve operational efficiency and digitalize testing services over the next three years. We intend to dedicate approximately

  (i) [**REDACTED**]%, or HK$[**REDACTED**] million, of the net [**REDACTED**] to developing five to six small-scale self-operated laboratories to serve regional customers in different provinces in China, including Guangdong, Hebei, Guizhou and Hunan. The following summarizes our current plan with respect to the small-scale self-operated laboratories with the net [**REDACTED**] from [**REDACTED**].

  - Guangdong: one in 2022
  - Hebei and Shandong: one in 2022 and one in 2023
  - Chongqing, Hunan and Guizhou: one in 2022 and one to two in 2023

  Market Demand and Investment Payback Period

  We believe there will be sufficient market demand in these provinces. These provinces generally have large populations. In 2020, population of these provinces accounted for over 30% of the total population in China with over 3,000 Class II hospitals in these provinces. According to Frost & Sullivan, the large population of these provinces and increasing number of Class II hospitals have presented significant opportunities for diagnostic outsourcing services. Developing the small-scale self-operated laboratories in these provinces can address the increase in market demand for medical operation service providers to provide diagnostic outsourcing services and diagnostic testing services for medical institution alliances. In addition, the cost of developing the small-scale self-operated laboratories is lower and the establishment is less complicated than the Group's standard ICLs as they require lower scale of land and less resources such as staff and equipment involved. Therefore, we believe our implementation plan to develop the small-scale self-operated laboratories is feasible. In addition, even if the market leader has already captured a significant market share, several regions in China still lack of qualified ICLs or on-site diagnostic centers. Further, although the utilization rate of the Group's existing ICLs ranges from 76% to 82% during the Track Record Period, these provinces are not currently fully covered by our existing ICLs, and these small-scale self-operated laboratories can strengthen our competitiveness to capture the local market demand nearby. Meanwhile, the distances from our existing ICL network enable them to achieve synergies in terms of technology and personnel supports with the six existing ICLs. For example, Guangdong ICL will support these laboratories located in Guangdong and Hunan; Kunming ICL will support these laboratories located in Guizhou; Chengdu ICL will support these laboratories located in Chongqing; Hefei ICL

and the newly-established Shandong ICL will support these laboratories located in Hebei and Shandong. Through the synergies achieved by existing ICLs, the Company believes it can quickly ramp up the business of these laboratories.

According to Frost & Sullivan, driven by the aging population and increasing patient visit rates, China's diagnostic outsourcing service market is expected to continue its growth, especially in lower-tier cities. However, laboratories needs to be located in nearby areas from the medical institutions where the test samples are collected, to ensure the accuracy of the testing results. As such, we expect that the new small-scale self-operated laboratories will supplement our six existing ICLs by providing more efficient services to regional customers nearby and we plan to further increase our sales and marketing efforts to attract medical institutions nearby for our professional and standardized diagnostic outsourcing services by leveraging our established sales model. We believe we will be capable of performing an additional one million tests per year per center after these small-scale self-operated laboratories are established.

We expect the initial investment amount for each laboratory will be approximately RMB[**REDACTED**] million to RMB[**REDACTED**] million with reference to our experiences. We will bear the costs in relation to the lease of the facilities. Generally, the initial procurement of medical devices and equipment will account for approximately [**REDACTED**]% to [**REDACTED**]% of the initial expenditure. The remaining expenditure will primarily include costs in relation to the leasing, facility and infrastructure preparation and technician recruitment. These technicians should hold a college degree or above and we expect the annual salary for each technician will be approximately RMB100,000. We expect these laboratories will commence operation in one year after we initiate the plan and achieve investment payback within the next three years. Such projected investment payback period is made based on the following assumptions: (i) the first year annual revenue for each laboratory will be approximately RMB20 million and will continue to grow by 10% annually; (ii) cost of revenue accounted for approximately 70% of the revenue for the first year and will gradually decrease to below 65% and maintain relatively stable within the next five years; and (iii) staff costs and logistics costs will continue to grow by 5% annually;

(ii) [**REDACTED**]%, or HK$[**REDACTED**] million, of the net [**REDACTED**] for the research, development and application of an intelligent imaging reading system for pathology tests. The intelligent imaging reading system will apply artificial intelligence technology for karyotype analysis and tumor pathological analysis, which will also enable us to provide more accurate pathology testing results, enabling physicians to achieve precision medicine in designing treatment plan for each patient; and

(iii) [**REDACTED**]%, or HK$[**REDACTED**] million, of the net [**REDACTED**] for the research, development and application of an information technology system to better serve medical institution alliances in China. The information technology system will primarily be used for information transmission among medical institutions within the alliances;

- approximately [**REDACTED**]%, or HK[**REDACTED**] million, will be allocated to expanding our diagnostic capabilities and enriching our diagnostic testing portfolio with a focus on developing capabilities in key technologies over the next three years, including (i) [**REDACTED**]%, or HK$[**REDACTED**] million, of the net [**REDACTED**] for the procurement and application of four to six sets of mass spectrometry systems for hereditary testing and nutrient testing; (ii) [**REDACTED**]%, or HK$[**REDACTED**] million, of the net [**REDACTED**] for the procurement and application of five to eight sets of high-throughput sequencing systems for birth defects testing and targeted medicine testing for tumors; (iii) [**REDACTED**]%, or HK$[**REDACTED**] million, of the net [**REDACTED**] for the procurement and application of seven to ten sets of NGS genetic chip systems for respiratory testing and gastrointestinal testing; and (iv) [**REDACTED**]%, or HK$[**REDACTED**] million, of the net [**REDACTED**] for the procurement and application of seven to ten sets of digitalized PCR systems in relation to targeted medicine testing and genetic testing. These plans will enable us to further enhance our diagnostic testing capabilities, especially with respect to genetic disease diagnostic tests and pathology tests. Through this, we believe we can assist physicians in providing customized treatment plan for patients and enable them to achieve precision medicine in treatment;

- approximately [**REDACTED**]%, or HK[**REDACTED**] million, will be allocated to potential investment and acquisition opportunities. In order to further enhance our diagnostic testing capabilities, we may consider acquiring or investing in companies that have synergistic businesses with ours, such as upstream companies engaged in advanced diagnostic techniques, molecular biology, biotechnology and their clinical applications. We will evaluate the technology, market position, reputation and potential synergistic effect with us when making investment decisions. In general, we will only select targets that (i) have an annual revenue of over RMB20 million; (ii) have an established R&D team with over 20 personnel and industry leading diagnostic technologies, and its technologies or products have completed over 100,000 clinical applications or penetrated over 100 medical institutions; or (iii) have a broad local customer network of over 200 medical institutions. As diagnostic testing technologies are rapidly evolving and most of the companies in this area are private companies, we do not have specific information of the number of available targets. According to Frost & Sullivan, such investment and acquisition targets are generally available in the market. We plan to adopt different investment strategies based on the profile of the target, which mainly include minority equity investment, in-license arrangement or acquisition. For details, see "Business—Business Strategies." We currently do not have any specific targets or targets under negotiation;

- approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be allocated to recruiting and training up our talent pool, with a focus on management and technical personnel; including (i) [**REDACTED**]%, or HK$[**REDACTED**] million, of the net [**REDACTED**] to be used to recruit 10 to 14 technician teams (each comprising 20 to 50 employees in bio-informatics, genetics and information technology infrastructure. Unlike technicians we plan to recruit for our laboratories, these technicians will be responsible for (a) enhancing our diagnostic capabilities with latest diagnostic techniques and (b) maintaining and upgrading IT infrastructure for the operation of our diagnostic testing services for medical institution alliances during the next five years. For these technicians, we expect them to hold bachelor's degree or above with an annual salary of RMB300,000 to RMB400,000; and (ii) [**REDACTED**]%, or HK$[**REDACTED**] million, of the net [**REDACTED**] to be used for our collaboration with Sun Yat-sen University to enroll more students and expand the curriculum offerings at Yunkang College. We plan to expand at least one more curriculum at Yunkang College and enroll at least 50 more students each year and invest RMB3 million per year for education equipment. We also plan to recruit at least four faculty staff for each new curriculum at Yunkang College; and

- approximately [**REDACTED**]%, or HK$[**REDACTED**] million, will be used for our working capital and general corporate purposes.

We will not receive any of the [**REDACTED**] from the sale of [**REDACTED**] by the [**REDACTED**] in the [**REDACTED**]. The [**REDACTED**] estimate that they will receive, in aggregate, net [**REDACTED**] from the [**REDACTED**] of approximately HK$[**REDACTED**] million, assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**] range).

The above allocation of the net [**REDACTED**] from the [**REDACTED**] will be adjusted on a *pro rata* basis in the event that the [**REDACTED**] is fixed at a higher or lower level compared to the mid-point of the indicative [**REDACTED**] stated in this document. If the [**REDACTED**] is exercised in full, the net [**REDACTED**] that we will receive will be approximately HK$[**REDACTED**] million, assuming an [**REDACTED**] of HK$[**REDACTED**] per Share (being the mid-point of the indicative [**REDACTED**]). In the event that the [**REDACTED**] is exercised in full, we intent to apply the additional net [**REDACTED**] to the above purposes in the proportions stated above.

To the extent that the net [**REDACTED**] are not immediately applied to the above purposes and to the extent permitted by the relevant law and regulations, so long as it is deemed to be in the best interests of our Company, we may hold such funds in short-term deposits with licensed banks or authorized financial institutions in Hong Kong. We will make an appropriate announcement if there is any change to the above proposed use of [**REDACTED**].

[**REDACTED**]

[**REDACTED**]

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

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

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

Introduction

We report on the historical financial information of Yunkang Group Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-[86], which comprises the consolidated statements of financial position as at December 31, 2018, 2019, 2020 and 2021, the statements of financial position of the Company as at December 31, 2018, 2019, 2020 and 2021, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended December 31, 2018, 2019, 2020 and 2021 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-[86] forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated [●] (the "Document") in connection with the initial [**REDACTED**] of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

Directors' responsibility for the Historical Financial Information

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

Reporting accountant's responsibility

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

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

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

Opinion

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

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

Adjustments

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

Dividends

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

No statutory financial statements for the Company

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

[PricewaterhouseCoopers]
Certified Public Accountants
Hong Kong
[Date]

I HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

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

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

Consolidated statements of comprehensive income

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

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

Consolidated statements of financial position

		As at December 31,			
	Note	**2018**	**2019**	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets					
Non-current assets					
Property and equipment	*14*	99,920	102,692	277,052	485,200
Intangible assets	*15*	39,726	55,095	6,509	5,675
Investments accounted for using the equity method	*17*	3,520	21,559	20,000	–
Prepayments and other receivables	*22*	288,000	400,620	10,000	17,227
Financial assets at fair value through other comprehensive income ("FVOCI")	*23(a)*	53,778	187,627	108,700	110,004
Financial assets at fair value through profit or loss ("FVTPL")	*23(b)*	47,532	57,362	59,244	58,243
Deferred income tax assets	*18*	24,412	25,739	40,182	35,809
		556,888	850,694	521,687	712,158
Current assets					
Inventories	*19*	17,191	15,156	24,553	41,697
Trade receivables	*21*	230,599	260,405	484,514	825,301
Prepayments and other receivables	*22*	27,519	48,736	351,048	44,416
Financial assets at fair value through profit or loss ("FVTPL")	*23(b)*	–	–	150,000	–
Restricted cash	*24*	30,004	30,300	42,041	31,146
Cash and cash equivalents	*24*	400,380	63,955	335,835	800,695
		705,693	418,552	1,387,991	1,743,255
Assets associated with the Disposal Group	*13*	–	–	47,053	–
		705,693	418,552	1,435,044	1,743,255
Total assets		1,262,581	1,269,246	1,956,731	2,455,413

	Note	As at December 31, 2018	2019	2020	2021
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Equity					
Equity attributable to owners of the Company					
Share capital and share premium	*25*	–*	7	1,395	21,126
Other reserves	*26*	929,194	939,388	954,899	955,382
(Accumulated losses)/retained earnings		(132,763)	(163,720)	91,614	475,196
		796,431	775,675	1,047,908	1,451,704
Non-controlling interests		15,126	14,732	18,476	(124)
Total equity		811,557	790,407	1,066,384	1,451,580
Liabilities					
Non-current liabilities					
Borrowings	*28*	59,001	49,722	50,904	82,363
Deferred revenue	*27*	4,450	5,875	150	–
Lease liabilities	*16*	13,352	6,138	8,550	44,162
Deferred income tax liabilities	*18*	52	5,131	11,477	6,470
		76,855	66,866	71,081	132,995
Current liabilities					
Borrowings	*28*	128,070	136,526	421,272	208,322
Trade and other payables	*29*	233,657	258,208	328,569	556,663
Current income tax liabilities		1,088	1,282	33,149	71,932
Lease liabilities	*16*	11,354	15,957	16,500	27,171
Deferred revenue	*27*	–	–	7,175	6,750
		374,169	411,973	806,665	870,838
Liabilities associated with the Disposal Group	*13*	–	–	12,601	–
		374,169	411,973	819,266	870,838
Total liabilities		451,024	478,839	890,347	1,003,833
Total equity and liabilities		1,262,581	1,269,246	1,956,731	2,455,413

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

Statements of financial position of the Company

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

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

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

Consolidated statements of changes in equity

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

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

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

Consolidated statements of cash flows

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

	Note	Year ended December 31,			
		2018	**2019**	**2020**	**2021**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash flows from financing activities					
Continuing operations					
Proceeds from borrowings		147,750	147,247	545,312	240,000
Repayments of borrowings		(40,679)	(148,070)	(259,384)	(421,491)
Interest paid		(3,727)	(12,276)	(18,081)	(15,669)
Principal elements and interest expenses of lease payments		(4,553)	(5,358)	(5,490)	(12,426)
Prepayment of [**REDACTED**]		–	–	(1,365)	(5,735)
Net cash from/(used in) financing activities		98,791	(18,457)	260,992	(215,321)
Net increase/(decrease) in cash and cash equivalents		212,553	(336,425)	272,982	464,860
Cash and cash equivalents at beginning of year		187,827	400,380	63,955	335,835
Cash and cash equivalents of the Disposal Group		–	–	(1,102)	–
Cash and cash equivalents at end of year	*24*	400,380	63,955	335,835	800,695

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1 GENERAL INFORMATION, REORGANISATION AND BASIS OF PRESENTATION

1.1 General information

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

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

1.2 Reorganisation

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

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

The key steps of the Reorganisation mainly involved the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Name of the Subsidiaries	Place and date of incorporation/ establishment	Issued and paid-up capital	Principal activities	Equity interest held as at December 31, 2018	2019	2020	2021	Date of this report	Notes
Sichuan Yunkang Life Health Technology Co., Ltd. (四川雲康生命健康科技有限公司)	PRC April 28, 2021	–	No substantial business	N/A	N/A	N/A	N/A	100%	(i)
Dongguan Yunteng Technology Service Co., Ltd. (東莞雲騰科技服務有限公司)	PRC May 12, 2021	RMB500,000	Sales and marketing	N/A	N/A	N/A	100%	100%	(i)
Sichuan Yunkang Xinchuan Health Technology Co., Ltd. (四川雲康新川健康科技有限公司)	PRC May 13, 2021	RMB100,000,000	IT and healthcare technology development	N/A	N/A	N/A	100%	100%	(i)
Guangzhou Yunlu Technology Service Co., Ltd. (廣州雲鷺技術服務有限公司)	PRC June 22, 2021	–	Sales and marketing	N/A	N/A	N/A	100%	100%	(i)
Huizhou Yunli Technology Service Co., Ltd. (惠州雲翳技術服務有限公司)	PRC June 23, 2021	RMB500,000	Sales and marketing	N/A	N/A	N/A	100%	100%	(i)
Jinan Yunkang Daan Medical Laboratory Co., Ltd. (濟南雲康達安醫學檢驗實驗室有限公司)	PRC July 16, 2021	RMB6,000,000	Diagnostic testing	N/A	N/A	N/A	100%	100%	(i)
Shenzhen Daan Medical Laboratory Co., Ltd. (深圳雲康達安醫學檢驗實驗室)	PRC July 20, 2021	–	Diagnostic testing	N/A	N/A	N/A	100%	100%	(i)
Guangxi Daan Medical Laboratory Co., Ltd. (廣西雲康達安醫學檢驗有限公司)	PRC July 30, 2021	RMB8,000,000	Diagnostic testing	N/A	N/A	N/A	100%	100%	(i)
Dongguan Daan Medical Laboratory Co., Ltd. (東莞雲康達安醫學檢驗有限公司)	PRC September 28, 2021	RMB5,000,000	Diagnostic testing	N/A	N/A	N/A	100%	100%	(i)
Huizhou Daan Medical Laboratory Co., Ltd. (惠州雲康達安醫學檢驗有限公司)	PRC October 31, 2021	RMB2,000,000	Diagnostic testing	N/A	N/A	N/A	100%	100%	(i)
Guangzhou Baiyun Yukang Daan Medical Laboratory Co., Ltd. (廣州白雲雲康達安醫學檢驗實驗室有限公司)	PRC November 3, 2021	–	Diagnostic testing	N/A	N/A	N/A	51%	51%	(i)
Shenzhen Nanke Yunkang Technology Development Co., Ltd. (深圳南科雲康科技發展有限公司)	PRC November 10, 2021	–	Diagnostic testing	N/A	N/A	N/A	51%	51%	(i)
Shantou Yunkang Daan Medical Laboratory Co., Ltd. (汕頭雲康達安醫學檢驗實驗室有限公司)	PRC November 12, 2021	RMB10,000,000	Diagnostic testing	N/A	N/A	N/A	100%	100%	(i)
Guiyang Yunkang Daan Medical Laboratory Co., Ltd. (貴陽雲康達安醫學檢驗有限公司)	PRC November 19, 2021	–	Diagnostic testing	N/A	N/A	N/A	100%	100%	(i)
Foshan Yunkang Daan Medical Laboratory Co., Ltd. (佛山雲康達安醫學檢驗實驗室有限公司)	PRC November 22, 2021	RMB2,000,000	Diagnostic testing	N/A	N/A	N/A	100%	100%	(i)
Zhuhai Yunkang Daan Medical Laboratory Co., Ltd. (珠海雲康達安醫學檢驗有限公司)	PRC November 29, 2021	–	Diagnostic testing	N/A	N/A	N/A	100%	100%	(i)

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

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

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

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

(v) The subsidiaries were deregistered.

1.3 Basis of presentation

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in preparation of the Historical Financial Information are set out as below. These policies have been consistently applied to all the years presented, unless otherwise stated. HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers" which are effective for the accounting period beginning on 1 January 2018 and HKFRS 16 "Leases" which is effective for the accounting period beginning on 1 January 2019 have been consistently applied by the Group throughout the Track Record Period.

2.1 Basis of preparation

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

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

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

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

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

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

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

2.2 Subsidiaries

2.2.1 Consolidation

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

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

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

(a) Subsidiaries controlled through Contractual Arrangements

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

- Exercise effective control over the Consolidated Affiliated Entities;
- Exercise equity holders' voting rights of the Consolidated Affiliated Entities;
- Receive substantially all of the economic interests and returns generated by the Consolidated Affiliated Entities in consideration for the technical support, consulting and other services provided exclusively by the WFOE, at the WFOE's discretion;
- Obtain an irrevocable and exclusive right to purchase all equity interests in Yunkang Industry from its Registered Shareholders at a minimum purchase price permitted under PRC laws and regulations unless the relevant government authorities request that another amount be used as the purchase consideration and in which case the purchase consideration shall be such amount. At the WFOE's request, the Registered Shareholders of Yunkang Industry will promptly and unconditionally transfer their respective equity interests of Yunkang Industry to the WFOE (or its designee within the Group) after the WFOE exercises its purchase right;
- Obtain pledges over the entire equity interests in Yunkang Industry from its Registered Shareholders to secure, among others, performance of their obligations under the Contractual Arrangements.

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

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

2.2.2 Associates

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

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

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

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

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

2.2.3 Changes in ownership interests

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

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

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

2.3 Business combination

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

2.4 Separate financial statements

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

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

2.5 Segment reporting

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

2.6 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

(c) Group entities

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

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

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

2.7 Property and equipment

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

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

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

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

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

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

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

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

2.8 Intangible assets

(a) Software

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

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

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

- the expenditure attributable to the software during its development can be reliably measured.

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

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

(b) Contractual rights to provide management services

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

(c) Research and development

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

(d) Amortisation methods and periods

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

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

2.9 Impairment of non-financial assets

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

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

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

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

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

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

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

2.11 Financial assets

2.11.1 Classification

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

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

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

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

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

2.11.2 Recognition and derecognition

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

2.11.3 Measurement

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

(a) Debt instruments

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

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

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

(b) Equity instruments

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

2.11.4 Impairment

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

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

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

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

2.12 Offsetting financial instruments

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

2.13 Inventories

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

2.14 Contract assets and contract liabilities

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

2.15 Trade and other receivables

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

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

2.16 Cash and cash equivalents

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

2.17 Share capital

Ordinary shares are classified as equity.

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

2.18 Trade and other payables

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

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

2.19 Borrowings

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

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

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

2.20 Borrowing costs

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

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

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

2.21 Current and deferred income tax

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

(a) Current income tax

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

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

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

(c) Offsetting

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

2.22 Employee benefits

(a) Pension obligations

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

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

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

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

(c) Short-term obligations

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

(d) Bonus plan

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

(e) Termination benefits

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

2.23 Provisions

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

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

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

2.24 Revenue recognition

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

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

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

(a) Diagnostic testing business

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

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

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

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

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

(b) Hospital management services

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

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

2.25 Interest income

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

2.26 Leases

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

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

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

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

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

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

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

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

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

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

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

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

2.27 Dividend distribution

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

2.28 Government grants

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

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

3 FINANCIAL RISK MANAGEMENT

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

3.1 Financial risk factors

3.1.1 Market risk

(i) Foreign exchange risk

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

(ii) Cash flow and fair value interest rate risk

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

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

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

Details of changes are as follows:

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

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

3.1.2 Credit risk

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

(i) Risk management

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

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

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

(ii) Impairment

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

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

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

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

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

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

Cash deposits at banks

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

Trade receivables

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

Other receivables

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

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

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

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

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

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

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

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

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

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

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

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

3.1.3 Liquidity risk

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

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

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

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

3.2 Capital management

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

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

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

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

3.3 Fair value estimation

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

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

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

(b) Fair value measurement of FVOCI and FVTPL

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

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

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

(d) Current and deferred income tax

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

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

(e) Impairment of non-financial assets

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

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

5 SEGMENT INFORMATION AND REVENUE

(a) Description of segments and principal activities

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

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

- Diagnosis testing – providing diagnosis testing to hospital and non-medical clients, mainly including routine diagnostic testing, routine pathological examination, infectious disease diagnostic testing, genetic disease diagnostic testing and early cancer detection.
- Hospital management business – providing management services for the Community Clinics.
- R&D institution – research and development of testing kits.

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

(b) Segment revenue and results

For the year ended December 31, 2018

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

For the year ended December 31, 2019

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

For the year ended December 31, 2020

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

For the year ended December 31, 2021

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

(c) Segment assets and liabilities

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

(d) Revenue by customer type

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

(e) Revenue by region

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

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

(f) Information about major customers

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

(g) Unsatisfied performance obligations

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

6 OTHER INCOME

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

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

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

7 OTHER LOSSES

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

8 EXPENSES BY NATURE

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

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

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

9 STAFF COSTS

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

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

(b) Five highest paid individuals

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

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

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

Number of individuals

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

10 FINANCE COSTS – NET

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

11 INCOME TAX (CREDIT)/EXPENSES

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

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

Cayman Islands

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

Hong Kong

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

PRC corporate income tax ("CIT")

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

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

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

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

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

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

12 (LOSSES)/EARNINGS PER SHARE

(a) Basic (losses)/earnings per share

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

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

(b) Diluted (losses)/earnings per share

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

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

13 DISCONTINUED OPERATIONS

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

(a) Financial performance

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

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

(i) Revenue mainly represents the management service fee.

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

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

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

(b) Assets and liabilities associated with Disposal Group

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

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

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

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

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

14 PROPERTY AND EQUIPMENT

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

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

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

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

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

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

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

15 INTANGIBLE ASSETS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16 LEASES

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

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

(b) Amounts recognised in profit or loss

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

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

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

17 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

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

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

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

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

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

18 DEFERRED INCOME TAX

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

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

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

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

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

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

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

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

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

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

19 INVENTORIES

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

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

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

20 FINANCIAL INSTRUMENTS BY CATEGORY

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

21 TRADE RECEIVABLES

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

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

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

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

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

22 PREPAYMENTS AND OTHER RECEIVABLES

The Group

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

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

The Company

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

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

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

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

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

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

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

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

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

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

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

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

23 FINANCIAL ASSETS AT FAIR VALUE

(a) FVOCI

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

Equity investments at FVOCI included the following:

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

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

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

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

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

Amounts recognised in other comprehensive income is as following:

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

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

(b) FVTPL

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

Financial assets measured at FVTPL include the following:

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

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

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

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

Amounts recognised in profit or loss

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

(c) Fair value, impairment and risk exposure

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

24 CASH AND CASH EQUIVALENTS

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

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

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

Restricted cash are all denominated in RMB.

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

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

25 SHARE CAPITAL AND SHARE PREMIUM

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

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

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

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

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

26 OTHER RESERVES

The Group

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

Note:

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

The Company

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

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

27 DEFERRED REVENUE

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

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

28 BORROWINGS

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

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

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

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

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

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

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

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

29 TRADE AND OTHER PAYABLES

The Group

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

The Company

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

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

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

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

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

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

30 CASH FLOW INFORMATION

(a) Cash generated from operations

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

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

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

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

31 RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

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

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

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

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

(b) Key management compensation

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

(c) Transactions with related parties

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

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

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

(d) Balances with related parties

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

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

(e) Guarantees from the related parties

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

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

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

32 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

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

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

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

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

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

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

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

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

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

(b) Directors' retirement and termination benefits

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

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

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

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

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

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

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

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

33 DIVIDENDS

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

34 COMMITMENTS

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

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

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

35 CONTINGENT LIABILITIES

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

36 [SUBSEQUENT EVENTS]

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

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

III SUBSEQUENT FINANCIAL STATEMENTS

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

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on February 20, 2022 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

The Memorandum of Association is on display on the websites of the Stock Exchange and the Company as specified in Appendix V in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection."

2 Articles of Association

The Articles of Association of the Company were conditionally adopted on February 20, 2022 and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles is US$50,000 divided into 25,000,000,000 shares of US$0.000002 each.

2.2 Directors

(a) Power to allot and issue Shares

Subject to the provisions of the Companies Act and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Act and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the Articles of Association or the Companies Act expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Act and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment to any 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 entitled) must first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so

contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the Board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates (or, if required by the Listing Rules, his other associates) has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

(i) the giving to such Director or any of his close associates of any security or indemnity 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 any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(iii) any proposal concerning an offer 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 subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:

(A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or

(B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both 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 any of his close associates, as such 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 any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, 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 amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. 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.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from Board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election at that meeting, but shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation at such meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his term of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may also by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed.

The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

(i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;

(ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;

(iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;

(iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;

(vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or

(vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) Proceedings of the Board

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairperson of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

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 Companies Act, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued 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. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

(a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so

that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(b) 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 cancelled subject to the provisions of the Companies Act; and

(c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Act, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Act.

2.6 Special resolution – majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Act, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of 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 and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean 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 corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting (a) every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have the right to speak, (b) on a show on hands, every member present in such manner shall have one vote, and (c) on a poll, every member present in such manner shall have one vote for each share registered in his name in the register of members of the Company.

Where 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.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairperson of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general 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 pursuant to this provision shall be entitled to exercise the same rights and

powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings and extraordinary general meetings

The Company shall hold a general meeting as its annual general in each financial year. The annual general meeting shall be specified as such in the notices calling it.

The Board of Directors may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the voting rights, on a one vote per share basis, of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and the resolutions to be added to the meeting agenda, and signed by the requisitionist(s). If the Directors do not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to them by the Company.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Act.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to inspection by members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Act or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

2.10 Auditors

The Company shall at every annual general meeting by ordinary resolution appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The removal of an auditor before the expiration of his period of office shall require the approval of an ordinary resolution of the members in general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed by ordinary resolution provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.11 Notice of meetings and business to be conducted thereat

An annual general meeting shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 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 shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

(a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and

(b) 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, being a majority together holding not less than 95% in nominal value of the shares giving that right.

If, after the notice of a general meeting has been sent but before the meeting is held, or after the adjournment of a general meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Directors, in their absolute discretion, consider that it is impractical or unreasonable for any reason to hold a general meeting on the date or at the time and place specified in the notice calling such meeting, it may change or postpone the meeting to another date, time and place.

The Directors also have the power to provide in every notice calling a general meeting that in the event of a gale warning or a black rainstorm warning is in force at any time on the day of the general meeting (unless such warning is cancelled at least a minimum period of time prior to the general meeting as the Directors may specify in the relevant notice), the meeting shall be postponed without further notice to be reconvened on a later date.

Where a general meeting is postponed:

(a) the Company shall endeavour to cause a notice of such postponement, which shall set out the reason for the postponement in accordance with the Listing Rules, to be placed on the Company's website and published on the Stock Exchange's website as soon as practicable, but failure to place or publish such notice shall not affect the automatic postponement of a general meeting due to a gale warning or black rainstorm warning being in force on the day of the general meeting;

(b) the Directors shall fix the date, time and place for the reconvened meeting and at least seven clear days' notice shall be given for the reconvened meeting; and such notice shall specify the date, time and place at which the postponed meeting will be reconvened and the date and time by which proxies shall be submitted in order to be valid at such reconvened meeting (provided that any proxy submitted for the original meeting shall continue to be valid for the reconvened meeting unless revoked or replaced by a new proxy); and

(c) only the business set out in the notice of the original meeting shall be transacted at the reconvened meeting, and notice given for the reconvened meeting does not need to specify the business to be transacted at the reconvened meeting, nor shall any accompanying documents be required to be recirculated. Where new business is to be transacted at such reconvened meeting, the Company shall give a fresh notice of such reconvened meeting in accordance with the Articles of Association.

2.12 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

(a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

(b) the instrument of transfer is in respect of only one class of shares;

(c) the instrument of transfer is properly stamped (in circumstances where stamping is required);

(d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

(e) the shares concerned are free of any lien in favour of the Company; and

(f) a fee of such amount not exceeding the maximum amount as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

If the Directors refuse to register a transfer of any share they shall, within two months after the date on which the transfer was lodged with the Company, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on ten (10) Business Days' notice (or on six (6) Business Days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended

and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.13 Power of the Company to purchase its own shares

The Company is empowered by the Companies Act and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.14 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.15 Dividends and other methods of distribution

Subject to the Companies Act and the Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them any dividend which may be payable at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other monies payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company 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 Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. 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.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.16 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument

appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.17 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any monies unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, 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 Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.18 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on ten (10) Business Days' notice (or on six (6) Business Days' notice in the case of a rights issue) being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum amount as may from time to time be permitted under the Listing Rules as the Directors may determine for each inspection.

2.19 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, but the absence of a quorum shall not preclude the appointment, choice or election of a chairperson which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 above.

2.20 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.21 Procedure on liquidation

Subject to the Companies Act, the Company may by special resolution resolve that the Company be wound up voluntarily.

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be 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 of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. If in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

If the Company shall be wound up, the liquidator may with the sanction of a special resolution of the Company and any other sanction required by the Companies Act, divide amongst the members of the Company in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Act, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.22 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Act is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Act and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Act, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 20 July 2018 under the Companies Act. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share Capital

The Companies Act permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the "share premium account." At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Act provides that the share premium account may be applied by a 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:

(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) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act);

(d) writing-off the preliminary expenses of the company;

(e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

(f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

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.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands, 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, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Act, 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 shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. 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 member of the company holding shares. 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.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of section 34 of the Companies Act, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph 3 above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands 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 into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands 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.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Act contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Act requires that a company shall cause to be kept proper books of account with respect to:

(a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;

(b) all sales and purchases of goods by the company; and

(c) the assets and liabilities of the company.

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.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Act 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.

11 Special Resolutions

The Companies Act provides that a resolution is a special resolution when it has been passed by a majority of at least two-thirds of such members as, being entitled to do so, vote in person 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, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Act does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Act permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and

liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is 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 shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 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 the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand 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 shareholders.

16 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, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

Pursuant to section 6 of the Tax Concessions Act (As Revised) of the Cayman Islands, the Company may obtain an undertaking from the Financial Secretary of the Cayman Islands:

(a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and

(b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:

  (i) on or in respect of the shares, debentures or other obligations of the Company; or

  (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Act (As Revised).

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 certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder (Hong Kong) LLP, 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 on display on the websites as referred to in the section headed "Documents Delivered to the Registrar of Companies and 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 GROUP

1. Incorporation

Our Company was incorporated as an exempted company with limited liability in Cayman Islands on July 20, 2018. Our registered office address is at PO Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman KY1-1205, Cayman Islands. Accordingly, our Company's current 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—Summary of the Constitution of Our Company and Cayman Islands Companies Law."

Our registered place of business in Hong Kong is at Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on January 27, 2021 with the Registrar of Companies in Hong Kong. Ms. Chan Lok Yee has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process in Hong Kong is at Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong.

2. Changes in the share capital of our Company

Our Company was incorporated as an exempted company with limited liability in Cayman Islands on July 20, 2018 with an authorized share capital of US$50,000 divided into 500,000,000 ordinary shares with a par value of US$0.0001 each.

Save as disclosed in the section headed "History, Reorganization and Corporate Structure" there has been no alteration in the share capital of our Company since its incorporation.

3. Changes in the share capital of our subsidiaries and Consolidated Affiliated Entities

A summary of the corporate information and the particulars of our subsidiaries is set out in Note 1.2 to the Accountant's Report as set out in the Appendix I to this document.

Yunkang Health

On January 29, 2021, the registered capital of Yunkang Health increased from RMB50,000,000 to RMB50,505,100.

Guangzhou Daan

On November 26, 2019, the registered capital of Guangzhou Daan increased from RMB21,317,200 to RMB27,903,200.

Yunkang Medical Laboratory

On July 28, 2020, Yunkang Medical Laboratory was established in the PRC as a limited liability company. As of the date of its establishment, its registered capital was RMB2,000,000.

Yunkang Precision Medical

On January 27, 2021, Guangzhou Yunkang Precision Medical Technology Service Co., Ltd. (廣州雲康精準醫療科技服務有限公司) ("**Yunkang Precision Medical**") was established in the PRC as a limited liability company. As of the date of its establishment, its registered capital was RMB5,000,000.

Yunkang Life Health

On April 28, 2021, Sichuan Yunkang Life Health Technology Co., Ltd. (四川芸康生命健康科技有限公司) ("**Yunkang Life Health**") was established in the PRC as a limited liability company. As of the date of its establishment, its registered capital was RMB100 million.

Dongguan Yunteng

On May 12, 2021, Dongguan Yunteng Technology Service Co., Ltd. (東莞雲騰科技服務有限公司) ("**Dongguan Yunteng**") was established in the PRC as a limited liability company. As of the date of its establishment, its registered capital was RMB5,000,000.

Yunkang Xinchuan

On May 13, 2021, Sichuan Yunkang Xinchuan Health Technology Co., Ltd. (四川雲康新川健康科技有限公司) ("**Yunkang Xinchuan**") was established in the PRC as a limited liability company. As of the date of its establishment, its registered capital was RMB100 million.

Guangzhou Yunlu

On June 22, 2021, Guangzhou Yunlu Technology Service Co., Ltd. (廣州雲鷺技術服務有限公司) ("**Guangzhou Yunlu**") was established in the PRC as a limited liability company. As of the date of its establishment, its registered capital was RMB5,000,000.

Huizhou Yunyi

On June 23, 2021, Huizhou Yunyi Technology Service Co., Ltd. (惠州雲翳技術服務有限公司) ("**Huizhou Yunyi**") was established in the PRC as a limited liability company. As of the date of its establishment, its registered capital was RMB5,000,000.

Jinan Yunkang

On July 16, 2021, Jinan Yunkang Daan Medical Laboratory Co., Ltd. (山東雲康達安醫學檢驗實驗室有限公司) (previously known as Shandong Yunkang Daan Medical Laboratory Co., Ltd.) ("**Jinan Yunkang**") was established in the PRC as a limited liability company. As of the date of its establishment, its registered capital was RMB10 million.

Shenzhen Yunkang Daan

On July 20, 2021, Shenzhen Yunkang Daan Medical Laboratory Co., Ltd. (深圳雲康達安醫學檢驗實驗室) ("**Shenzhen Yunkang Daan**") was established in the PRC as a limited liability company. As of the date of its establishment, its registered capital was RMB100,000.

Guangxi Yunkang Daan

On July 30, 2021, Guangxi Yunkang Daan Medical Laboratory Co., Ltd. (廣西雲康達安醫學檢驗有限公司) ("**Guangxi Yunkang Daan**") was established in the PRC as a limited liability company. As of the date of its establishment, its registered capital was RMB100 million.

Dongguan Yunkang Daan

On September 28, 2021, Dongguan Yunkang Daan Medical Laboratory Co., Ltd. (東莞雲康達安醫學檢驗有限公司) ("**Dongguan Yunkang Daan**") was established in the PRC as a limited liability company. As of the date of its establishment, its registered capital was RMB10 million.

Huizhou Yunkang Daan

On October 29, 2021, Huizhou Yunkang Daan Medical Laboratory Co., Ltd. (惠州雲康達安醫學檢驗有限公司) ("**Huizhou Yunkang Daan**") was established in the PRC as a limited liability company. As of the date of its establishment, its registered capital was RMB10 million.

Guangzhou Baiyun Yunkang Daan

On November 3, 2021, Guangzhou Baiyun Yunkang Daan Medical Laboratory Co., Ltd. (廣州白雲雲康達安醫學檢驗實驗室有限公司) ("**Guangzhou Baiyun Yunkang Daan**") was established in the PRC as a limited liability company. As of the date of its establishment, its registered capital was RMB20 million.

Shenzhen Nanke

On November 10, 2021, Shenzhen Nanke Yunkang Technology Development Co., Ltd. (深圳南科雲康科技發展有限公司) ("**Shenzhen Nanke**") was established in the PRC as a limited liability company. As of the date of its establishment, its registered capital was RMB10 million.

Shantou Yunkang Daan

On November 12, 2021, Shantou Yunkang Daan Medical Laboratory Co., Ltd. (汕頭雲康達安醫學檢驗實驗室有限公司) ("**Shantou Yunkang Daan**") was established in the PRC as a limited liability company. As of the date of its establishment, its registered capital was RMB10 million.

Guiyang Yunkang Daan

On November 19, 2021, Guiyang Yunkang Daan Medical Laboratory Co., Ltd. (貴陽雲康達安醫學檢驗有限公司) ("**Guiyang Yunkang Daan**") was established in the PRC as a limited liability company. As of the date of its establishment, its registered capital was RMB100 million.

Foshan Yunkang Daan

On November 22, 2021, Foshan Yunkang Daan Medical Laboratory Co., Ltd. (佛山雲康達安醫學檢驗有限公司) ("**Foshan Yunkang Daan**") was established in the PRC as a limited liability company. As of the date of its establishment, its registered capital was RMB10 million.

Zhuhai Yunkang Daan

On November 29, 2021, Zhuhai Yunkang Daan Medical Laboratory Co., Ltd. (珠海雲康達安醫學檢驗有限公司) ("**Zhuhai Yunkang Daan**") was established in the PRC as a limited liability company. As of the date of its establishment, its registered capital was RMB10 million.

Save as disclosed above, there has been no alternation in the registered capital or share capital of our subsidiaries that took place within two years immediately preceding the date of this document.

4. Written Resolutions Passed by Our Shareholders on February 20, 2022

Written resolutions of the Shareholders of our Company were passed on February 20, 2022, pursuant to which, among others:

(a) conditional on (1) the [**REDACTED**] granting [**REDACTED**] of, and permission to [**REDACTED**] in, the Shares in issue and to be issued as stated in this document and such [**REDACTED**] and permission not subsequently having been revoked prior to the commencement of [**REDACTED**] in the Shares on the Stock Exchange; (2) the [**REDACTED**] having been determined; (3) the obligations of the [**REDACTED**] under the [**REDACTED**] becoming unconditional and not being terminated in accordance with the terms of the [**REDACTED**] or otherwise, in each case on or before such dates as may be specified in the [**REDACTED**]; and (4) the [**REDACTED**] having been duly executed by the [**REDACTED**] and our Company:

(i) the [**REDACTED**] was approved, and the proposed [**REDACTED**] and issue of the [**REDACTED**] under the [**REDACTED**] were approved, and our Board was authorized to determine the [**REDACTED**] for, and to allot and issue the [**REDACTED**];

(ii) the [**REDACTED**] was approved and our Directors were authorized to effect the same and to allot and issue up to 20,728,000 Shares upon the exercise of the [**REDACTED**];

(iii) conditional on the [**REDACTED**] becoming unconditional, a general mandate was given to our Directors to exercise all powers of our Company to allot, issue and [**REDACTED**] with Shares or securities convertible into Shares and to make or grant offers, agreements or options (including any warrants, bonds, notes and debentures conferring any rights to [**REDACTED**] or otherwise receive Shares) which might require Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of our Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, otherwise than by way of the [**REDACTED**], rights issue or pursuant to the exercise of any [**REDACTED**] rights attaching to any warrants which may be allotted and issued by our Company from time to time or [**REDACTED**] of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association on a specific authority granted by our Shareholders in a general meeting, shall not exceed the sum of (i) 20% of the aggregate nominal value of our Shares in issue immediately following the completion of the [**REDACTED**] (but excluding any Shares which may be issued pursuant to the exercise of the [**REDACTED**]); and (ii) the aggregate nominal amount of the share capital of our Company purchased by our Company pursuant to the authority granted to our Directors as referred to in (a)(v) below;

(iv) conditional on the [**REDACTED**] becoming unconditional, a general mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to repurchase its own Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, in accordance with all applicable laws and the requirement of the Listing Rules such number of Shares as will represent up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the [**REDACTED**]; and

(v) the general mandate as mentioned in paragraph (iii) above was extended by the addition to the aggregate nominal value of our 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 aggregate nominal value of our Shares purchased by our Company pursuant to the mandate to purchase Shares referred to in paragraph (iv) above (up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the [**REDACTED**]); and

(b) our Company conditionally approved and adopted the Memorandum and Articles of Association with effect from the [**REDACTED**].

Each of the general mandates referred to in paragraphs (a)(iii), (a)(vi) and (a)(v) above will remain in effect until whichever is the earliest of:

- the conclusion of the next annual general meeting of our Company;
- the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles; or
- the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in a general meeting.

5. Repurchase of Our Own Securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this document concerning the repurchase of our own securities.

(a) Provision of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

(i) Shareholder's approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our Shareholders on February 20, 2022, the Repurchase Mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, with a total nominal value up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the [**REDACTED**] with such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company (unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions), (ii) the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held, and (iii) the date on which it is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

(ii) 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 Hong Kong and the Cayman Islands. A listed company may not purchase its own securities 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. As a matter of Cayman law, any purchases by our Company may be made out of profits or out of the proceeds of a new issue of shares made for the purpose of the purchase or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles and subject to the Cayman Companies Act. Any

premium payable on the purchase over the par value of the shares to be purchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorized by the Articles and subject to the Cayman Companies Act.

(iii) Trading restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue.

A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, 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. The Listing Rules also prohibit a listed company from repurchasing its securities if the 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. A listed company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of repurchased Shares

The listing of all purchased securities (whether on the Stock Exchange or otherwise) is automatically canceled and the relative certificates must be canceled and destroyed. Under the laws of the Cayman Islands, unless, prior to the purchase the directors of our Company resolve to hold the shares purchased by our Company as treasury shares, shares purchased by our Company shall be treated as canceled and the amount of our Company's issued share capital shall be diminished by the nominal value of those shares. However, the purchase of shares will not be taken as reducing the amount of the authorized share capital under Cayman Islands laws.

(v) Suspension of repurchase

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been 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 a listed 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 publication of an announcement of a listed company's 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), the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) Core connected persons

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or a close associate of any of them (as defined in the Listing Rules) and a core connected person shall not knowingly sell his securities to the company.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have a 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 or [**REDACTED**] and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

(c) Funding of repurchases

Repurchase of the Shares must be funded out of funds legally available for such purpose in accordance with the Articles of Association and the applicable laws of the Cayman Islands.

Our Directors may not repurchase the 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. Subject to the foregoing, our Directors may make repurchases out of profits of the Company out of the share premium account of the Company or out of the [**REDACTED**]

of a new issuance of shares made for the purpose of the repurchase or, if authorized by the Articles and subject to the Cayman Companies Act, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorized by the Articles and subject to the Cayman Companies Act, out of capital.

However, our Directors do not propose to exercise the general mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or its gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(d) General

The exercise in full of the Repurchase Mandate, on the basis of 613,188,000 Shares in issue immediately following the completion of the [**REDACTED**], excluding any Shares which may be issued pursuant to the exercise of the [**REDACTED**], could accordingly result in up to approximately 613,188,000 Shares being repurchased by our Company during the period prior to the earliest of:

- the conclusion of the next annual general meeting of our Company unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

- the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or

- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their associates currently intends to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws in the Cayman Islands.

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.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be granted other than in exceptional circumstances.

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document and are or may be material:

(a) a power of attorney dated December 29, 2020 entered into between WFOE and Guangzhou Huigang Investment Partnership (Limited Partnership) (廣州匯港投資合伙企業(有限合伙)) as further described in the section headed "Contractual Arrangements";

(b) a supplemental agreement dated February 24, 2021 entered into among WFOE, Yunkang Health Industry Investment Co., Ltd. (雲康健康產業投資股份有限公司), Daan Gene Co., Ltd. (中山大學達安基因股份有限公司) (currently known as 廣州達安基因股份有限公司), Zhuhai Hengqin Mouduanshan Enterprise Management Center (Limited Partnership) (珠海橫琴謀斷山企業管理中心(有限合伙)), Shenzhen Tongfu Zhongchuang Investment Management Co., Ltd. (深圳同福中創投資管理有限公司), Guangzhou Huigang Investment Partnership (Limited Partnership) (廣州匯港投資合伙企業(有限合伙)), Guangzhou Anjianxin Medical and Health Industry Equity Investment Fund (Limited Partnership) (廣州安健信醫療健康產業股權投資基金(有限合伙)), Guangzhou Guoju Venture Capital Co., Ltd. (廣州國聚創業投資有限公司), Mr. Lan Fu (蘭福) and Yujiang Anjin Venture Capital Center (Limited Partnership) (余江安進創業投資中心(有限合伙)), as further described in the section headed "Contractual Arrangements";

(c) a supplemental agreement dated February 24, 2021 entered into among WFOE, Yunkang Health Industry Investment Co., Ltd. (雲康健康產業投資股份有限公司) and Tianjin Gaoxin Yangguang Investment Co., Ltd. (天津高新陽光投資有限公司), as further described in the section headed "Contractual Arrangements";

(d) a supplemental agreement dated February 24, 2021 entered into among WFOE, Yunkang Health Industry Investment Co., Ltd. (雲康健康產業投資股份有限公司) and Beijing Heyuan Rongwei Equity Investment Center (Limited Partnership) (北京合源融微股權投資中心(有限合伙)), as further described in the section headed "Contractual Arrangements";

(e) a power of attorney dated February 24, 2021 entered into between Tianjin Gaoxin Yangguang Investment Co., Ltd. (天津高新陽光投資有限公司) and WFOE, as further described in the section headed "Contractual Arrangements";

(f) a power of attorney dated February 24, 2021 entered into between Daan Gene Co., Ltd. (中山大學達安基因股份有限公司) (currently known as 廣州達安基因股份有限公司) and WFOE, as further described in the section headed "Contractual Arrangements";

(g) a power of attorney dated February 24, 2021 entered into between Guangzhou Anjianxin Medical and Health Industry Equity Investment Fund (Limited Partnership) (廣州安健信醫療健康產業股權投資基金(有限合伙)) and WFOE, as further described in the section headed "Contractual Arrangements";

(h) a power of attorney dated February 24, 2021 entered into between Guangzhou Guoju Venture Capital Co., Ltd. (廣州國聚創業投資有限公司) and WFOE, as further described in the section headed "Contractual Arrangements";

(i) a power of attorney dated February 24, 2021 entered into between Guangzhou Huigang Investment Partnership (Limited Partnership) (廣州匯港投資合伙企業(有限合伙)) and WFOE, as further described in the section headed "Contractual Arrangements";

(j) a power of attorney dated February 24, 2021 entered into between Beijing Heyuan Rongwei Equity Investment Center (Limited Partnership) (北京合源融微股權投資中心(有限合伙)) and WFOE, as further described in the section headed "Contractual Arrangements";

(k) a power of attorney dated February 24, 2021 entered into between Mr. Lan Fu (蘭福) and WFOE, as further described in the section headed "Contractual Arrangements";

(l) a power of attorney dated February 24, 2021 entered into between Zhuhai Hengqin Mouduanshan Enterprise Management Center (Limited Partnership) (珠海橫琴謀斷山企業管理中心(有限合伙)) and WFOE, as further described in the section headed "Contractual Arrangements";

(m) a power of attorney dated February 24, 2021 entered into between Shenzhen Tongfu Zhongchuang Investment Management Co., Ltd. (深圳同福中創投資管理有限公司) and WFOE, as further described in the section headed "Contractual Arrangements";

(n) a power of attorney dated February 24, 2021 entered into between Yujiang Anjin Venture Capital Center (Limited Partnership) (余江安進創業投資中心(有限合伙)) and WFOE, as further described in the section headed "Contractual Arrangements";

(o) an exclusive consultancy and service agreement dated February 4, 2022 entered into among Guiyang Yunkang Daan Medical Laboratory Co., Ltd. (貴陽雲康達安醫學檢驗有限公司), Guangxi Yunkang Daan Medical Laboratory Co., Ltd. (廣西雲康達安醫學檢驗有限公司), Shenzhen Yunkang Daan Medical Laboratory (深圳雲康達安醫學檢驗實驗室), Yunkang Lingnan (Guangzhou) Medical Health Technology Development Co., Ltd. (蕓康嶺楠(廣州)醫療健康科技發展有限公司), Shanghai Daan Medical Laboratory Co., Ltd. (上海達安醫學檢驗所有限公司), Zhuhai Yunkang Daan Medical Laboratory Co., Ltd. (珠海雲康達安醫學檢驗有限公司), Foshan Yunkang Daan Medical Laboratory Co., Ltd. (佛山雲康達安醫學檢驗實驗室有限公司), Shantou Yunkang Daan Medical Laboratory Co., Ltd. (汕頭雲康達安醫學檢驗實驗室有限公司), Huizhou Yunkang Daan Medical Laboratory Co., Ltd. (惠州雲康達安醫學檢驗有限公司), Dongguan Yunkang Daan Medical Laboratory Co., Ltd. (東莞雲康達安醫學檢驗有限公司), Jinan Yunkang Daan Medical Laboratory Co., Ltd. (濟南雲康達安醫學檢驗實驗室有限公司), Hefei Daan Medical Laboratory Co., Ltd. (合肥達安醫學檢驗實驗室有限公司), Chengdu Gaoxin Daan Medical Laboratory Co., Ltd. (成都高新達安醫學檢驗有限公司), Jiangxi Yunkang Daan Medical Laboratory Co., Ltd. (江西雲康達安醫學檢驗實驗室有限公司), Kunming Gaoxin Daan Medical Laboratory Co., Ltd. (昆明高新達安醫學檢驗所有限公司), Guangzhou Daan Clinical Laboratory Center Co. Ltd. (廣州達安臨床檢驗中心有限公司), Guangzhou Baiyun Yunkang Daan Medical Laboratory Co., Ltd. (廣州白雲雲康達安醫學檢驗實驗室有限公司), Guangzhou Yunkang Clinic Co., Ltd. (廣州雲康門診有限公司) (collectively, the "**Operating Subsidiaries**") and WFOE, as further described in the section headed "Contractual Arrangements";

(p) an exclusive option agreement dated February 4, 2022 entered into among WFOE, Yunkang Health Industry Investment Co., Ltd. (雲康健康產業投資股份有限公司) and the Operating Subsidiaries, as further described in the section headed "Contractual Arrangements";

(q) an equity pledge agreement dated February 4, 2022 entered into among WFOE, Yunkang Health Industry Investment Co., Ltd. (雲康健康產業投資股份有限公司) and the Operating Subsidiaries, as further described in the section headed "Contractual Arrangements";

(r) a shareholders' voting rights entrustment agreement dated February 4, 2022 entered into among Yunkang Health Industry Investment Co., Ltd. (雲康健康產業投資股份有限公司), WFOE and the Operating Subsidiaries, as further described in the section headed "Contractual Arrangements";

(s) a power of attorney dated February 4, 2022 entered into between Yunkang Health Industry Investment Co., Ltd. (雲康健康產業投資股份有限公司) and WFOE, as further described in the section headed "Contractual Arrangements";

(t) the Non-Competition Undertaking; and

(u) the [**REDACTED**].

2. Intellectual property rights

(a) Trademarks

As of the Latest Practicable Date, we had registered the following trademarks which we consider to be or may be material to our business:

No.	Trademark	Category	Place of Registration	Registration Number	Registration Owner	Registration Date
1	医路物流 YILU LOGISTICS	5	PRC	22177609	Yilu Logistics	March 7, 2018
2	医路物流 YILU LOGISTICS	38	PRC	22178010	Yilu Logistics	March 7, 2018
3	医路物流 YILU LOGISTICS	39	PRC	22178094	Yilu Logistics	April 7, 2018
4	云康	1	PRC	13299674	Yunkang Industry	March 28, 2015
5	云康	9	PRC	13299715	Yunkang Industry	March 14, 2015
6	云康	36	PRC	13299736	Yunkang Industry	January 14, 2015
7	云康	37	PRC	13299766	Yunkang Industry	January 21, 2015
8	云康	39	PRC	13300024	Yunkang Industry	January 28, 2015
9	云康	44	PRC	16827604	Guangzhou Daan	November 28, 2016

No.	Trademark	Category	Place of Registration	Registration Number	Registration Owner	Registration Date
10	云康	45	PRC	13300068	Yunkang Industry	November 28, 2016
11	云康 YUNKANG	1	PRC	30031303	Yunkang Industry	March 14, 2019
12	云康 YUNKANG	9	PRC	30016780	Yunkang Industry	March 28, 2019
13	云康 YUNKANG	36	PRC	30016409	Yunkang Industry	January 28, 2019
14	云康 YUNKANG	37	PRC	30034300	Yunkang Industry	February 14, 2019
15	云康 YUNKANG	38	PRC	30026848	Yunkang Industry	June 21, 2019
16	云康 YUNKANG	39	PRC	30016476	Yunkang Industry	January 28, 2019
17	云康 YUNKANG	45	PRC	30030217	Yunkang Industry	February 7, 2019
18	云康门诊	5	PRC	33136938	Yunkang Industry	July 21, 2017
19	云康门诊	10	PRC	33127293	Yunkang Industry	August 7, 2019
20	云康医学物流	42	PRC	16000694	Yunkang Industry	March 14, 2016
21	云康 H·Cloud	5	PRC	16773868	Yunkang Industry	October 28, 2016
22	云康 H·Cloud	44	PRC	16774479	Yunkang Industry	November 28, 2016
23	云康 Health	44	PRC	16774405	Yunkang Industry	November 28, 2016
24	云康 H·Cloud	42	PRC	16774204	Yunkang Industry	September 7, 2016
25	云康 YUNKANG	5, 10, 36, 38, 39, 42, 44	Hong Kong	305498010	the Company	May 1, 2021

(b) Patents

As of the Latest Practicable Date, we owned the following registered patents which we consider to be or may be material to our business:

No.	Patent	Type	Place of Registration	Patent Number	Registered Owner	Expiry Date
1	A method for detecting single point mutation of gene with TaqMan probe quantitative polymerase chain reaction technology	Invention	PRC	ZL200710026606.2	Guangzhou Daan	January 30, 2027
2	Human parainfluenza virus typing and quantitative detection kit	Invention	PRC	ZL200810027106.5	Guangzhou Daan	March 31, 2028
3	Respiratory syncytial virus real-time fluorescent PCR detection kit	Invention	PRC	ZL200810028076.X	Guangzhou Daan	May 14, 2028
4	Specimen box	Utility	PRC	ZL201420040128.6	Yunkang Industry, Guangzhou Daan	January 22, 2024
5	Dried blood piece collection device	Utility	PRC	ZL201320544714.X	Guangzhou Daan, Yunkang Industry	September 3, 2023
6	Medical inspection information unified collection equipment	Utility	PRC	ZL201420774811.2	Yunkang Health, Yunkang Industry, Guangzhou Daan, Chengdu Daan	December 9, 2024
7	Medical inspection information collection system	Utility	PRC	ZL201420774844.7	Yunkang Health, Yunkang Industry, Guangzhou Daan, Chengdu Daan	December 9, 2024
8	Drip holder	Utility	PRC	ZL201420265391.5	Yunkang Industry, Guangzhou Daan	May 22, 2024
9	Auxiliary force-receiving mechanism and inspection device containing the auxiliary force-receiving mechanism	Invention	PRC	ZL201510218422.0	Guangzhou Daan, Chengdu Daan, Shanghai Daan, Yunkang Industry	April 30, 2025

No.	Patent	Type	Place of Registration	Patent Number	Registered Owner	Expiry Date
10	Auxiliary force-receiving mechanism and inspection device containing the auxiliary force-receiving mechanism	Utility	PRC	ZL201520277622.9	Guangzhou Daan, Chengdu Daan, Shanghai Daan, Yunkang Industry	April 30, 2025
11	Drying board	Utility	PRC	ZL201620772572.6	Chengdu Daan, Guangzhou Daan, Shanghai Daan, Hefei Daan	July 21, 2026
12	A cleaning device for medical equipment	Invention	PRC	ZL201510027096.5	Chengdu Daan	January 20, 2035
13	An intelligent safety management system for hospital case files	Invention	PRC	ZL201410626633.3	Yunkang Health	November 10, 2034
14	Detection method of drug resistance mutation in hepatitis B virus genome	Invention	PRC	ZL200410052531.1	Shanghai Daan	December 7, 2024
15	Picture classification system	Utility	PRC	ZL201922235021.2	Guangzhou Daan	December 13, 2029
16	Sample tube adapter	Utility	PRC	ZL201921294948.7	Guangzhou Daan, Yunkang Health, Chengdu Daan, Yunkang Industry, Shanghai Daan	August 9, 2029
17	Slide making device	Utility	PRC	ZL201921288397.3	Guangzhou Daan, Yunkang Health, Chengdu Daan, Yunkang Industry, Shanghai Daan	August 9, 2029
18	Test tube rack and its connecting parts	Utility	PRC	ZL201921289508.2	Guangzhou Daan, Yunkang Health, Chengdu Daan, Yunkang Industry, Shanghai Daan	August 9, 2029
19	Sharps collection box and its cover	Utility	PRC	ZL201921300022.4	Guangzhou Daan, Hefei Daan, Yunkang Health, Chengdu Daan, Yunkang Industry, Shanghai Daan	August 12, 2029

No.	Patent	Type	Place of Registration	Patent Number	Registered Owner	Expiry Date
20	Test tube numbering equipment	Utility	PRC	ZL201921302053.3	Guangzhou Daan, Hefei Daan, Yunkang Health, Chengdu Daan, Yunkang Industry, Shanghai Daan	August 12, 2029
21	Tissue wax block slice auxiliary device and tissue wax block slicer	Utility	PRC	ZL201921289542.X	Guangzhou Daan, Yunkang Health, Chengdu Daan, Yunkang Industry, Shanghai Daan	August 9, 2029
22	Test tube capping device	Utility	PRC	ZL201921298930.4	Guangzhou Daan, Hefei Daan, Yunkang Health, Chengdu Daan, Yunkang Industry, Shanghai Daan	August 12, 2029
23	Computer with graphical user interface to motivate employees	Appearance design	PRC	ZL201930488727.2	Guangzhou Daan	September 5, 2029
24	A specimen box with independent temperature division zone	Utility	PRC	ZL201922015036.8	Guangzhou Daan, Zhejiang Wugu Saxin Cold Chain Technology Co., Ltd.	November 20, 2029
25	High-throughput screw biological information analysis method and device, equipment and storage medium	Invention	PRC	ZL201710619197.0	Guangzhou Daan, Chengdu Daan	July 26, 2037
26	Multifunctional sample storage box	Utility	PRC	ZL202021591131.9	Guangzhou Daan	August 4, 2030
27	Resource access method, device, computer equipment and storage medium	Invention	PRC	ZL201910150685.0	Guangzhou Daan	February 28, 2039
28	An influenza virus typing detection kit	Invention	PRC	ZL201010229496.1	Da An Gene, Chengdu Daan	July 16, 2030
29	A kit for detecting herpes simplex virus type I by fluorescent PCR	Invention	PRC	ZL201210014382.4	Da An Gene, Guangzhou Daan	January 16, 2032
30	Incubation box	Utility	PRC	ZL202121255343.4	Guangzhou Daan, Yunkang Health	June 4, 2031

As of the Latest Practicable Date, we had applied for the registration of the following patents which we consider to be or may be material to our business:

No	Patent	Type	Place of Registration	Application Number	Applicant	Application Date
1	An ankylosing spondylitis remote consultation sharing platform and use method thereof	Invention	PRC	201710465223.9	Guangzhou Hekang Medical Technology Co., Ltd., Guangzhou Daan, The Third Affiliated Hospital of Sun Yat-sen University	June 19, 2017
2	Method, device, computer equipment and storage medium for expanding two-dimensional code function	Invention	PRC	201910154869.4	Guangzhou Daan, Yunkang Health, Chengdu Daan, Yunkang Industry, Shanghai Daan	March 1, 2019
3	Inspection data query method, device, computer equipment and storage medium	Invention	PRC	201910154866.0	Guangzhou Daan, Yunkang Health, Chengdu Daan, Yunkang Industry, Shanghai Daan	March 1, 2019
4	Insurance information inquiry method, device, computer equipment and storage medium	Invention	PRC	201910154867.5	Guangzhou Daan, Yunkang Health, Chengdu Daan, Yunkang Industry, Shanghai Daan	March 1, 2019
5	Data processing method, system and device	Invention	PRC	201910151351.5	Guangzhou Daan, Yunkang Health, Chengdu Daan, Yunkang Industry, Shanghai Daan	February 28, 2019

No	Patent	Type	Place of Registration	Application Number	Applicant	Application Date
6	Remote image reading method and remote image reading agent service system	Invention	PRC	201910152080.5	Guangzhou Daan, Yunkang Health, Chengdu Daan, Yunkang Industry, Shanghai Daan	February 28, 2019
7	Glass slide file processing method, device, server and readable storage medium	Invention	PRC	201910151840.0	Guangzhou Daan, Yunkang Health, Chengdu Daan, Yunkang Industry, Shanghai Daan	February 28, 2019
8	Data printing method, device, equipment and storage medium	Invention	PRC	201910152240.6	Guangzhou Daan, Yunkang Health, Chengdu Daan, Yunkang Industry, Shanghai Daan	February 28, 2019
9	Document entry method, device, computer equipment and storage medium	Invention	PRC	201910150457.3	Guangzhou Daan, Yunkang Health, Chengdu Daan, Yunkang Industry, Shanghai Daan	February 28, 2019
10	Medical cold chain detection method, device, equipment and storage medium	Invention	PRC	201910155126.9	Guangzhou Daan, Yunkang Health, Chengdu Daan, Yunkang Industry, Shanghai Daan	March 1, 2019
11	Medical cold chain positioning method, device, equipment and storage medium	Invention	PRC	201910154781.2	Guangzhou Daan, Yunkang Health, Chengdu Daan, Yunkang Industry, Shanghai Daan	March 1, 2019
12	Method for detecting manganese content in whole blood	Invention	PRC	201910735142.5	Guangzhou Daan, Yunkang Health, Chengdu Daan, Yunkang Industry, Shanghai Daan	August 9, 2019

No	Patent	Type	Place of Registration	Application Number	Applicant	Application Date
13	Remote fundus photographing and reading method, photographing method and system, and photographing transfer box	Invention	PRC	201910735915.X	Guangzhou Daan, Yunkang Health, Chengdu Daan, Yunkang Industry, Shanghai Daan	August 9, 2019
14	Chromosome C banding method	Invention	PRC	201911040181.X	Guangzhou Daan, Yunkang Health, Chengdu Daan, Yunkang Industry, Shanghai Daan	October 29, 2019
15	Chromosome N banding method	Invention	PRC	201911316879.X	Guangzhou Daan, Yunkang Health, Chengdu Daan, Yunkang Industry, Shanghai Daan	December 19, 2019
16	Kit for detecting typhoid fever and paratyphoid fever and its application	Invention	PRC	201910910962.3	Guangzhou Daan, Yunkang Health, Chengdu Daan, Yunkang Industry, Shanghai Daan	September 25, 2019
17	Picture grade classification method, device, computer equipment and storage medium	Invention	PRC	201911283146.0	Guangzhou Daan	December 13, 2019
18	Construction method, construction device, equipment and storage medium of chromosome karyotype analysis simulation data set	Invention	PRC	202111128987.1	Guangzhou Daan	September 26, 2021

(c) Domain names

As of the Latest Practicable Date, we owned the following domain name which we consider to be or may be material to our business:

No.	Domain Name	Registered Owner	Expiry Date
1	daanlab.cn	Guangzhou Daan	April 9, 2021
2	ykhealth.cn	Guangzhou Daan	May 13, 2021
3	yklis.com	Guangzhou Daan	July 24, 2023
4	yunkang.me	Guangzhou Daan	April 23, 2021
5	yunkanghealth.com	Guangzhou Daan	November 12, 2026
6	yktelemedicine.com	Guangzhou Daan	June 24, 2021
7	daan360.cn	Yunkang Health	August 18, 2022
8	yktelegenetics.com	Yunkang Health	February 26, 2021
9	daanjk.com	Yunkang Health	January 31, 2023
10	yunkanghealth.com.cn	Yunkang Industry	November 20, 2022
11	yunkangcapital.com	Shenzhen Qianhai Yunkang Medical and Laboratory Management Service Co., Ltd.	July 20, 2021
12	daanlab.com	Guangzhou Daan	April 9, 2022
13	szyunkanghealth.com	Shenzhen Yunkang Doctor Group Co., Ltd (深圳雲康醫生集團有限公司)	June 13, 2024
14	yunkangdoctor.com	Shenzhen Yunkang Doctor Group Co., Ltd	August 14, 2024

(d) Software copyrights

As of the Latest Practicable Date, we are the registered owner(s) of the following software copyrights which, in the opinion of our Directors, are material to our business:

No	Software	Place of Registration	Name of Registered Proprietor(s)	Registration Certificate Number	Date of Registration*(Note)*
1	DaAn Inspection Information Management System V1.0	PRC	Yunkang Health	2010SR056911	October 16, 2017
2	Dakang Inspection Information Management System Software V1.0	PRC	Yunkang Health	2011SR031525	October 16, 2017
3	Dacheng Food Inspection System V1.0	PRC	Guangzhou Daan	2011SR037857	June 16, 2011

No	Software	Place of Registration	Name of Registered Proprietor(s)	Registration Certificate Number	Date of Registration[(Note)]
4	Diabetic Fundus Lesion Prevention System V1.0	PRC	Guangzhou Daan	2017SR152644	May 3, 2017
5	Kangyuan System V1.0	PRC	Yunkang Health	2015SR132605	October 16, 2017
6	Yunkang Inspection Information System V1.0	PRC	Guangzhou Daan	2017SR252347	June 9, 2017
7	Yunkang Online Quality Control Management System V1.0	PRC	Guangzhou Daan	2017SR152637	May 3, 2015
8	Susceptibility Gene Detection System V1.0	PRC	Yunkang Health	2016SR181913	October 16, 2017
9	Physical Examination System V1.0	PRC	Yunkang Health	2016SR182113	October 16, 2017
10	Yunkang Order Reservation System V1.0	PRC	Yunkang Health	2016SR181964	July 15, 2016
11	IT Service Management System V1.0	PRC	Yunkang Health	2016SR182180	October 16, 2017
12	Yunkang System V1.0	PRC	Yunkang Health	2016SR181661	October 16, 2017
13	DaAn Yunkang Medical Care Platform System V1.0	PRC	Yunkang Health	2016SR181698	October 16, 2017
14	DaAn Expert Experience Inheritance System V1.0	PRC	Yunkang Health	2016SR182195	October 16, 2017
15	Test Specimen Tracking Management System V1.0	PRC	Yunkang Health	2016SR181826	July 15, 2016
16	Community Signing and Reporting System V1.0	PRC	Yunkang Health	2016SR180590	October 16, 2017
17	Yunkang White Angel Alliance System V1.0	PRC	Yunkang Health	2016SR181409	October 16, 2017
18	Refined Management System V1.0	PRC	Yunkang Health	2016SR181960	October 16, 2017
19	Yunkang Non-invasive Prenatal High-throughput Gene Sequencing data analysis software V1.0	PRC	Guangzhou Daan	2017SR167404	May 9, 2017
20	Yunkang Remote Pathology Consultation Platform V1.0	PRC	Yunkang Health	2016SR387323	December 22, 2016
21	Baobiao System V1.0	PRC	Yunkang Health	2017SR262256	June 14, 2017
22	Medical Laboratory-Obstetrics and Gynecology Report Inquiry Platform V1.0	PRC	Yunkang Health	2018SR310932	May 7, 2018
23	Regional Medical Laboratory Quality Control Platform V1.0	PRC	Yunkang Health	2018SR310937	May 7, 2018
24	Yunkang Medical Service APP Software V1.0	PRC	Yunkang Health	2018SR311237	May 7, 2018

No	Software	Place of Registration	Name of Registered Proprietor(s)	Registration Certificate Number	Date of Registration[(Note)]
25	Yunkang Remote Pathology Consultation Platform V1.0	PRC	Yunkang Health	2018SR311232	May 7, 2018
26	Regional Medical Cloud Base-Instrument Cloud Platform V1.0	PRC	Yunkang Health	2018SR311186	May 7, 2018
27	Yunkang Medical Inspection Management Platform V1.0	PRC	Yunkang Health	2018SR311191	May 7, 2018
28	Birth Defects Cloud Platform V1.0	PRC	Guangzhou Daan	2019SR1419235	December 24, 2019
29	Non-standard Instrument Software V1.0	PRC	Guangzhou Daan	2019SR1412222	December 23, 2019
30	Intelligent Recognition System for Diabetic Retinopathy Based on Artificial Intelligence V1.0	PRC	Guangzhou Daan	2019SR1412162	December 23, 2019
31	Yunkang Miaoyizhai APP software V1.0	PRC	Guangzhou Daan	2019SR1412234	December 23, 2019
32	Logistics Management Platform V1.0	PRC	Guangzhou Daan	2019SR1411075	December 23, 2019
33	Fundus Photo Image Transmission System V1.0	PRC	Guangzhou Daan	2019SR1419162	December 24, 2019
34	Central Library Management Platform V1.0	PRC	Guangzhou Daan	2019SR1411217	December 23, 2019
35	Yunkang IOT-PaaS Platform V1.0	PRC	Guangzhou Daan	2019SR1411281	December 23, 2019
36	Daan Medical Fundus Detection System Software V1.0	PRC	Chengdu Daan	2019SR0426228	May 6, 2019
37	Public Health Examination Information Management Software V1.0	PRC	Chengdu Daan	2019SR0426267	May 6, 2019
38	Yunkang Medical Consortium Service Platform Based on SAAS Mode V1.0	PRC	Yunkang Health	2019SR0488974	May 20, 2019
39	Two-cancer Screening Intelligent Management System V1.0	PRC	Chengdu Daan	2019SR0426257	May 6, 2019
40	Regional Medical Pathology Detection System V1.0	PRC	Chengdu Daan	2019SR0430762	May 6, 2019
41	Medical Staff Operation Management Platform V1.0	PRC	Chengdu Daan	2019SR0426219	May 6, 2019
42	Medical Report Photo Record Management System V1.0	PRC	Chengdu Daan	2019SR0430764	May 6, 2019

No	Software	Place of Registration	Name of Registered Proprietor(s)	Registration Certificate Number	Date of Registration[(Note)]
43	Hospital Financial Settlement Center System Software V1.0	PRC	Chengdu Daan	2019SR0430571	May 6, 2019
44	Hospital Logistics Node Management System V1.0	PRC	Chengdu Daan	2019SR0426240	May 6, 2019
45	Yunkang Public Health File Management System V1.0	PRC	Yunkang Health	2019SR0488969	May 20, 2019
46	Yunkang Medical Road Logistics APP Software V1.0	PRC	Yunkang Health	2019SR0489420	May 20, 2019
47	Yunkang Doctor APP software	PRC	Yunkang Health	2019SR0489425	May 20, 2019
48	Changgeng Cloud Management Platform V1.0	PRC	Yunkang Health	2019SR0489430	May 20, 2019
49	New Coronavirus Screening Prevention and Control Platform V1.0	PRC	Guangzhou Daan, Yunkang Health	2020SR1841483	December 17, 2020
50	Yunkang Customer Management System V1.0	PRC	Guangzhou Daan, Yunkang Health	2021SR0008456	January 4, 2021
51	Susceptibility Gene Detection System V2.0	PRC	Yunkang Health	2020SR1742429	December 4, 2020
52	Yunkang Medical Platform Software V2.0	PRC	Yunkang Health	2020SR1743737	December 7, 2020
53	Non-invasive Prenatal Testing Report Query System	PRC	Yunkang Health	2020SR1743751	December 7, 2020
54	Yunkang Service App Software V2.0	PRC	Yunkang Health	2020SR1799679	December 11, 2020
55	Family Doctor Signing Service System V1.0	PRC	Yunkang Health	2021SR0014235	January 5, 2021
56	Yunkang Online Physical Examination System V2.0	PRC	Yunkang Health	2021SR0014237	January 5, 2021
57	Under Longitudinal Eyepiece Real Time Visual Field Sharing System V1.0	PRC	Yunkang Health; Guangzhou Daan	2021SR1363736	September 13, 2021
58	Yunkang Remote Pathology Mobile Film Reading System V1.0	PRC	Guangzhou Daan, Chengdu Daan	2021SR1383679	September 15, 2021

No	Software	Place of Registration	Name of Registered Proprietor(s)	Registration Certificate Number	Date of Registration[(Note)]
59	Primary Prevention Platform for Birth Defects V1.0	PRC	Guangzhou Daan, Chengdu Daan	2021SR1383618	September 15, 2021
60	Yunkang Customer Management System V1.0	PRC	Guangzhou Daan	2020SR1209836	October 13, 2020
61	High Throughput Sequencing Bioinformatics Analysis System V1.0	PRC	Guangzhou Daan	2021SR1509201	October 14, 2021
62	Yunkang Nucleic Acid Detection Service Reservation System V1.0	PRC	Chengdu Daan	2021SR1567703	October 26, 2021

(e) Works copyrights

As of the Latest Practicable Date, we are the registered owner(s) of the following works copyrights which, in the opinion of our Directors, are material to our business:

No	Work	Place of Registration	Name of Registered Proprietor(s)	Registration Certificate Number	Date of Registration
1	Guidelines for the Application of Quality and Competence Standards in Primary Medical Laboratories in China	PRC	Guangzhou Daan	Guozuo Dengzi-2017-L-00384411	September 7, 2017
2	Quality and Ability Checklist of Primary Medical Laboratory	PRC	Guangzhou Daan	Guozuo Dengzi-2017-L-00384434	September 7, 2017

Save as aforesaid, as of the Latest Practicable Date, there were no other intellectual property rights which the Company considers to be or may be material to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Particulars of Directors' service contracts and appointment letters

(a) Executive Directors

Each of our executive Directors has entered into a service contract with our Company on February 20, 2022. The initial term of their respective service contracts shall commence from the date of his/her appointment as a Director and continue for a period of three years after or until the third annual general meeting of our Company since the [**REDACTED**], whichever is earlier, and shall be automatically renewed for successive periods of three years (subject always to re-election as and when required under the Articles), until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other not less than three months' prior notice in writing.

(b) Non-executive Director and Independent non-executive Directors

Each of our non-executive Director and independent non-executive Directors has entered into an appointment letter with our Company on February 20, 2022. The initial term for their appointment letters shall commence from the date of his/her appointment as a Director and continue for a period of three years after or until the third annual general meeting of the Company since the [**REDACTED**], whichever is earlier, and shall be automatically renewed for successive periods of three years (subject always to re-election as and when required under the Articles), until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

2. Remuneration of Directors

Remuneration and benefits in kind of approximately RMB24,000, RMB35,000, RMB36,000 and RMB39,000 in aggregate were paid and granted by our Group to our Directors in respect of the years ended December 31, 2018, 2019, 2020 and 2021.

Under the arrangements currently in force, our Directors will be entitled to receive remuneration and benefits in kind which, for the year ending December 31, 2021, is expected to be approximately HK$1.25 million in aggregate (excluding discretionary bonus).

3. Disclosure of interests

(a) Interests and Short Positions of Our Directors and the Chief Executive of Our Company in the Share Capital of Our Company and Its 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 and its 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 recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

(i) Interest in associated corporation of our Company

Name of Director	Nature of interest	Name of associated corporation	Percentage of shareholding in the associated corporation
Mr. Zhang Yong	Beneficial Owner	Huizekx Limited	100%
	Interested in a controlled corporation	YK Development	64.04%
Dr. He Yunshao	Interested in a controlled corporation	Da An Gene	1.82%
Mr. Zhou Xinyu	Interested in a controlled corporation	Da An Gene	1.25%

(b) Interests and Short Positions Discloseable under Divisions 2 and 3 of Part XV of the SFO

For information on the persons who will, immediately following the completion of the [**REDACTED**] (assuming the [**REDACTED**] is not exercised), having or be deemed or taken to have beneficial interests or short position in our Shares or underlying shares which would fall to be disclosed to our Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be 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 our Company, see "Substantial Shareholders."

Save as set out above, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the [**REDACTED**], be interested, directly or indirectly, in 10% or more of the nominal of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such capital.

4. Disclaimers

Save as disclosed in this document:

(a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of the Group;

(b) none of our Directors or the experts named in "—D. Other Information—4. Qualifications and Consents of Experts" has any direct or indirect interest 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;

(c) save as disclosed in this document or in connection with the [**REDACTED**], none of our Directors nor any of the experts named in "—D. Other Information—4. Qualifications and Consents of Experts" is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of our Group as a whole;

(d) taking no account of any Shares which may be taken up under the [**REDACTED**], so far as is known to any Director or chief executive of our Company, no other person (other than a Director or chief executive of our Company) will, immediately following completion of the [**REDACTED**], have interests or short positions 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 (not being a member of our Group), be interested, directly or indirectly, 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 member of our Group;

(e) none of the Directors or chief executive of our Company has any interests or short positions in the Shares, underlying shares or debentures of our Company or its 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 into the register referred

to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to our Company and the Stock Exchange once the Shares are listed thereon;

(f) save in connection with the [**REDACTED**], none of the experts named in "—D. Other Information—4. Qualifications and Consents of Experts": (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to [**REDACTED**] or to nominate persons to [**REDACTED**] in any member of our Group; and

(g) none of our Directors or their respective close associates or any Shareholders of our Company (who to the knowledge of out Directors owns more than 5% of the number of our issued shares) has any interest in our five largest suppliers or our five largest customers.

D. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

As of the Latest Practicable Date, our Directors are not aware of any litigation, arbitration proceedings or claim of material importance is pending or threatened against any member of our Group that could have a material adverse effect on our financial condition or results of operations.

3. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the [**REDACTED**] for the [**REDACTED**], the Shares in issue and to be issued pursuant to the [**REDACTED**] and the [**REDACTED**] (if any). All necessary arrangements have been made to enable such Shares to be admitted into [**REDACTED**].

CMB International Capital Limited satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

SPDB International Capital Limited has declared that as regards its relationship with our Company, it is not and does not expect to be independent on the following basis:

(a) On February 3, 2021, YK Development, Huizekx Limited, Mr. Zhang Yong and SPDB HK entered into a share purchase agreement, pursuant to which SPDB HK purchased 100,000 ordinary Shares at a consideration of United States dollars equivalent to RMB63.0 million from YK Development. SPDB HK is a company incorporated in Hong Kong and directly holds 16.67% interest in SPDB International Capital Limited, one of the Joint Sponsors for the [**REDACTED**]. SPDB HK and SPDB International Capital Limited are both subsidiaries of Shanghai Pudong Development Bank Co., Ltd. For details, please see "History, Reorganization and Corporate Structure—Pre-[**REDACTED**]."

(b) On February 9, 2021, YK Development as borrower, SPDB HK as lender, and Huizekx Limited and Mouduans Limited as guarantors, entered into the Offshore Facility Agreement, pursuant to which the lender extended a US$40 million loan facility to YK Development. For details, please see "History, Reorganization and Corporate Structure—Facility Agreements and Security Documents."

(c) Gaoxin Yangguang as borrower and SPDB Guangzhou Wuyang Branch, as lender, entered into the Onshore Facility Agreements on February 20, 2021 and February 22, 2021, pursuant to which the lenders extended an approximately RMB344.21 million loan to Gaoxin Yangguang. SPDB Guangzhou Wuyang Branch is a branch of Shanghai Pudong Development Bank Co., Ltd., which is the holding company of SPDB International Capital Limited, one of the Joint Sponsors for the [**REDACTED**]. For details, please see "History, Reorganization and Corporate Structure—Facility Agreements and Security Documents."

The Joint Sponsors will be paid by our Company an aggregate fee of approximately US$1.4 million to act as joint sponsors to the Company in connection with the [**REDACTED**].

4. Qualifications and consents of experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this document with the inclusion 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 respectively appear.

Name	Qualification
CMB International Capital Limited	Licensed under the SFO and permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO
SPDB International Capital Limited	Licensed under the SFO and permitted to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO

Name	Qualification
Zhong Lun Law Firm	Legal advisers as to PRC law
Maples and Calder (Hong Kong) LLP	Legal advisers as to Cayman Islands laws
PricewaterhouseCoopers	Certified Public Accountants under Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong) Registered Public Interest Entity Auditor under Financial Reporting Council Ordinance (Chapter 588 of the Laws of Hong Kong)
Frost & Sullivan	Industry consultant

As of the Latest Practicable Date, none of the experts named above had any shareholding interest in our Company or any of our subsidiaries or the right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

5. Taxation of holders of Shares

Hong Kong

The sale, purchase and transfer of Shares registered with our Hong Kong branch register of members will be subject to Hong Kong stamp duty. The current rate charged on each of the purchaser and seller is 0.13% of the consideration or, if higher, of the value of the Shares being sold or transferred. Profits from dealings in the shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

Cayman Islands

Under present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfers of Shares if they are executed and remain outside the Cayman Islands and the Company does not hold any interest in land in Cayman Islands.

Consultation with professional advisers

Potential investors in the [**REDACTED**] are urged to consult their professional tax advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of, and dealing in our shares (or exercising rights attached to them). None of us, the Joint Sponsors, [**REDACTED**], any of their respective directors or any other person

or party involved in the [**REDACTED**] accept responsibility for any tax effects on, or liabilities of, any person, resulting from the subscription, purchase, holding or disposal of, dealing in or the exercise of any rights in relation to our Shares.

6. No material and adverse change

Our Directors believe that there has been no material or adverse change in the financial or trading or prospects of our Group since April 30, 2021 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

7. Promoters

We have no promoter for the purpose of the Listing Rules. Save as disclosed in this document, 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.

8. Preliminary expenses

The preliminary expenses incurred by our Company in relation to our corporation were approximately RMB34,200 and have been paid by our Company.

9. 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.

10. 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).

[**REDACTED**]

12. Miscellaneous

(a) Save as disclosed in this document, within the two years immediately preceding the date of this document:

(i) no share or loan capital or debenture of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid other than in cash or otherwise;

(ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and

(iii) no commissions, discounts, brokerage or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;

(b) Save as disclosed in this document:

(i) no founder, management or deferred shares nor any debentures of our Company or any of our subsidiaries have been issued or agreed to be issued;

(ii) our Company has no outstanding convertible debt securities or debentures;

(iii) there is no arrangement under which future dividends are waived or agreed to be waived or is agreed conditionally or unconditionally to be put under option;

(iv) no share or loan capital or debenture of our Company of any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(v) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries by our Company for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company or any of our subsidiaries; and

(vi) there has not been any interruption in the business of our Company which may have or have had a material and adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this document.

(c) Save as disclosed in "—B. Further Information about Our Business—1. Summary of Material Contracts", none of our Directors or proposed Directors or experts (as named in this document), have any interest, direct or indirect, 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) The principle register of members of our Company will be maintained by our [**REDACTED**], Maples Fund Services (Cayman) Limited, in the Cayman Islands and our Hong Kong branch register of members will be maintained by our [**REDACTED**], [**REDACTED**], in Hong Kong. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our [**REDACTED**] and may not be lodged in the Cayman Islands.

(e) No company within our Group is presently listed on any stock exchange or traded on any trading system and no listing or permission to deal is being or is proposed to be sought.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this document and delivered to the Registrar of Companies in Hong Kong for registration were:

(a) a copy of the [**REDACTED**];

(b) the written consents referred to in the section headed "Statutory and General Information—D. Other Information—4. Qualifications and Consents of Experts" in Appendix IV to this document;

(c) a copy of each 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) the statement of particulars of the [**REDACTED**] referred to in "Appendix IV—Statutory and General Information—D. Other Information—11. Particulars of the [**REDACTED**]."

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available on display on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.yunkanghealth.com** during a period of 14 days from the date of this document:

(a) the Memorandum and the Articles of Association;

(b) the Accountant's Report and the report on the [**REDACTED**] of our Group from PricewaterhouseCoopers, the text of which is set out in Appendix I and Appendix II to this document;

(c) the audited financial statements of our Group for the three years end December 31, 2018, 2019, 2020 and 2021;

(d) the legal opinion issued by Zhong Lun Law Firm, our PRC Legal Advisers in respect of certain general corporate matters and property interests of our Group in the PRC;

(e) the letter of advice prepared by Maples and Calder (Hong Kong) LLP, our legal advisor as to the law of the Cayman Islands, summarizing certain aspects of the Cayman Islands company law referred to in Appendix III to this document;

(f) the industry report prepared by Frost & Sullivan;

(g) the material contracts referred to in the section entitled "B. Further Information about Our Business—1. Summary of Material Contracts" in Appendix IV to this document;

(h) the written consents referred to in the section entitled "D. Other Information—4. Qualifications and Consents of Experts" in Appendix IV to this document;

(i) the service contracts or letters of appointment referred to in the section headed "C. Further Information about Our Directors—1. Particulars of Directors' Service Contracts and Appointment Letters" in Appendix IV to this document;

(j) the statement of particulars of the [**REDACTED**]; and

(k) the Cayman Companies Act.