ADICON 艾迪康

ADICON HOLDINGS LIMITED
艾迪康控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9860)

2024
ANNUAL REPORT

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DEFINITION

"Articles of Association"	the articles of association of the Company, as amended from time to time
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors of the Company
"Carlyle"	The Carlyle Group Inc., a company listed on Nasdaq Global Select Market (ticker symbol: CG)
"Cayman Companies Law"	the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"China" or "PRC"	the People's Republic of China, and for the purpose of this annual report only and except where the context requires, references in this annual report to "China" and the "PRC" do not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company", "our Company" or "the Company"	ADICON Holdings Limited (艾迪康控股有限公司), an exempted limited liability company incorporated in the Cayman Islands on March 20, 2008
"Contractual Arrangements"	the series of contractual arrangements entered into by Aidiken WFOE, Hangzhou Adicon and the Contractual Registered Shareholders
"Contractual Registered Shareholders"	Ms. LAN Jia (蘭佳), Ms. LIAN Hailun (連海倫) and Hangzhou Kangming
"Corelink"	Corelink Group Limited, a limited liability company incorporated in the British Virgin Islands on January 2, 2008, a company wholly-owned by Mr. LIN Jixun, one of the founders of the Group and a non-executive Director

DEFINITION

"CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"COVID-19"	coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2
"CRO"	contract research organization
"Director(s)"	director(s) of the Company
"ESG"	Environmental, Social and Governance
"Financial Statements"	the consolidated financial statements of the Group for the year ended December 31, 2024 as audited by Ernst & Young
"FVTPL"	fair value through profit or loss
"Global Offering"	the global offering of Shares by the Company on the terms and conditions described in the Prospectus
"Group,""our Group" or "the Group"	the Company, its subsidiaries and consolidated affiliated entities from time to time
"Hangzhou Adicon"	Adicon (Hangzhou) Clinical Laboratories Co., Ltd. (杭州艾迪康醫學檢驗中心有限公司), a limited liability company established in the PRC on January 16, 2004, one of the PRC Operating Entities controlled by the Group through the Contractual Arrangements
"Hangzhou Kangming"	Hangzhou Kangming Shengjin Technology Partnership (Limited Partnership) (杭州康銘盛錦科技合夥企業(有限合夥)), a limited partnership established in the PRC on August 12, 2020, which is a registered shareholder of Hangzhou Adicon and with its limited partners of certain employees of the Group
"HK$", "HKD" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"ICL"	independent clinical laboratory
"IFRS"	International Financial Reporting Standards, as issued by the International Accounting Standards Board
"IT"	information technology
"LIS"	laboratory information system

DEFINITION

"Listing Date"	June 30, 2023
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the GEM of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"Nomination Committee"	the nomination committee of the Board
"PRC Operating Entities"	the entities controlled by the Group through the Contractual Arrangements, namely Hangzhou Adicon and its subsidiaries
"Prospectus"	the prospectus issued by the Company on June 19, 2023
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	Renminbi, the lawful currency of the PRC
"RSU(s)"	the restricted share units
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of the Company with a par value of US$0.00002 each
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategy Committee"	the strategy committee of the Board
"subsidiary" or "subsidiaries"	has the meaning ascribed to it in section 15 of the Companies Ordinance
"2019 Incentive Plans"	the senior executive incentive plan of the Company and the senior management incentive plan of the Company adopted and approved on July 9, 2019, as amend from time to time
"2024 Incentive Plan"	the 2024 incentive plan of the Company adopted and approved on March 28, 2024, as amend from time to time
"%"	percentage

CHAIRWOMAN'S STATEMENT

The year 2024 presented both challenges and opportunities. While uncertainties in the macroeconomic environment and market fluctuations created headwinds, we remain confident in the long-term prospects of the ICL industry. In response, we have adjusted our strategy, increased investments in technology platforms and talent development, to keep ADICON on a stable growth path and further strengthen our competitive edge to capture opportunities in the ICL industry's next phase of growth.

Despite market challenges, we delivered industry-leading results. In 2024, our base testing business grew by over 8%, esoteric testing by more than 18%, and co-construction business saw an impressive 62% increase. Strong performance in tender bids further expanded our market share, highlighting our competitive strength.

In 2024, we finalized our five-year strategic plan for the esoteric business. This plan details key projects, technology platforms, target markets, regional focus, capacity planning, and future development initiatives, while also setting clear investment priorities for the next five years. We are strengthening our expertise in hematology and oncology while expanding into neurodegenerative and chronic disease segments. Our goal is to drive innovation and achieve breakthroughs in key technologies such as early screening and precision diagnosis. Key projects, including metagenomic sequencing, tumor methylation early screening, and diagnostic transmission electron microscopy, align with our technical strengths and present significant market potential. These initiatives are set to reinforce our leadership in esoteric testing and enhance the clinical value of the diagnostic services we provide.

Our co-construction business continues to be a key growth driver. This segment, involving collaborative laboratory establishment with partner institutions, is not only an important channel for market expansion but is also crucial for resource sharing, technology integration, and service innovation. In 2024, we deepened partnerships with hospitals and research institutions, leveraging shared resources, technology, and talent to contribute to the industry's advancement. Moving forward, we plan to expand regional collaborations to further solidify our market position.

Digital transformation remains a key strategic focus. In 2024, we increased investments in digital platforms and AI, further integrating information technology with clinical diagnostics. Our new next generation Laboratory Information Management System (LIMS) has been deployed across 20 key subsidiaries, with full implementation expected by the end of 2025 to enhance the laboratory management and data handling capacity. Meanwhile, AI technology has been widely adopted across our Company to archieve a breadth of operational improvement. including:

- ***Internal Efficiency:*** We developed intelligent assistants like AI-Yi Assistant, AI-Xiaoying, and AiDa to provide prompt, professional support to our employees.

- ***Diagnostic Assistance:*** AI-driven tools for pathology analysis have been successfully implemented in areas such as cervical cancer screening and reproductive genetics. These tools enhance reading speeds by a factor of 6-7 compared to manual methods, and AI has already assisted in the review of over 8 million slides.

- ***Report Interpretation:*** We utilize AI to automatically interpret and analyze test reports, streamlining processes, improving efficiency, and providing more reliable data to support clinical decision-making. We are also implementing platform upgrades to several core digital systems – including our Order Management System (OMS), AI-powered Logistics (AI Logistics), Pathology Information Management System (PIMS), Reporting Platforms, and Regional Laboratory Information Systems (LIS) – to further propel business development and innovation.

CHAIRWOMAN'S STATEMENT

ADICON made significant strides in enhancing our laboratory capabilities in 2024. Fourteen subsidiaries achieved triple-system certification, reflecting our commitment to excellence in quality management. We currently operate 23 ISO15189-accredited laboratories, with industry-leading accreditation projects. Furthermore, the introduction of over 300 new tests during 2024 further solidified our competitive advantage and market leadership.

OUTLOOK

Recognizing opportunities for industry consolidation, we plan to pursue strategic mergers and acquisitions with companies that possess advanced diagnostic capabilities. By integrating resources and complementary technologies, we aim to strengthen our expertise in esoteric testing, enhance our competitive edge, and provide clients with more comprehensive diagnostic solutions, ultimately creating greater medical value.

We are focused on driving steady growth in the routine testing segment while accelerating the expansion of esoteric testing with an emphasis on medical value. Our co-construction segment will strengthen supply chain and service capabilities, complemented by our distribution segment's operational support. We will continue to invest in core businesses to increase revenue and profitability, prioritizing innovation, efficient execution, and global partnerships to adapt to market changes. With the dedication of our team, we are confident in achieving sustained growth and delivering strong returns for our investors.

APPRECIATION

Finally, I would like to express my gratitude once again to all our Shareholders, customers and employees for their trust and support in ADICON. We look forward to working together with you to create an even brighter future for our Company.

Ms. YANG Ling
Chairwoman

March 31, 2025

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Director

Mr. GAO Song *(Chief Executive Officer)*

Non-executive Directors

Ms. YANG Ling *(Chairwoman of the Board)*
Mr. LIN Jixun
Ms. FENG Janine Junyuan
Mr. ZHOU Mintao*
Ms. LIM Kooi June**

Independent Non-executive Directors

Mr. MI Brian Zihou
Mr. YEH Richard
Mr. ZHANG Wei

AUDIT COMMITTEE

Mr. YEH Richard *(Chairman)*
Mr. ZHANG Wei
Mr. MI Brian Zihou

REMUNERATION COMMITTEE

Mr. MI Brian Zihou *(Chairman)*
Ms. YANG Ling
Mr. ZHANG Wei

NOMINATION COMMITTEE

Ms. YANG Ling *(Chairwoman)*
Mr. ZHANG Wei
Mr. YEH Richard

STRATEGY COMMITTEE

Mr. ZHOU Mintao *(Chairman)*
Ms. YANG Ling
Mr. GAO Song
Mr. LIN Jixun
Ms. FENG Janine Junyuan

AUTHORIZED REPRESENTATIVES

Ms. YANG Ling
Mr. WANG Lawrence Allen

JOINT COMPANY SECRETARIES

Mr. WANG Lawrence Allen
Ms. SO Ka Man *(FCG, HKFCG (PE))*

REGISTERED OFFICE

P.O. Box 31119 Grand Pavilion
Hibiscus Way, 802 West Bay Road, Grand Cayman
KY1-1205
Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND HEADQUARTERS IN THE PRC

No. 208, Zhenzhong Road
West Lake District
Hangzhou, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suite 1303, 13/F, Golden Centre
188 Des Voeux Road Central
Sheung Wan
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Vistra (Cayman) Limited

P.O. Box 31119 Grand Pavilion
Hibiscus Way, 802 West Bay Road, Grand Cayman
KY1-1205
Cayman Islands

* Mr. ZHOU Mintao has become a non-executive Director on May 30, 2024
** Ms. LIM Kooi June retired as a non-executive Director on May 30, 2024

CORPORATE INFORMATION

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

HONG KONG LEGAL ADVISOR

Kirkland & Ellis
26th Floor, Gloucester Tower
The Landmark, 15 Queen's Road Central
Central, Hong Kong

AUDITOR

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

COMPLIANCE ADVISER

Rainbow Capital (HK) Limited
No. 710, 7/F, Wing On House
71 Des Voeux Road Central
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STOCK CODE

9860

FIVE-YEAR FINANCIAL REVIEW

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

	For the year ended December 31,				
	2024	2023	2022	2021	2020
	(RMB in thousands)				
Revenue	**2,914,113**	3,297,828	4,860,613	3,379,515	2,741,731
Gross profit	**1,098,649**	1,434,107	1,896,165	1,442,389	1,116,660
Profit before tax	**91,960**	349,372	820,812	417,243	358,185
Profit for the year	**62,563**	262,322	684,884	322,295	289,453
Profit attributable to owners of the parent	**47,014**	234,885	680,793	315,540	284,121

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As of December 31,				
	2024	2023	2022	2021	2020
	(RMB in thousands)				
ASSETS					
Non-current assets	**1,634,339**	1,250,150	959,261	571,734	388,629
Current assets	**3,050,678**	3,303,388	3,894,972	2,538,104	2,334,912
Total Assets	**4,685,017**	4,553,538	4,854,233	3,109,838	2,723,541
LIABILITIES					
Non-current liabilities	**985,203**	967,930	1,823,465	869,217	675,453
Current liabilities	**1,925,138**	1,757,018	2,418,432	1,387,774	1,008,970
Total Liabilities	**2,910,341**	2,724,948	4,241,897	2,256,991	1,684,423
EQUITY					
Total Equity	**1,774,676**	1,828,590	612,336	852,847	1,039,118

KEY FINANCIAL HIGHLIGHTS

	For the year ended December 31,	
	2024 (RMB'000)	2023 (RMB'000)
Revenue	**2,914,113**	3,297,828
Gross Profit	**1,098,649**	1,434,107
Profit for the year	**62,563**	262,322
Attributable to:		
Owners of the parent	**47,014**	234,885
Non-controlling interests	**15,549**	27,437
Earnings per Share		
Basic	**0.07**	0.34
Diluted	**0.07**	0.31

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

We are one of the leading ICL service providers in China. We offer comprehensive and best-in-class testing services primarily to hospitals and health check centers through an integrated network of 34 self-operated laboratories across China. The high quality of our services is backed by our strong performance in terms of international accreditation and comprehensive testing menu. Currently, 23 of our laboratories have been accredited by ISO15189, which enables us to provide customers with the quality assurance that comes with this rigorous international standard. Our testing portfolio consists of over 4,000 medical diagnostic tests, including the introduction of over 300 new high-end diagnostic tests in 2024. Our expanded testing portfolio includes the Aijianwei targeted microbial detection (tNGS) series, high-sensitivity Minimal Residual Disease (MRD) tests using digital PCR for hematologic malignancies, tumor tissue origin gene testing, Optical Genome Mapping (OGM)-based facioscapulohumeral muscular dystrophy (FSHD) detection, and whole- exome sequencing for genetic diseases. Additionally, we successfully completed the technology transfer of two additional products with Guardant Health, a global leader in precision oncology — Guardant OMNI and G360 Response. We are committed to continuously serving our patients and the general public with our high-quality testing services as a leading ICL service provider in China, and becoming a trusted and reliable partner for medical professionals and the general public.

2024 was an adjustment year and transition year for the ICL industry, moving away from the impacts of COVID-19 in 2023 and prior years. COVID-19 testing had a number of overhangs on the industry including furthering the budgetary pressures of local governments and health bureaus as well as our hospital customers. Despite the economic headwinds and some of the new Volume-Based Procurement (VBP) tenders and Diagnosis-Related Group (DRG)/Diagnosis-Intervention Packet (DIP) 2.0 reimbursement in 2024, we grew our base revenues by 8.2% in 2024, compared to the same period in 2023. Furthermore, our overall average selling price (ASP) decreased by approximately 6.1%, compared to the same period in 2023, but still remained higher in comparison to 2022 ASP and has remained relatively steady over the long-run as we continue to balance pricing declines through faster growth in higher ASP items in our product mix. We feel positive about the new initiatives in support of healthcare sector innovation including in the diagnostics and contract research organization space.

In 2024, our Company delivered steady performance. In particular, revenue generated from our base business (excluding COVID-19) increased by 8.2%, driven by strong growth of our esoteric testing services, which saw growth exceeding 18%, compared to the same period in 2023. This growth is a testament to the continued strength of our testing service offerings, such as oncology tests and ob-gyn/neonatal tests, as well as the outstanding success of the central laboratory testing partnered with Guardant Health, Inc. (Nasdaq: GH). This collaboration, fully operational at the beginning of 2024, has meaningfully contributed to our overall esoteric revenue growth. Furthermore, in response to national healthcare cost control measures, we have actively promoted strategies such as collaboration laboratories, centralized procurement, and single device deployment. Our revenue generated from collaboration laboratories increased by 62% in 2024 compared to the same period in 2023. This expansion has not only broadened our market reach but also broadened our service offerings to customers, ultimately strengthening our market competitiveness and industry influence. In 2024, our revenue amounted to RMB2,914.1 million representing a decrease of 11.6% as compared to the corresponding period of 2023, and our gross profit amounted to RMB1,098.6 million, representing a decrease of 23.4% as compared to the corresponding period of 2023.

We continued the strategic deployment of our upgraded digital infrastructure across our national laboratory network. This includes new next generation versions of our Laboratory Information Management System (LIMS), Order Management System (OMS), Laboratory Reporting Platform, Pathology Information Management System (PIMS), and AI-Powered Logistics System. This commitment to a cutting-edge digital testing platform underscores our dedication to elevating operational efficiency and service quality. At the same time, we further embraced the power of AI, reaching a milestone of over 8 million AI-interpreted pathology images. AI technology has significantly enhanced the efficiency and accuracy of our pathology readings, and has streamlined our overall laboratory workflow. We are actively expanding AI applications into cellular imaging and sequencing, further optimizing operational efficiency and enhancing client retention.

MANAGEMENT DISCUSSION AND ANALYSIS

On the operational front, we maintained our industry-leading capabilities. Through rigorous cost control measures, we achieved further reductions in reagent procurement costs by 10% and logistics costs by 6% in 2024 compared to 2023, positively impacting key operational metrics. We also improved our laboratory manpower efficiency by 7% in 2024 compared to 2023 through optimized resource allocation and staffing strategies. We added three more laboratories with ISO15189 accreditation, bringing the total to 23 — with industry-leading 320 testing items having passed accreditation at our Hangzhou laboratory. As the international gold standard for medical laboratory quality management, ISO15189 accreditation is highly stringent, granted only to laboratories with outstanding technical and management systems. These initiatives ensure we maintain our service quality and competitive advantage while providing our clients with cost-efficient laboratory solutions. Moving forward, continuous improvement in operational efficiency remains a key focus to support our Group's sustainable competitiveness.

Since our inception, multiple subsidiaries have been recognized as National High-Tech Enterprises. In 2024, Tianjin Adicon Medical Laboratory Co., Ltd. and Hangzhou AiYijian Technology Co., Ltd. earned the prestigious "Specialized, Refined, and Innovative Small and Medium-Sized Enterprise" designation, while Wuhan Adicon Medical Laboratory Co., Ltd. received the "Gazelle Enterprise" recognition from the Hubei Provincial Department of Science and Technology.

In 2024, we continued to set industry benchmarks in medical diagnostic logistics, with 23 subsidiaries recognized as pilot units under the national standard "Operational Specifications for Medical Diagnostic Biological Sample Cold Chain Logistics". Ten subsidiaries obtained certification under this national standard, including our Hangzhou subsidiary, which became the first certified unit in Zhejiang Province. This national standard represents the highest regulatory framework for biological sample cold chain logistics in China, highlighting our excellence in medical logistics infrastructure. Additionally, as the officially designated training provider for 2024, we played a key role in national standardization training organized by the China Federation of Logistics & Purchasing (CFLP), contributing to industry-wide standardization and the advancement of medical logistics quality.

In terms of academic contributions and research collaborations, we have helped develop the "Expert Consensus on Quality Management in Flow Cytometry Testing for Lymphocyte Subpopulations." Additionally, we launched two major provincial-level "Jianbing-Lingyan" R&D projects in collaboration with leading medical institutions: 1) A joint project with Zhejiang University School of Medicine's Second Affiliated Hospital focusing on early warning and precision treatment strategies for severe community-acquired pneumonia, and 2) A partnership with Children's Hospital affiliated with Zhejiang University School of Medicine, researching new diagnostic and precision treatment technologies for pediatric autoimmune nephrotic syndrome based on novel autoantibodies. In 2024, we also secured five project approvals under the Ministry of Education Industry-Academia Collaboration Platform and established partnerships with Zhejiang University and Zhejiang Chinese Medical University.

Our Company has finalized its strategic development plan for the next five years. In terms of business expansion, we will leverage our centralized operational model, establishing a framework built around provincial hubs, five regional centers, and one national center to enhance nationwide efficiency and service delivery. Our routine testing segment is targeted for continued steady growth. We plan to accelerate the expansion of our esoteric testing segment, focusing on delivering greater medical value and increasing market share. The co-construction business will be further leveraged to enhance supply chain integration and service capabilities. Our distribution segment will remain a key strategic complement, supporting our overall operations and co-construction customers. With a strong commitment to innovation, digital transformation, and strategic partnerships, ADICON is well-positioned to strengthen its market leadership, enhance operational efficiency, and drive sustainable growth in the years ahead.

INDUSTRY OVERVIEW

Various government policies promote the rapid development of medical services

In 2013, the National Health and Family Planning Commission and State Administration of Traditional Chinese Medicine issued the Several Opinions on Accelerating the Development of Socially-run Medical Institutions (《關於加快發展社會辦醫的若干意見》), allowing non-public medical institutions to be included in the designated scope of medical insurance and allowing doctors to practice at multiple sites to help them simultaneously work in private and public hospitals. In 2019, the National Health Commission and the National Development and Reform Commission jointly issued the Opinions on Promoting the Sustainable and Standardized Development of Medical Services in the Society (《關於促進社會辦醫持續健康規範發展的意見》), supporting tertiary public hospitals to share medical imaging, clinical testing, pathological diagnosis and other services with private medical institutions to form a cooperative medical management system, and standardizing and guiding social forces to set up chain and group-based ICLs. In 2021, the National Health Commission issued the Notice on Printing and Distributing the Guiding Principles for the Setup Plan of Medical Institutions (2021-2025) (《關於印發醫療機構設置規劃指導原則(2021-2025年)的通知》), further loosening planning restrictions on the total amount and space of social medical areas and encouraging medical institutions organized by social forces to take the lead in establishing or joining medical consortia. In addition, by providing service-oriented care with lengthier patient visits and an increased emphasis on preventative care, private hospitals have gradually gained public trust and being perceived more favorably, which in turn encouraged further growth of private hospitals. This initiative reflects the Chinese government's commitment to improving healthcare accessibility and quality by encouraging private investment and innovation in the medical sector. By supporting non-public medical institutions, China aims to provide a more diverse and comprehensive range of healthcare services to its citizens.

Series of healthcare reforms benefiting the ICL market

The PRC government had carried out a series of healthcare reforms and introduced favorable policies aiming to reshape the ICL industry and further support growth and investment in the private sector. In a bid to promote high-quality development of the sector, the National Development and Reform Commission released the 14th Five-Year Plan in May 2022, which unveiled a new road map to spur China's bioeconomy. The new plan pledged to promote the integration and innovation of biotechnology and information technology, as well as accelerate the development of biomedicine, biological breeding, biomaterials, bioenergy and other industries to enhance bioeconomy in terms of scope and strength. In March 2021, the State Council issued Regulations for the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》), which provides that for in-vitro diagnostic reagents that do not have the same product on the market in China, qualified medical institutions can develop required in-vitro diagnostic reagents that are not available in China on their own according to their clinical needs, and use them in their own units under the guidance of medical practitioners. This can be seen as a favorable policy for laboratory developed tests.

Unfulfilled needs of the healthcare services market are driving the growth of the ICL business

China's healthcare services market is rapidly growing. Unfulfilled needs of the market include the following:

- Various initiatives have been rolled out by the PRC government to drive a hierarchical healthcare system, including hospital alliances and publication of standardized referral pathways and reimbursement reform, to further improve patients' access to primary care and balance public medical resources. The promotion of the hierarchical healthcare system is also conducive to the increase in demand for ICL testing.

- There is expected to be an increasing number of hospitals established in lower tier cities, which will drive the demand for ICL testing in these areas.

MANAGEMENT DISCUSSION AND ANALYSIS

- In recent years, a series of healthcare reforms have been carried out by the PRC government to optimize hospital revenue structures by reducing their reliance on medication and emphasizing examination and treatment, which requires more expertise and the service capabilities of physicians and hospitals. It is expected that revenues generated by examination and treatment will contribute a growing percentage to the total revenues of hospitals. The change in revenue structure and emphasis on examination and treatment may result in an increasing demand for clinical testing, which will lead to more outsourcing demand to ICLs.

- The PRC government has made strong efforts to further increase the accessibility and affordability of healthcare services through its healthcare reforms. Huge investments have been made to construct and upgrade healthcare infrastructure and expand medical insurance coverage. In order to respond to cost pressure, public medical institutions could choose to outsource laboratory testing, a trend that encourages the development of ICLs.

Growing testing volume driven by population aging and better diagnostic services

Population aging has directly led to a surge in the prevalence of chronic diseases and an increase in the number of patients affiliated with serious diseases, both of which have and will continue to drive testing demands, thereby boosting the testing volume. In addition, growing health awareness and soaring instances of chronic diseases are pushing people to conduct early detection and take initiatives for preventive measures. Driven by increasing demand from customers, there has been a growing outsourcing rate of tests from health check centers as they are incentivized to seek cost competitive tests performed with premium quality. In addition, the evolving field of precision medicine and emergence of novel technologies have also significantly stimulated the development of China's ICL market. ICLs are increasingly important in the era of precision medicine. It will largely help physicians to integrate individual health data and information from clinical factors, real-time monitoring factors, molecular/diagnosis factors (multi-omics including epigenetics), and exogenous factors (environmental, behavioral, socio-economic, lifestyle) to develop personalized evidence-based treatment interventions and deliver superior therapeutic outcomes.

Unique advantages of ICLs over hospital-based laboratories

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

Multi-tiered Market Collaboration: Promoting Balanced Distribution of Medical Resources

In China, the distribution of medical resources remains significantly uneven, concentrated primarily in a few provinces and cities. This has led to overcrowding in Class IIIA hospitals (the highest level of hospitals in China) and their disproportionate share in medical services. ICLs, leveraging their strong capabilities in bidding and specialized testing, have established strategic partnerships with top-tier Class IIIA hospitals. At the same time, ICLs are capitalizing on their extensive and specialized testing menus and economies of scale to facilitate the expansion and accessibility of high-quality medical resources. They achieve this by providing comprehensive, high-quality medical testing services comparable to those of tertiary hospitals to lower-tiered medical institutions. This collaborative development model not only significantly enhances the diagnosis, treatment, and service capabilities of primary healthcare facilities but also effectively promotes a more balanced distribution of medical resources. Ultimately, it addresses the issue of uneven and inefficient healthcare resource allocation.

Stricter regulatory policy promoting a regular and sustainable development of the ICL industry

In May 2023, 14 departments, including the National Health Commission, issued the Key Points for Correcting Misconduct in Purchase and Sale of Medicine and Medical Services in 2023 (《2023年糾正醫藥購銷領域和醫療服務中不正之風工作要點》), pursuant to which a one-year national centralized rectification of corruption in the medical industry was launched in August 2023 to conduct in-depth governance improvement of the entire healthcare industry and its supply chain. In addition, several regions such as Hunan Province, Shaanxi Province and Shanghai Municipality introduced special measures for the outsourcing of diagnostic testing services. The implementation of these regulatory policies will create a fair and transparent market environment for ICLs, especially industry leaders, and provide greater development opportunities. Driven by these policies, unfair competition in commercial activities will be largely eliminated, allowing legitimate industry-leading companies to leverage their advantages in resources, technology, and brand to gain greater market share through higher service quality and innovation. Furthermore, the transparency of these policies enhances the credibility of the entire industry, thereby promoting the sound and sustainable development of the ICL industry.

DRG/DIP 2.0 issued further improving the efficiency of medical insurance settlement

In July 2024, the National Healthcare Security Administration issued the Notice on the Issuance of the Version 2.0 Grouping Scheme for Payment by DRG and DIP and Related Work Arrangements (《關於印發按病組和病種分值付費2.0版分組方案並深入推進相關工作的通知》) (the "**Notice**"), accompanied by the documents for the Version 2.0 Grouping Scheme for Payment by Diagnosis Related Groups (DRG) (《按病組 (DRG) 付費分組方案2.0版》) and the Version 2.0 Disease Database for Payment by Diagnosis-Intervention Packet (DIP) (《按病組分值 (DIP) 付費病種庫2.0版》). The adjustments to the DRG and DIP programs continue to emphasize and refine cost containment measures which we believe will be beneficial in the long run to the lowest cost provider of healthcare services and products, including to ICLs, who are the lowest cost providers of diagnostic testing services across various testing providers. In addition, the Notice emphasizes that measures such as prepayment of medical insurance fund shall be encouraged to alleviate the financial pressure of medical institutions, and the backlog of outstanding payables by medical insurance fund shall be fully settled. The policy implementation aims to improve the efficiency of medical insurance settlement, assisting hospitals in timely refunding suppliers including ICL enterprises and further improving the cash flow and operational stability of ICL enterprises. Consequently, ICL enterprises can plan the use of funds more effectively, enhance operational efficiency, and further improve market competitiveness.

China's medical industry opening-up

On September 7, 2024, three departments, including the National Health Commission, jointly issued the Notice of the Ministry of Commerce, the National Health Commission and the National Medical Products Administration on Launching Pilot Projects to Expand Opening-up in the Medical Field (商務部國家衛生健康委國家藥監局關於在醫療領域開展擴大開放試點工作的通知), which outlines pilot programs for expanded openness in the medical field. These developments are aimed at attracting foreign investment to promote the high-quality development of China's medical sector and better meet people's healthcare needs. Key aspects of the pilot programs include (i) allowing foreign-invested enterprises to engage in human stem cell and gene diagnosis and treatment technologies in selected free trade zones and Hainan Free Trade Port; and (ii) permitting the establishment of wholly foreign-owned hospitals in specific cities and regions, excluding traditional Chinese medicine hospitals and public hospital acquisitions. This pilot program represents an important step in efforts to attract foreign investment and expertise in the healthcare sector, and is consistent with the broader goals of healthcare reform and the government's efforts to improve the country's medical capabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

Big data processing, artificial intelligence and other technologies continue to promote the transformation and advancement of the pharmaceutical and biological industry

Biopharmaceutical R&D is developing rapidly, discovering new targets, therapies and disease models, and accelerating the advancement of diagnostic technologies, which helps R&D and clinical trial development, clinical trial enrollment and follow-up diagnosis, treatment monitoring and disease progression/recurrence monitoring. As testing technology continues to develop, the key role of diagnostic technology continues to be highlighted. Traditional technologies such as polymerase chain reaction (PCR) and next-generation sequencing (NGS) are constantly improving, while the application of emerging technologies such as mass spectrometry, flow cytometry and multi-omics technology groups is leading the development of the industry. As an early adopter of new technologies, ICL can provide comprehensive diagnostic solutions for research and clinical use, ultimately providing patients with more accurate diagnosis and treatment options.

At the same time, big data and artificial intelligence are also reshaping the clinical testing industry. The intelligent integration of information such as genomic data and electronic health records makes disease identification, risk prediction and personalized treatment more accurate. AI technology not only improves laboratory quality control and enhances the accuracy and consistency of test results, but also supports disease monitoring and health trend analysis. We continue to invest in upgrading laboratory information systems and data management capabilities, and use AI to optimize warehousing, reporting and logistics operations to improve efficiency and accuracy. We believe that the ICL industry is at the forefront of digitalization of healthcare and will become an important promoter and beneficiary of future technological progress. As AI technology ushers in a generational breakthrough in the medical field, the ICL industry, with its extensive data sets and broad-based application development, has become a key hub for the implementation and innovation of AI technology, promoting the development of medical testing towards greater intelligence and precision.

Taking ADICON as an example, we widely use AI technology to improve internal operational efficiency, optimize pathology-assisted diagnosis, and realize intelligent interpretation of test reports. At the same time, we will continue to upgrade internal OMS, AI logistics, PIMS and other digital systems to promote business innovation and efficient development, improve overall operational efficiency, ensure more accurate and intelligent medical services, and further optimize patient and customer experience.

Medical service price reforms in many places provide new opportunities for the ICL industry

In recent years, both the national and local governments have successively issued relevant documents to adjust the pricing of various types of diagnostic testing projects, and have carried out price adjustments for diagnostic tests nationwide in batches. Since October 2024, the National Healthcare Security Administration has begun to standardize the prices of diagnostic tests in batches. For example, the "Notice on Carrying out the Standardization of Medical Service Prices (First Batch)" issued in October 2024 required price adjustments for multiple diagnostic tests, and then relevant documents were successively issued to standardize the prices of more diagnostic tests. These measures are aimed at controlling medical costs and reducing the burden on patients, especially for standardizing costly and commonly used diagnostic tests.

However, these price management measures will have significant impacts to hospitals operating profits, especially after the price adjustment of diagnostic tests, hospitals may face greater profit pressure or even operate at loss at a loss. Hospitals may need to respond to this challenge by controlling internal expenditures or outsourcing some test items. As hospitals increase their demand for outsourced test services, ICL companies, as third-party testing service providers, can provide high-quality and cost-effective testing services, significantly helping hospitals reduce overall expenses, and expand ICL's share in overall diagnostic testing market.

FINANCIAL REVIEW

Selected Items from the Audited Consolidated Statement of Profit or Loss and Other Comprehensive Income

Revenue

Our revenue for the year ended December 31, 2024 amounted to RMB2,914.1 million, representing a decrease of approximately 11.6% as compared with RMB3,297.8 million for the year ended December 31, 2023. The overall revenue decline was primarily due to the decrease in revenue from COVID-19-related testing in 2024, following the lifting of COVID-19-related restrictions.

However, revenue from our base business (excluding COVID-19-related testing), including esoteric testing services, increased by 8.2% from RMB2,693.3 million in 2023 to RMB2,914.1 million in 2024. This growth reflects the continued expansion of our esoteric testing services and the strengthening of our collaboration laboratory network, supported by a healthy growth in sample volumes during 2024, particularly in our clinical chemistry and other comprehensive income professional groups. We experienced strong revenue growth in our molecular biology and other comprehensive testing segments, which was due to the continued expansion of our overall business and our ongoing investment in our esoteric testing portfolio as well as sales efforts over the past several years. On the customer side, we expanded our customer base 8.8% from 18,324 customers in 2023 to 19,934 customers in 2024, with particularly strong customer growth in public hospital customers through our increased tender bid participation.

Cost of Sales

Our cost of sales for the year ended December 31, 2024 amounted to RMB1,815.5 million, representing a decrease of approximately 2.6% as compared with RMB1,863.7 million for the year ended December 31, 2023. This decrease was primarily due to improved laboratory operating efficiency, which reduced staff costs and operating expenses. We also achieved significant cost savings through reduced logistics expenses and strategic optimization of our laboratory network.

Gross Profit and Gross Profit Margin

Based on the factors described above, the gross profit of our Group was RMB1,098.6 million for the year ended December 31, 2024, representing a decrease of approximately 23.4% as compared with RMB1,434.1 million for the year ended December 31, 2023.

Gross profit margin is calculated as gross profit divided by revenue. Our gross profit margin decreased from 43.5% in 2023 to 37.7% in 2024, primarily due to (i) a reduced operating leverage as a result of reduced contribution from our COVID-19-related testing in 2023; and (ii) the impact of recently opened laboratories and collaboration laboratories, which were still in the ramp-up phase and had not yet reached full operational efficiency in 2024.

Leveraging our nationwide laboratory network and strong purchasing power, we initiated centralized procurement for reagents and consumables to achieve cost savings. In general, our experienced procurement team in headquarters negotiates with and coordinates suppliers and vendors to aggregate purchase volume and thereby secure better terms for our subsidiaries. All of our suppliers and vendors are periodically tendered to ensure that we are able to take advantage of our operating scale effectively and ensure optimal and cost-effective reagents and consumables for delivering testing services. Moreover, our continued improvements in operating scale and business growth enabled us to gain stronger bargaining power with our suppliers, which have enabled us to mitigate the effects of reduced operating leverage.

MANAGEMENT DISCUSSION AND ANALYSIS

To ensure that local suppliers can provide a comparable level of quality and consistency, we internally validate local suppliers' offerings, and only cooperate with those that meet our standards. For suppliers that meet our requirements, we will make an effort to transit our testing volume to lower cost local suppliers for these reagents. We are in a continuous process of assessing and validating new local supplier alternatives on a test-by-test or testing group-by-testing group basis and have been able to secure the benefits of lower costs while maintaining the same strict quality standards of imported equipment and reagents.

Other Income and Gains

Our other income and gains for the year ended December 31, 2024 amounted to RMB49.3 million, representing a decrease of approximately 20.0% as compared with RMB61.6 million for the year ended December 31, 2023. This decrease was primarily due to the non-recurrence in 2024 of non-cash fair value gain of RMB15.3 million, recognized in 2023, on put option over non-controlling interests under valuation adjustment mechanism relating to our acquisitions of Shangrao Adicon and Jiangxi Jince.

Selling and Marketing Expenses

Our selling and marketing expenses for the year ended December 31, 2024 amounted to RMB465.7 million, representing a decrease of approximately 4.0% as compared with RMB485.2 million for the year ended December 31, 2023. This decrease was primarily due to a decrease of RMB17.0 million in marketing costs and a decrease of RMB1.9 million in marketing expenses as we implemented the enhanced cost control measures in 2024.

Administrative Expenses

Our administrative expenses for the year ended December 31, 2024 amounted to RMB253.3 million, representing a decrease of approximately 6.5% as compared with RMB271.0 million for the year ended December 31, 2023. This decrease was primarily due to a decrease in staff costs resulting from our organizational structure optimization in 2024 and reduced share-based payment expenses compared to 2023.

R&D Costs

Our R&D expenses for the year ended December 31, 2024 amounted to RMB120.0 million, representing a decrease of approximately 16.4% as compared with RMB143.5 million for the year ended December 31, 2023. This decrease was primarily due to the reduced staff expenses and lower R&D related reagent and consumables use in 2024.

Other Expenses

Our other expenses for the year ended December 31, 2024 amounted to RMB164.6 million, representing an increase of approximately 65.2% as compared with RMB99.6 million for the year ended December 31, 2023. This increase was primarily due to impairment losses of RMB142.1 million, an increase of RMB68.3 million over the year prior. These impairment losses consisted of RMB98.7 million of COVID-19 related customer receivables impairment and RMB2.3 million of COVID-19 related inventory impairment in 2024. In addition, we recorded a RMB6.4 million increase in loss of disposal of property, plant and equipment and other intangible assets due to cost reduction and laboratory network optimization efforts.

Listing Expenses

We recorded nil from listing expenses for the year ended December 31, 2024, compared to RMB72.2 million of listing expenses incurred associated with the Global Offering for the year ended December 31, 2023.

Finance Costs

Our finance costs for the year ended December 31, 2024 amounted to RMB52.4 million, representing a decrease of approximately 39.3% as compared with RMB86.3 million for the year ended December 31, 2023. This decrease was primarily due to a decrease of RMB33.0 million in interest expenses on our bank borrowings, following the refinancing of our USD-denominated offshore bank borrowings into lower-interest RMB-denominated loans at the end of 2023 and the beginning of 2024.

Income Tax Expenses

Our income tax expenses for the year ended December 31, 2024 amounted to RMB29.4 million, representing a decrease of approximately 66.2% as compared with RMB87.1 million for the year ended December 31, 2023. This decrease was generally in line with the decline in our profit before tax, after adjusting for non-taxable or tax-deductible fair value gains and losses, share-based payment expenses, and offshore interest expenses in 2024.

Profit for the Year

As a result of the foregoing, we recorded profit of RMB62.6 million for the year ended December 31, 2024, representing a decrease of approximately 76.1% as compared with profit of RMB262.3 million for the year ended December 31, 2023.

Selected Items from the Consolidated Statement of Financial Position

Current Assets/Liabilities

Our total current assets decreased to RMB3,050.7 million as of December 31, 2024 from RMB3,303.4 million as of December 31, 2023, and our total current liabilities increased to RMB1,925.1 million as of December 31, 2024 from RMB1,757.0 million as of December 31, 2023.

Inventories

Our inventories as of December 31, 2024 amounted to RMB126.9 million, representing a decrease of approximately 28.1% as compared with RMB176.6 million as of December 31, 2023. This decrease was primarily due to the decrease in our purchases of reagents and consumables as a results of the reduced demand for COVID-19 related testing services and the enhanced inventory management measures we implemented in 2024. Our inventory turnover days decreased at from 40 days in 2023 to 31 days in 2024 due to our continuing efforts to tighten controls on our inventory levels.

Trade and Bills Receivables

Our trade and bills receivables as of December 31, 2024 amounted to RMB1,377.4 million, representing a decrease of approximately 9.1% as compared with RMB1,515.4 million as of December 31, 2023. This decrease in net trade and bills receivables was primarily due to extensive credit control efforts implemented and executed through the year and also due to the significant ECL provision taken in 2024 of RMB139.8 million, of which RMB98.7 million was related to receivables from COVID-19 screening-related customers. Our gross trade and bills receivables turnover days increased from 211 days in 2023 to 220 days in 2024 as a result of longer settlement periods experienced from our customers. Excluding the impact of our large screening COVID-19 receivables, our receivables turnover days from our base business decreased from 190 days in 2023 to 172 days in 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables as of December 31, 2024 amounted to RMB251.1 million, representing an increase of approximately 24.9% as compared with RMB201.0 million as of December 31, 2023. This increase was primarily due to (i) a RMB29.6 million increase in long-terms receivables from reclassifying certain trade receivables to non-current assets following the execution of extended payment plans with customers; (ii) an RMB11.8 million increase in prepayments for property, plant and equipment reflects increased activity of our procurement division; and (iii) a RMB10.8 million increase in prepaid taxes was partially due to some local tax bureaus requesting earlier payments.

Trade and Bills Payables

Our trade and bills payables as of December 31, 2024 amounted to RMB721.8 million, representing a decrease of approximately 2.7% as compared with RMB742.1 million as of December 31, 2023. This decrease was generally in proportion with the decline of cost of sales in 2024. Our trade and bills payables turnover days decreased from 177 days in 2023 to 148 days in 2024. This decrease is primarily due to reduction in average balance in payables 2024 relative to 2023 as COVID-19 related trade payables declined.

Financial Assets at FVPTL

Our financial assets at FVPTL amounted to nil as of December 31, 2024, as compared with RMB52.4 million as of December 31, 2023. This change was primarily due to the redemption of our wealth management products in April 2024.

Other Payables and Accruals

Our other payables and accruals as of December 31, 2024 amounted to RMB613.4 million, representing a decrease of approximately 18.8% as compared with RMB755.5 million as of December 31, 2023. This decrease was primarily due to (i) a reduction of RMB87.8 million in payroll payables, mainly resulting from a change in our Company's year-end bonus payroll cycle; (ii) a decrease of RMB24.3 million in listing expenses; and (iii) a decrease of RMB22.1 million in advance payments received for subscription of share awards under our employee incentive plans.

Contract Liabilities

Our contract liabilities as of December 31, 2024 amounted to RMB29.9 million, representing a decrease of approximately 13.7% as compared with RMB34.7 million as of December 31, 2023. This decrease was primarily due to a reduction in advance payments from customers for the delivery of equipment and services in 2024.

Pledged deposits

Our pledged deposits amounted to RMB956.0 million as of December 31, 2024, representing an increase of approximately 34.2% as compared with RMB712.6 million as of December 31, 2023. This increase was primarily due to the additional bank deposits required, as we drew down an additional RMB-denominated offshore loan to refinance the remaining portion of our USD-denominated offshore loan in January 2024. This increase was partially offset by the scheduled repayment of pledged deposit loans, which led to the release of related pledged deposits.

Liquidity and Capital Resources

During the year ended December 31, 2024, our Group funded cash requirements principally from cash generated from the operating activities. As of December 31, 2024, we had cash and cash equivalents of RMB1,043.8 million, representing an increase of approximately 8.8% as compared with RMB959.4 million as of December 31, 2023. This increase was primarily due to the net proceeds received from our operating activities.

Our current cash and cash equivalents, together with anticipated operating cash inflows, is expected to be sufficient to meet our working capital requirements, daily operational needs, and financial commitments. As of the date of this report, we do not have any definitive plans for material fundraising activities. However, we will continue to monitor market conditions and may pursue equity or debt financing opportunities should the need arise to support future growth initiatives or enhance liquidity.

Indebtedness

During the year ended December 31, 2024, we incurred borrowings to finance our capital expenditure and working capital requirements, which were primarily denominated in RMB. All of the interest-bearing bank borrowings during the year ended December 31, 2024 were loans with effective annual interest rates ranging from 1.93% to 3.5% as of December 31, 2024. Our net cash position (equals cash and cash equivalents plus pledged deposits and net of interest-bearing bank borrowing) decreased by 11.5% from RMB784.5 million as of December 31, 2023 to RMB693.9 million as of December 31, 2024.

Contingent Liabilities

As of December 31, 2024, we were not involved in any material legal, arbitration or administrative proceedings that, if adversely determined, would be expected to materially and adversely affect our financial position or result of operations. As such, our Group did not have any contingent liabilities as of December 31, 2024.

Capital Expenditures

Capital expenditures primarily consisted of expenditures on (i) property, plant and equipment, and (ii) other intangible assets, which primarily include patents, software and customer relationships.

Our capital expenditures for the year ended December 31, 2024 amounted to RMB117.6 million, representing a decrease of approximately 28.9% as compared with RMB165.4 million for the year ended December 31, 2023. This decrease was primarily due to the decrease in our purchases of property and equipment as a result of the reduced rate of new laboratory openings in 2024.

Capital Commitments

Capital commitments primarily constituted our purchases of property and equipment for the construction, expansion and enhancement of our facilities.

Our capital committees as of December 31, 2024 amounted to RMB9.3 million, representing a decrease of 35.9% as compared with RMB14.5 million as of December 31, 2023. This decrease was primarily due to reduced rate of new laboratory openings and expansions in 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Ratios

The following table sets forth certain of the key financial ratios as of the dates indicated:

	As of December 31,	
	2024	2023
Liquidity ratios		
Current ratio[1]	**1.58**	1.88
Quick ratio[2]	**1.52**	1.78
Capital adequacy ratios		
Gearing ratio[3]	**0.74**	0.49

Notes:

(1) Current assets divided by current liabilities as of the end of the years.

(2) Current assets less inventories divided by current liabilities as of the end of the years.

(3) Total borrowings divided by total equity as of the end of the years.

Charges on Assets

As of December 31, 2024, the Group had no charges on assets.

Future Plans for Material Investments

As of the date of this report, the Group does not have any concrete committed plans for material investments and capital assets in 2025.

Foreign Exchange Risk and Hedging

We primarily operate in the PRC with most of our transactions denominated and settled in RMB. However, certain of our time deposits, bank balances and cash and other financial assets are denominated in foreign currencies and exposed to foreign currency risks. We currently do not have a foreign currency hedging policy. However, we manage foreign exchange risks by closely monitoring our foreign exchange exposure and will consider hedging against significant foreign exchange risks should the need arise.

Material Acquisitions, Significant Investments and Disposals

During the year ended December 31, 2024, we did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures. As of December 31, 2024, we did not hold any significant investments (including any investment in an investee company) with a value of 5% or more of the Group's total assets.

Employees and Remuneration

As of December 31, 2024, we had a total of 5,445 employees (as of December 31, 2023: 5,713 employees). For the year ended December 31, 2024, we incurred total remuneration costs of RMB887.2 million (for the year ended December 31, 2023: RMB975.4 million). The remuneration packages of our employees include salaries, benefits, social insurance and share based compensation, the amount of which is generally determined by their qualifications, industry experience, position and performance. We contribute to social insurance and housing provident funds as required by the PRC laws and regulations.

To maintain the quality, knowledge and skill levels of the workforce, our Group provides regular and specialized trainings tailored to the needs of employees in different departments, including regular training sessions conducted by senior employees or third party consultants covering various aspects of our business operations.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management of the Company as of the date of this annual report are set out as follows:

EXECUTIVE DIRECTOR

Mr. GAO Song (高嵩), aged 52, has served as our executive Director and chief executive officer since November 2021. Prior to his appointment to the Board, he served as our vice president of business operations from December 2019 to November 2021 and was responsible for (i) overall management of our sales force, marketing team and commercial operations; (ii) supervision of our technical support team for in-house hospital laboratory service lines; (iii) relationship management of CRO and biopharma customers; and (iv) supervision of our DTC business lines.

Prior joining our Group, Mr. GAO served as a general manager of Shanghai Yaoshiquanyun Health Technology Development Co., Ltd. (上海鑰世圈雲健康科技發展有限公司) from July 2019 to December 2019. He also held various positions at GlaxoSmithKline (China) Investment Co., Ltd. (葛蘭素史克中國投資有限公司) from September 1997 to April 2019, a subsidiary of GlaxoSmithKline PLC (LSE: GSK; NYSE: GSK) including as vice president and head of respiratory BU, head of commercial excellence department, head of hepatitis sales department, North-China sales director in respiratory and antibiotics and sales excellence manager in esprit program in GSK house in London.

Mr. GAO received his bachelor's degree in biochemistry from Fudan University (復旦大學) in China in July 1995, and his master's degree in business management from China Europe International Business School (中歐國際工商學院) in China in September 2009.

NON-EXECUTIVE DIRECTORS

Ms. YANG Ling (楊淩), aged 45, is the chairwoman of the Board and one of our non-executive Directors. Ms. YANG led the investment by Pearl Group Limited in our Company in October 2018, and became the chairwoman of our Company at that time. She is a managing director of Carlyle's Asia Buyout Fund and has co-headed Carlyle Asia Healthcare since November 2021 and has headed Carlyle China since January 2024. She joined Carlyle Asia as a vice president in May 2011.

Ms. YANG has served as (i) a non-executive director of HUTCHMED (China) Limited (和黃醫藥(中國)有限公司) (HKEX:0013) since July 2023; (ii) a non-executive director of Shenzhen Salubris Pharmaceuticals Co., Ltd. (深圳信立泰藥業股份有限公司) (SZSE: 002294) from October 2020 to December 2023; and (iii) a non-executive director of Ambio Pharmaceuticals since October 2020. Ms. YANG also worked (i) at KKR Asia Limited from July 2008 to February 2011, where her last position was a principal primarily responsible for carrying out investments made by KKR Asia Limited; (ii) as an associate in Carlyle's U.S. leveraged buyout healthcare group from May 2005 to August 2006; and (iii) as an analyst in the investment banking division of The Goldman Sachs Group, Inc. from July 2002 to July 2004.

Ms. YANG graduated summa cum laude and as a member of the Phi Beta Kappa with bachelor's degrees in economics and computer science from Smith College in the United States in May 2002, and she received her master's of business administration from Harvard Business School in the United States in June 2008.

Mr. LIN Jixun (林繼迅), aged 60, is one of our non-executive Directors and is one of our founders. Mr. LIN was an executive director of our Company between February 2014 and October 2018, and has been a passive financial investor of our Group and a non-executive Director since October 2018.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

From November 2007 to December 2010, he served as an independent director of Mindray Medical International Limited (邁瑞醫療國際有限公司) (NYSE: MR, from September 2006 to March 2016; and then SZSE: 300760, since October 2018). Prior to founding our Group, Mr. Lin founded ACON Laboratories Inc. ("**ACON Laboratories**") in 1995 and currently serves as its director. ACON Laboratories is the U.S.-incorporated affiliate of ACON Biotech.

Mr. LIN received his bachelor's degree in medicine from Zhejiang University School of Medicine (浙江大學醫學院) (formerly known as Zhejiang Medical University (浙江醫科大學)) in China in July 1987, and his doctoral degree in philosophy from Medical University of South Carolina in the United States in December 1995.

Ms. FENG Janine Junyuan (馮軍元), aged 56, is one of our non-executive Directors effective from August 2020. Ms. FENG joined Carlyle Management Hong Kong Limited of Carlyle in October 1998 and is currently holding the position of managing director of Carlyle Asia Buyout Fund. Prior to joining Carlyle, she worked in the global project finance group of the investment banking department at Credit Suisse First Boston Corporation from July 1992 to June 1994 and then August 1996 to September 1998. Ms. FENG also served as (i) a director of Meinian Onehealth Healthcare Holdings Co., Ltd. (美年大健康產業控股股份有限公司) (SZSE: 002044) from October 2015 to February 2019, (ii) a non-executive director of MicroPort Scientific Corporation (微創醫療科學有限公司) (HKEX: 853) from March 2016 to November 2018, and (iii) a director of Focus Media Information Technology Co., Ltd. (分眾傳媒資訊技術股份有限公司) (SZSE: 002027) from January 2016 to November 2016. Ms. FENG was appointed as an independent non-Executive director and the audit committee member of Jardine Matheson Holdings Limited, a multinational conglomerate primary listing on the London Stock Exchange (LSE: JAR) and secondary listings on the Singapore Exchange Limited (SGX: J36) and Bermuda Stock Exchange (BSX: JMHBD.BH), since May 2023.

Ms. FENG graduated summa cum laude and as a member of Phi Beta Kappa with Bachelor of Arts degree in mathematics, computer science and economics from Middlebury College in the United States in 1992, and she received her master's of business administration from Harvard University Graduate School of Business Administration in the United States in June 1996.

Mr. ZHOU Mintao (周敏濤), aged 55, is one of our non-executive Directors effective from May 2024. Prior to joining the Company, Mr. ZHOU had already developed significant expertise and leadership and a distinguished reputation in the fields of healthcare and business management. Starting as a young technician in Shanghai in the 1990s, he began his career by supervising pharmaceutical manufacturing processes. Since then, his professional life has spanned a variety of industries, ranging from fast-moving consumer goods and consumer devices to medical devices and biotechnology. For almost three decades at Johnson & Johnson, Mr. ZHOU led teams in its subsidiaries including Beijing Dabao Cosmetics Company (北京大寶化妝品有限公司) and Ethicon Inc., navigating various challenges and transitions whilst generating and maintaining high business growth.

In July 2024, Mr. ZHOU joined Johnson & Johnson, a company listed on the New York Stock Exchange (ticker symbol: JNJ), as the President of Medtech, China. Mr. ZHOU had served as president in China of Cytiva (a Danaher Corporation company, which is listed on the New York Stock Exchange (ticker symbol: DHR)), a global provider of life sciences technologies and services, from 2022 to July 2024. He led the business through Cytiva's separation from GE HealthCare Technologies, Inc. and afterwards its integration with Pall Corporation. Since June 2024, Mr. ZHOU has been a senior advisor in the Asia private equity team of Carlyle Investment Consulting (Shanghai) Co., Ltd., a subsidiary of The Carlyle Group.

Mr. ZHOU holds a bachelor's degree in biochemistry and a master's degree in business administration from Fudan University (復旦大學) in China.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. MI Brian Zihou (宓子厚), aged 59, is one of our independent non-executive Directors effective from June 2023. Mr. MI has served as the president of Asia Pacific for IQVIA (NYSE: IQV) since April 2020, a company providing full spectrum of services, including information, technology and contract clinical research, to healthcare industry. He also held various positions at IQVIA, including the president for Greater China from December 2016 to April 2020, the president for China and Southeast Asia from April 2015 to December 2016, the general manager for Greater China from July 2011 to April 2015, and a senior principal for management consulting from December 2008 to July 2011.

Mr. MI received his Ph.D. degree in pharmaceutical chemistry from the Ohio State University in December 1995, and his MBA degree from University of Chicago Booth School of Business in June 2000.

Mr. YEH Richard (葉霖), aged 56, is one of our independent non-executive Directors effective from June 2023. Mr. YEH was previously a director and the chief operating officer at I-MAB, a clinical stage biopharmaceutical company traded on the NASDAQ (NASDAQ: IMAB), since April 2022. Before joining IMAB, he took leadership positions in certain biopharmaceutical companies, including serving as (i) a director of Medlive Technology Co., Ltd. (醫脈通科技有限公司) (HKEX: 2192) since June 2021; (ii) a director of Abbisko Cayman Limited (和譽開曼有限責任公司) ("**Abbisko**") (HKEX: 2256) from January 2021 until his resignation in April 2022, (iii) as chief financial officer and the head of strategic operations at Abbisko from November 2020 to April 2022, and (iv) the chief financial officer of CStone Pharmaceuticals, a company listed on the Stock Exchange (HKEX: 2616), from July 2018 to April 2020. Prior to joining CStone Pharmaceuticals, Mr. YEH was a managing director and the business unit leader of Asia Pacific healthcare equity research at Goldman Sachs (Asia) L.L.C. in Hong Kong from July 2015 to July 2018. Before that, Mr. YEH worked at Citigroup Capital Markets Asia Limited from July 2009 to June 2015 where he last served as the head of China healthcare research team. In October 1995, he joined Amgen Inc., a leading global biotechnology company traded on the NASDAQ (NASDAQ: AMGN), as a research associate conducting drug discovery research.

Mr. YEH received his master's of business administration from Cornell University in the United States in May 2002 and a Master of Science in medical biophysics from the University of Toronto and Ontario Cancer Institute in Canada in November 1995. Mr. YEH received a Bachelor of Science with a major in biochemistry from University of Manitoba in Canada in May 1993.

Mr. ZHANG Wei (張煒), aged 53, is one of our independent non-executive Directors effective from June 2023. Mr. ZHANG has served as an independent non-executive director at various public companies, including (i) as an independent director of Biostage, Inc. (NASDAQ: BSTG), a U.S. biotechnology company developing bioengineered organ implants, from May 2018 to June 2021, (ii) an independent director of Dong-E-E-Jiao Co., Ltd. (東阿阿膠股份有限公司) (SZSE: 000423), a company primarily manufacturing and selling traditional Chinese medicine and healthcare products, from January 2015 to June 2021, (iii) an independent director of Yunan Jianzhijia Health-Chain Co., Ltd. (健之佳醫藥連鎖集團股份有限公司) (SHA: 605266) from March 2015 to December 2020, (iv) an independent director of Huadong Medicine Co., Ltd. (華東醫藥股份有限公司) (SZSE: 000963) from January 2016 to June 2019, and (v) an independent director of China Merchants Property Development Co., Ltd. (招商局地產控股股份有限公司) (SZSE: 000024) from December 2011 to December 2015, which was privatized in December 2015.

Mr. ZHANG has also served as the senior executive of China Merchants Health Care Holdings Company Limited (招商局健康產業控股有限公司) since September 2020 primarily responsible for its strategy and operation.

Mr. ZHANG received his doctoral degree in clinical medicine from Peking Union Medical College (北京協和醫科大學, currently known as 北京協和醫學院) in July 1998, and his doctoral degree in medical management and policy from Harvard University in June 2005.

SENIOR MANAGEMENT

Mr. PAN Chao (潘超), aged 62, has served as our senior vice president since July 2021 and our head of laboratory since October 2018. He is responsible for the laboratory overall management of our Group. Mr. PAN also held various positions at Hangzhou, Adicon, including as a laboratory deputy general manager from March 2017 to October 2018, a laboratory director from January 2010 to March 2017, and a laboratory supervisor from October 2007 to January 2010.

Prior to joining our Group, he served as a laboratory director of People's Hospital of Jiangsu Gaoyou (江蘇高郵市人民醫院) ("**Gaoyou Hospital**") from November 1991 to July 2004, during which, he served as (i) a deputy director of its outpatient department from October 1998 to July 2004, and (ii) a technician responsible its medical laboratory technology from September 1989 to November 1991. From May 1982 to August 1989, he served as a technician of Hospital of Integrated Traditional Chinese and Western Medicine of Jiangsu Gaoyou (江蘇高郵市中西醫結合醫院).

Mr. PAN received (i) his technical degree in laboratory from Zhenjiang Medical College (鎮江醫學專科學校) (currently known as Jiangsu University (江蘇大學)) in March 1982, (ii) his college degree in medical laboratory from Jiangsu Staff Medical University (江蘇職工醫科大學) (currently known as Jiangsu Health Vocational College (江蘇衛生健康職業學院)) in January 1998 through part-time study, and (iii) his bachelor's degree in medical laboratory science from Jiangsu University (江蘇大學) (evening courses) in July 2003. Mr. PAN was appointed as (i) as the vice president of the Laboratory Branch of China Non-government Medical Institutions Association (中國非公立醫療機構協會檢驗醫學分會) in December 2023, (ii) a member of the Second Committee of Laboratory Medicine Branch of Zhejiang Medical Doctor Association (浙江省醫師協會檢驗醫師分會第二屆委員會委員) by Zhejiang Medical Doctor Association in April 2019, (iii) a member of the First Committee of Heath Examination Branch of Chinese Non-Government Medical Institutions Association (中國非公立醫療機構協會健康體檢分會第一屆委員會委員) by Chinese Non-Government Medical Institutions Association in October 2019, and (iv) a member of the Third Committee of Clinical Laboratory Management of Zhejiang Hospital Association (浙江省醫院協會第三屆臨床檢驗管理專業委員會委員) by Zhejiang Hospital Association in December 2020. Mr. PAN received (i) the qualification of Deputy Chief Technician of clinical medical laboratory and clinical basic laboratory technology awarded by Zhejiang Provincial Department of Human Resources and Social Security in November 2010 and (ii) his Clinical Genetic Diagnosis Laboratory Certificate (臨床基因診斷實驗上崗證) awarded by Jiangsu Clinical Laboratory Center in March 2004.

Mr. WANG Lawrence Allen (王之翰), aged 48, has served as our chief financial officer and senior vice president since September 2020. Mr. WANG is also a joint company secretary of the Company since April 2021. He is responsible for the financial strategy, financial management and investor relation of our Group.

Prior to joining our Group, Mr. WANG worked in various capacities in private equity and investment banking, including as a managing director of Vivo Capital, LLC from November 2015 to August 2020, a managing director of Primavera Capital Limited from December 2010 to July 2015, an associate director of Macquarie Group Limited (ASX: MQG) from July 2009 to September 2010, an executive director of Goldman Sachs (Asia) L.L.C., a subsidiary of Goldman Sachs Group, Inc. (NYSE: GS) from March 2004 to May 2009, and an associate of Bank of America Corporation (NYSE: BAC) from August 2003 to March 2004.

Mr. WANG received his bachelor's degree in medical science from Boston University in the United States in May 1999, his doctorate degree in medicine from Boston University School of Medicine in the United States in May 2003, and his MBA degree from Massachusetts Institute of Technology Sloan School of Management in the United States in June 2003.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. CHU Jianing (褚佳寧), aged 44, has served concurrently as our internal audit director and strategic intelligence officer since July 2021. He is responsible for overseeing internal control and risk management and the management of operating data analysis and application of our Group. Mr. CHU has been in charge of our internal audit department since he joined our Group in June 2014, during which he has consecutively served as our internal audit manager, internal audit deputy director and internal audit director. From July 2020 to July 2021, he also served as our war room director.

Prior to joining our Group, Mr. CHU served as (i) an internal audit manager of Hi-P (Shanghai) Housing Appliance Co., Ltd (赫比(上海)家用電器產品有限公司), a subsidiary of Hi-P International Limited (赫比(國際)有限公司) (SGX: H17) from January 2010 to May 2014, and (ii) a risk management deputy manager of Shanghai Lotus Supermarket Chain Store Co., Ltd. (上海易初蓮花連鎖超市有限公司) from December 2002 to December 2009.

Mr. CHU received his bachelor's degree in finance from Shanghai University (上海大學) in China in July 2002. Mr. CHU was accredited as a certified internal auditor by China Institute of Internal Audit in November 2009.

Mr. GE Shun (葛順), aged 50, has served as our vice president and chief marketing officer since February 2023. He is responsible for the management of marketing, esoteric tests and consumers relationship of our Group. From August 2021 to January 2023, Mr. GE worked as the director of marketing in our Group.

Prior to joining our Group, Mr. GE was (i) a resident doctor in Wuxi People's Hospital (無錫市人民醫院) (formerly known as Wuxi Fifth Hospital (無錫五院)) from June 1998 to October 2000; (ii) a pharmaceutical representative, a district manager, a regional manager, the product manager and the marketing manager in Xi'an Janssen Pharmaceutical Limited (西安楊森製藥有限公司) from November 2000 to December 2011; (iii) the national director of sales in AbbVie Pharmaceutical Trading (Shanghai) Co., Ltd. (艾伯維醫藥貿易(上海)有限公司) from January 2012 to October 2013; (iv) the director of marketing in Menarini China Holding Co., Ltd. (美納裏尼(中國)投資有限公司) from October 2013 to December 2019; and (v) the general manager of business unit in Jiangsu Ehwa Pharmaceutical Company Limited (江蘇恩華製藥有限公司) from January 2020 to August 2021.

Mr. GE received his bachelor's degree in clinical medicine from Jiangsu University (江蘇大學) (formerly known as Zhenjiang Medical College (鎮江醫學院)) in China in June 1998, and his master's degree in business administration from Fudan University (復旦大學) in China in May 2019.

Ms. HU Yuanyuan (胡元媛), aged 40, has served as vice president since October 2018 and currently responsible for overseeing our EHS (environment, health and safety) governance system. Ms. HU has been in charge of overseeing many of our internal administrative functions, including, among others, our (i) human resources department, (ii) business administrative department, (iii) engineering project department, and (iv) legal department.

Prior to joining our Group, Ms. HU served as (i) an administrative director of AJON Medical Device (Hangzhou) Co., Ltd. (艾健醫療器械(杭州)有限公司) ("**AJON**") from July 2012 to October 2014, (ii) a director of the general manager office of AJON from November 2010 to June 2012, (iii) an assistant to general manager of AJON from November 2008 to November 2010, (iv) a personal assistant to the general manager of Junglerock Biological Cloning Technology (Hangzhou) Co., Ltd. (叢林石生物克隆技術(杭州)有限公司) from November 2007 to November 2008 and (v) a translator for Mahindra (China) Tractor Co., Ltd. (馬恒達(中國)拖拉機有限公司) from March 2007 to October 2007.

Ms. HU received her bachelor's degree in international economics and trade from Jiangxi University of Finance and Economics (江西財經大學) in China in July 2006.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Ms. LAN Jia (蘭佳), aged 54, has served as our senior vice president and chief administrative officer since January 2021 and concurrently served as our chief compliance officer since October 2018. She is responsible for overseeing the overall management and enforcement of the internal control of our Group.

Prior to joining our Group, she worked Meinian Onehealth Healthcare Holdings Co., Ltd. (美年大健康產業控股股份有限公司) ("**Meinian Onehealth**"), a company listed on the Shenzhen Stock Exchange (stock code: 002044), where Ms. LAN was the vice president from March 2017 to October 2018 following a term as chief financial officer from October 2015 to March 2017. From April 2009 to January 2013, Ms. LAN was the person-in-charge of internal audit in Zhejiang Jingxing Paper Joint Stock Co., Ltd. (浙江景興紙業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002067). From May 2002 to June 2008, Ms. LAN served as the audit manager in Ernst & Young. From November 1996 to April 2002, she worked as a senior auditor in Dahua Certified Public Accountants Co., Ltd. (大華會計師事務所有限責任公司).

Ms. LAN received her bachelor's degree in accounting from Shanghai University of Finance and Economics (上海財經大學) in China in July 1991, and her master's degree in business administration from National University of Singapore in June 2020. Ms. LAN obtained the qualification of a certified public accountant issued by the Ministry of Finance of the PRC in 2001.

Ms. LI Dan (李單), aged 46, has served as our national quality director since April 2019. She is responsible for the laboratory quality control of our Group. Ms. LI also held various positions at Hangzhou Adicon, including as a national quality deputy director from November 2016 to April 2019, a national quality manager from June 2013 to November 2016, a laboratory manager from May 2008 to June 2013 and a laboratory supervisor from March 2006 to May 2008.

Prior to joining our Group, she served in technical support for the international sales department of ACON Biotech from July 2002 to May 2003.

Ms. LI received her bachelor's degree in clinical medicine from Qiqihar Medical University (齊齊哈爾醫學院) in China in July 2002.

Mr. LUO Zhen (羅震), age 50, has served as our vice president since March 2023. He is responsible for the digital system construction of our Group.

Prior to joining our Group, Mr. LUO was (i) the vice president of technology in China in Dextrys, Inc. as well as the general manager of its subsidiary, Shanghai Yipan software Co., Ltd. (上海億磐軟件有限公司); (ii) the deputy general manager of the information center (C-level) in Wanda Group (萬達集團); (iii) the assistant president in Huaxia Xingfu Creative Investment Co., Ltd (華夏幸福創業投資有限公司); and (iv) the vice president in Redsun Group (弘陽集團).

Mr. LUO received his bachelor's degree in applied physics from the University of Electronic Science and Technology (電子科技大學) in China in June 1996, his master's degree in computer and computer applications from Chengdu University of Technology (成都理工大學) in China in June 2002, and his doctoral degree in computer and computer application from Sichuan University (四川 大學) in China in June 2011.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. SUN Guangtao (孫廣濤), aged 51, has served as our senior vice president and the chief operating officer since April 2022. He is responsible for the operational management of our Group. Mr. SUN also holds or held various positions in our Group, including (i) the northern district general manager from December 2019 to April 2022; (ii) the general manager in Beijing Adicon from July 2019 to September 2020; (iii) the general manager in Tianjin Adicon since February 2015; and (iv) head of Tianjin district in Beijing Adicon from July 2008 to February 2015.

Prior to joining our Group, Mr. SUN was (i) a project manager in Tianjin Saien Investment Group Co., Ltd. (天津賽恩投資集團有限公司), as well as the person-in-charge of Tianjin New Class Medical Laboratory Company Limited (天津新階層醫學檢驗所有限公司) from June 2005 to June 2008; (ii) a project manager in Tianjin Ark Tianma Investment Group Company Limited (天津方舟天馬投資集團有限公司) from March 2003 to June 2005; and (iii) an exporter in Ceroilfood Tianjin Cereals & Oils Import & Export Co., Ltd. (天津金糧進出口有限公司) (formerly known as COFCO Tianjin Grain and Oil Import and Export Co., Ltd. (中糧天津糧油進出口有限公司)) from July 1996 to March 2003.

Mr. SUN received his bachelor's degree in foreign trade from Nankai University (南開大學) in China in June 1996.

Mr. WANG Chengdong (王成棟), aged 48, has served as our vice president and eastern district general manager since January 2022. Mr. WANG also held various positions at Hangzhou Adicon, including as (i) a national purchasing manager from July 2011 to March 2013, (ii) a national purchasing, planning and warehousing senior manager from March 2013 to January 2018, (iii) a national purchasing, planning and warehousing deputy director from January 2018 to April 2019, and (iv) a national purchasing, planning and warehousing director, national technical cooperation and project manager from April 2019 to December 2019.

Mr. ZHANG Yu (張羽), age 43, has served as our vice president of finance since July 2021. He is responsible for financial operations of our Group. Mr. ZHANG also held various positions in Hangzhou Adicon, including (i) the in-charge accountant from January 2007 to January 2008; (ii) the financial executive from January 2008 to September 2010; (iii) the financial manager from September 2010 to September 2013; and (iv) the director of finance from September 2013 to July 2021.

Prior to joining our Group, Mr. ZHANG was (i) an internal control specialist in Swire Coca-Cola Beverages Zhejiang Limited (浙江太古可口可樂飲料有限公司) from March 2006 to January 2007; and (ii) an audit specialist in Zhejiang Zhongzhou Certified Public Accountants Co., Ltd. (浙江中州會計師事務所有限公司) from July 2004 to March 2006.

Mr. ZHANG received his bachelor's degree in accounting from Taiyuan University of Technology (太原理工大學) in China in July 2004. Mr. ZHANG is a non-practicing member of the Chinese Institute of Certified Public Accountants.

JOINT COMPANY SECRETARIES

Mr. WANG Lawrence Allen (王之翰) is one of our joint company secretaries and has been appointed with effect from April 15, 2021. Mr. WANG is also one of our authorized representatives. For details of his biography, see the paragraph headed "— Senior Management" in this section.

Ms. SO Ka Man (蘇嘉敏) is one of our joint company secretaries and has been appointed with effect from November 5, 2021.

Ms. SO is a director of company secretarial services of Tricor Services Limited and has been providing professional corporate services to Hong Kong listed companies as well as multi-national, private and offshore companies. Ms. SO has over 20 years of experience in the corporate secretarial and compliance service field. Ms. SO is currently acting as the company secretary or joint company secretary of a few listed companies on the Stock Exchange.

Ms. SO graduated from The Hong Kong Polytechnic University in November 1996 with a bachelor's degree of Arts in Accountancy. Ms. SO is a Chartered Secretary, a Chartered Governance Professional and a fellow of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

Ms. SO's primary contact at the Company is Mr. WANG.

DIRECTORS' REPORT

The Board is pleased to present this Directors' report in the Group's annual report for the Reporting Period.

GLOBAL OFFERING AND USE OF PROCEEDS

The total net proceeds from the Global Offering (after deduction of underwriting commissions and related costs and expenses) amounted to RMB230.9 million. The net proceeds raised from the Global Offering had been used in the manner as disclosed in the section headed "Future Plans and Use of Proceeds" of the Prospectus, and was fully utilized as of December 31, 2024.

The table below sets forth the details of the utilization of net proceeds received from the Global Offering:

Description	Total percentage amount	Net proceeds from the Global Offering (RMB in millions)	Utilized amount up to December 31, 2023 (RMB in millions)	Utilized amount during the year ended December 31, 2024 (RMB in millions)	Unutilized amount as of December 31, 2024 (RMB in millions)	Expected timeline for utilizing for the unutilized net proceeds
Strengthening our routine and esoteric testing capabilities	15.0%	34.6	19.6	19.6	-	December 31, 2024
Network expansion through establishing new laboratories, partnership investments and development of new channels	25.0%	57.7	13.4	13.4	-	December 31, 2024
Business development activities to form strategic collaborations with industry participants as well as strategic and bolt-on acquisitions	25.0%	57.7	14.3	14.3	-	December 31, 2024
Upgrade and expansion of our existing laboratories	15.0%	34.6	13.1	13.1	-	December 31, 2024
Investment in operating infrastructure including logistics facilities, artificial intelligence technologies and IT infrastructure	10.0%	23.1	10.8	10.8	-	December 31, 2024
Working capital and general corporate purpose	10.0%	23.1	7.4	7.4	-	December 31, 2024
Total	100.0%	230.9	78.6	78.6	-	

BUSINESS AND COMPANY-RELATED INFORMATION

Principal Activities

We are one of the leading ICL service providers in China. We offer comprehensive and best-in-class testing services primarily to hospitals and health check centers through an integrated network of 34 self-operated laboratories across China. The high quality of our services is backed by our strong performance in terms of international accreditation and comprehensive testing menu. Currently, 23 of our laboratories have been accredited by ISO15189, which enabled us to provide customers with the quality assurance that comes with this rigorous international standard. Our testing portfolio consists of over 4,000 medical diagnostic tests, the introduction of over 300 new high-end diagnostic tests in 2024. We are committed to continuously serving our patients and the general public with our high-quality testing services as a leading ICL service provider in China, and becoming a trusted and reliable partner for medical professionals and the general public.

The activities of the principal subsidiaries are set out in note 1 to the Financial Statement in this annual report.

Results of Operations

The results of the Group during the Reporting Period are set out in "Consolidated Statements of Profit or Loss" and "Consolidated Statements of Comprehensive Income/(Loss)" of this annual report.

Final Dividend

The Board did not recommend the payment of any final dividend during the Reporting Period.

Business Review

Details of business review and performance analysis of the Group during the Reporting Period are set out in "Chairwoman's Statement" and "Management Discussion and Analysis" of this annual report.

Future Development

Details of future development of the Group are set out in "Chairwoman's Statement" of this annual report.

Environmental Policies and Performance

The Group is committed to being environmentally responsible. The Group takes steps to ensure that wastes generated as a result of its operations are properly disposed of in order to reduce adverse effects to the environment. In addition, the Group strives to operate its facilities in a manner that protects the environment and the health and safety of its employees and communities. Details of the Group's environmental policies and performance will be published in a separate and comprehensive ESG Report during the Reporting Period at the same time as the publication of this report. The ESG Report has addressed the requirements set out in Appendix C2 of the Listing Rules, and is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.adicon.com.cn).

DIRECTORS' REPORT

Key Relationships with Stakeholders

Relationship with Employees

The Company embraces employees as the most valuable assets of the Group. The objective of the Group's human resources management is to reward and recognize outstanding employees by providing competitive remuneration packages and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression within the Group by providing adequate training and opportunities.

Relationship with Shareholders

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognizes the importance of transparency and timely disclosure of corporate information, which will enable the Shareholders and investors to make the best investment decisions.

The general meetings of the Company provide an opportunity for communication between the Directors, senior management and the Shareholders. The chairwoman of the Board as well as chairpersons of the Audit Committee, the Nomination Committee, the Remuneration Committee and the Strategy Committee, in their absence, other members of the respective committees, are available to answer questions at general meetings. The chairman of the meeting will provide the detailed procedures for conducting a poll and answer any questions from the Shareholders on voting by poll. The annual general meeting shall be called by not less than 21 days' notice to Shareholders in writing and any extraordinary general meeting shall be called by not less than 14 days' notice to Shareholders in writing.

The Company has adopted the Shareholders' communication policy, which sets out the framework the Company has put in place to promote effective communication with Shareholders so as to enable them to engage actively with the Company and exercise their rights as Shareholders in an informed manner. To promote effective communication, the Company has established several channels to communicate with the Shareholders as follows, among others:

(i) both English and Chinese versions of corporate communications (as defined in the Listing Rules) such as annual reports, interim reports and circulars are available in printed form (if requested) and are available electronic form on the Stock Exchange's website (www.hkexnews.hk) and the Company's website at (www.adicon.com.cn), where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access;

(ii) corporate information is made available on the Company's website; and

(iii) the Hong Kong branch share registrar of the Company serves the Shareholders in respect of share registration, dividend payment and related matter.

Shareholders may at any time make a request for the Company's information to the extent such information is publicly available and the Company has an investor relationship function (Email: ir@adicon.com.cn, Tel: (86) 0571 8777 5775) to attend to enquiries from the Shareholders.

Having considered the multiple channels of communication, the Board is satisfied that the Shareholders' communication policy provided effective channels by which Shareholders can communicate and raise concern with the Company.

To preserve environment and increase efficiency in communication with the Shareholders, the Company made arrangement pursuant to Rule 2.07A of the Listing Rules and the Articles of Association for the Shareholders to elect to receive corporate communication in printed form or by electronic means through the Company's website. Shareholders have the right to change their choice of receipt of its corporate communications (as defined in the Listing Rules) at any time by giving reasonable notice to the Company. The change request form may be downloaded from the websites of the Company and the Stock Exchange. The Company will send the actionable corporate communication (as defined in the Listing Rules) to the Shareholders individually in electronic form by email or in printed form (if requested or if the Company does not possess the functional email address of Shareholders).

Relationship with Customers and Suppliers

The Group's major customers primarily include medical institutions (which include public hospitals, community health centers, private hospitals and clinics, and health check centers), pharmaceutical companies and CROs. The Group's top five customers accounted for 6.4% of the Group's total revenues during the Reporting Period.

The Group's major suppliers primarily consist of suppliers for equipment, reagent and other consumable material for testing. The Group's top five suppliers accounted for 28.4% of the Group's purchasers during the Reporting Period.

The ESG Report also contains information in respect of relationship with the employees, customers and suppliers, which will be published at the same time as the publication of this report as required under the Listing Rules.

Share Capital

Details of the issued Shares of the Group during the Reporting Period are set out in note 29 to the Financial Statements in this annual report.

Reserves

Details of movements in the reserves of the Company during the Reporting Period are set out in "Consolidated Statement of Changes in Equity" of this annual report.

Distributable Reserves

As of end of the Reporting Period, the Group has distributable reserves of RMB1,378.8 million in total available for distribution.

Charitable Donations

During the Reporting Period, the Group made charitable donations of RMB3.2 million.

DIRECTORS' REPORT

Bank Loans and Other Borrowings

As of end of the Reporting Period, the Group recorded bank loans and other borrowings amounted to RMB1,305.9 million.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the Reporting Period are set out in note 15 to the Financial Statements in this annual report.

Sufficiency of Public Float

Based on information that is publicly available to the Company and to the knowledge of the Directors, at least 25% of the Company's total issued shares, the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under the Listing Rules, was held by the public during the Reporting Period and up to the date of this annual report.

Issue of Debentures

The Group did not issue any debentures during the Reporting Period.

Pre-Emptive Rights

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands that would oblige the Company to offer new shares on a *pro rata* basis to the existing Shareholders.

Tax Relief

The Directors are not aware of any tax relief available to the Shareholders by reason of their holding of the Company's securities.

Compliance with Relevant Laws and Regulations

The Group may from time to time become a party to various legal, arbitral or administrative proceedings arising in the ordinary course of its business. During the Reporting Period, the Group had not been a party to, and was not aware of any threat of, any legal, arbitral or administrative proceedings, which would likely to have a material and adverse effect on its business, financial conditions or results of operations.

The Group is subject to applicable laws and regulations that have a significant impact on the operations of the Group, including in the PRC. During the Reporting Period, the Group had not been and were not involved in any non-compliance incidents that led to fines, enforcement action or other penalties that could, individually or in the aggregate, have a material adverse effect on the Group's business, financial condition or results of operations, and the Group had been in compliance with applicable laws and regulations in all material respects.

Principal Risk and Uncertainties

The Directors are aware that the Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The key risks and uncertainties identified by the Group are set out as follows:

(i) the Group's operations face competition that could adversely affect the results of operations. If the Group cannot compete successfully with its competitors, it may be unable to increase or sustain its revenues or achieve and sustain profitability;

(ii) the Group conducts its business in a heavily regulated industry. It may be adversely affected by the uncertainties and changes in PRC regulations with respect to the ICL industry;

(iii) if the Group fails to comply with applicable licensing requirements, or becomes damaged or inoperable, its ability to perform tests may be jeopardized;

(iv) any adverse change in the regulatory regime relating to the ICL industry or the healthcare industry may limit the Group's ability to provide testing services and may have a material adverse effect on its business, results of operations and financial condition;

(v) failure in service quality control may adversely affect the Group's operating results, reputation and business;

(vi) failure to obtain and retain new customers, the loss of existing customers, or a reduction in tests requested or specimens submitted by existing customers could impact the Group's ability to successfully grow its business;

(vii) the Group's past financial performance may not be indicative of the Group's future results;

(viii) if the Group fails to keep up with industry and technology developments or implement new technologies into its test offerings in a timely and cost-effective manner, the Group may be unable to compete effectively and its business and prospects could suffer; and

(ix) certain of the leased properties of the Group are subject to land defects, and it maybe required to vacate such properties which could adversely affect its business, financial condition and results of operations.

For details of the nature and extent of the principal risks faced by the Group, see "Risk Factors" of the Prospectus.

Management Contracts

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period.

DIRECTORS' REPORT

Purchase, Sale or Redemption of the Company's Listed Securities

In accordance with the Shareholders' resolution passed by the Shareholders at the annual general meeting held on May 30, 2024, the Directors were granted a general mandate (the "**Repurchase Mandate**") to repurchase no more than 72,735,479 Shares from time to time. On May 30, 2024 and December 16, 2024, the Board resolved to utilize the Repurchase Mandate to repurchase Shares in the open market not more than 36,367,739 Shares and 36,287,165 Shares, respectively. For details, please refer to the announcements of the Company dated June 4, 2024 and December 19, 2024. During the year ended December 31, 2024 and up to the date of this report, the Company has repurchased 1,711,500 Shares on the Stock Exchange at an aggregate consideration of HK$16.1 million (including brokerage and other fees), of which (i) 94,500 Shares were cancelled on September 6, 2024; and (ii) 1,617,000 Shares are held as treasury Shares. As of the date of this report, the Company held 1,617,000 Shares intended to be held as treasury Shares. The Company has not yet determined on the intended use of such treasury Shares and will utilize them as permitted under the Listing Rule, subject to, market conditions and its capital management needs.

Details of the Shares repurchased are summarized as follows:

Month of repurchase	Total number of Shares repurchased	Repurchase price per Share Highest HK$	Repurchase price per Share Lowest HK$	Aggregate consideration (including brokerage and other fees) HK$ million
June 2024	1,611,500	10.12	8.14	15.4
January 2025	100,000	7.62	6.73	0.7

Save as disclosed above, neither the Company nor any member of the Group has purchased, sold or redeemed any of the listed securities of the Company (including sale of treasury Shares) during the Reporting Period and up to the date of this Annual Report.

Auditor

Ernst & Young was appointed as the Auditor during the Reporting Period and there had been no change in auditor of the Company in the past three years. The accompanying Financial Statements prepared in accordance with IFRS Accounting Standards have been audited by Ernst & Young.

Ernst & Young will retire and, being eligible, offer themselves for re-appointment. A resolution for their re-appointment as auditor of the Company will be proposed at the AGM.

Audit Committee and Review of Financial Statements

The Audit Committee comprises three independent non-executive Directors, namely Mr. YEH Richard (chairman), Mr. MI Brian Zihou and Mr. ZHANG Wei. The Audit Committee is governed by terms of reference that are in compliance with the requirements of the Listing Rules.

Scope of Auditor's Work

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit of loss and other comprehensive income and the related notes thereto for the Reporting Period as set out in this report have been agreed by the Company's auditors, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on this report.

Closure of Register of Members for the Annual General Meeting

The Company's register of members will be closed from Tuesday, May 20, 2025 to Friday, May 23, 2025, both days inclusive, in order to determine the eligibility of the Shareholders to attend and vote at the Annual General Meeting. During this period, no transfer of Shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all properly completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Monday, May 19, 2025.

DIRECTORS AND SENIOR MANAGEMENT

During the Reporting Period and up to the date of this annual report, the Board composition is set out below. To the best knowledge of the Company, there are no financial, business, family, or other material/relevant relationships among members of the Board.

Executive Director

Mr. GAO Song (Chief Executive Officer)

Non-executive Directors

Ms. YANG Ling (Chairwoman of the Board)
Mr. LIN Jixun
Ms. FENG Janine Junyuan
Mr. ZHOU Mintao *
Ms. LIM Kooi June **

Independent Non-executive Directors

Mr. MI Brian Zihou
Mr. YEH Richard
Mr. ZHANG Wei

* Mr. ZHOU Mintao has become a non-executive Director on May 30, 2024

** Ms. LIM Kooi June retired as a non-executive Director on May 30, 2024

DIRECTORS' REPORT

Directors' and Senior Management's Biographies

Biographical details of the Directors and the senior management of the Group are set out in "Profiles of Directors and Senior Management" of this annual report.

Changes in the Information of the Directors

During the Reporting Period and up to the date of this annual report, there has been no change in the information of the Directors as required to be disclosed pursuant to Rule 13.51B of the Listing Rules.

Directors' Service Contracts and Appointment Letters

The executive Director, Mr. GAO Song, entered into a service contract with the Company. His term of appointment was until (i) three years after the Listing Date, or (ii) the third annual general meeting of the Company since the Listing Date, whichever is earlier (subject to retirement as and when required under the Articles of Association). Either party may terminate the appointment by giving not less than six month's written notice.

Each of the non-executive Directors entered into an appointment letter with the Company. Other than Mr. ZHOU Mintao, their term of appointment shall be for an initial term of three years from the Listing Date or until the third annual general meeting of the Company after the Listing Date, whichever is sooner (subject to retirement as and when required under the Articles of Association). The term of appointment of Mr. ZHOU Mintao shall be three years from the date of his appointment on May 30, 2024. Either party may terminate the agreement by giving not less than three month's written notice.

Each of the independent non-executive Directors entered into an appointment letter with the Company. Their term of appointment shall be for an initial term of three years from the date indicated in their respective appointment letter, respectively, or until the third annual general meeting of the Company after the Listing Date, whichever is sooner (subject to retirement as and when required under the Articles of Association). Either party may terminate the agreement by giving not less than three months' written notice.

None of the Directors have an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

Confirmation of Independence from the Independent Non-Executive Directors

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent during the Reporting Period and remain so as of the date of this annual report.

Re-election of Directors

In accordance with Article 108 of the Articles of Association, at each annual general meeting one-third of the Directors for the time being shall retire from office by rotation. Mr. GAO Song, Mr. MI Brian Zihou, and Mr. YEH Richard will retire from office at the AGM by rotation. Mr. GAO Song, Mr. MI Brian Zihou, and Mr. YEH Richard, being eligible, have offered themselves for re-election at the AGM.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at December 31, 2024, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name	Nature of interest	Number of Shares	% of interest in the Company
Mr. GAO Song [(1)]	Interest in a controlled corporation	303,750 (L)	0.04%
	Beneficial interest	11,249,646 (L)	1.55%
Mr. LIN Jixun [(2)]	Interest in a controlled corporation	90,061,994 (L)	12.38%

Remark: The Letter (L) denotes the long position in such securities.

Notes:

(1) Mr. GAO Song is deemed to be interested in 303,750 Shares directly held by his wholly-owned investment holding company, Nice Sure Holding Co., Limited. In addition, he has been granted RSUs and options under the 2019 Incentive Plans entitling him to receive up to an aggregate of 11,249,646 Shares.

(2) Details of the nature of interest held by Mr. LIN Jixun are provided in the note (4) to "— Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares" in this section.

(3) Calculated based on the number of the total issued share capital of the Company as of December 31, 2024, being 727,260,291 Shares (including 1,517,000 treasury Shares).

Save as disclosed above, as at the date of this annual report, none of the Directors or chief executives of the Company has or is deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or which will be required to be recorded in the register to be kept by the Company pursuant to Section 352 of the SFO, or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' REPORT

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at December 31, 2024, the followings are the persons who had interests or short positions in the Shares and underlying Shares which would be required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name of	Capacity/Nature of Interest	Number of Shares	% of interest in the Company
Pearl Group Limited (1)	Beneficial owner	281,541,805 (L)	38.71%
Mr. LIN Jixun (2)	Interest in a controlled corporation	90,061,994 (L)	12.38%
Corelink (2)	Beneficial owner	90,061,994 (L)	12.38%
Mr. LIN Feng (3)	Interest in a controlled corporation	72,005,994 (L)	9.90%
Mega Stream (3)	Beneficial owner	72,005,994 (L)	9.90%

Remark: The Letter (L) denotes the long position in such securities.

Notes:

(1) Pearl Group Limited is 94.57% owned by Carlyle Asia Partners V, L.P. and 5.43% owned by CAP V Co-Investment, L.P.. The general partner of Carlyle Asia Partners V, L.P. and CAP V Co-Investment, L.P. is CAP V General Partner, L.P.. The general partner of CAP V General Partner, L.P. is CAP V, L.L.C., an indirect subsidiary of Carlyle. CAP V, L.L.C. is wholly-owned by TC Group Cayman Investment Holdings Sub L.P.. The general partner of TC Group Cayman Investment Holdings Sub L.P. is TC Group Cayman Investment Holdings L.P.. The general partner of TC Group Cayman Investment Holdings L.P. is CG Subsidiary Holdings L.L.C.. The managing member of CG Subsidiary Holdings L.L.C. is Carlyle Holdings II L.L.C.. The managing member of Carlyle Holdings II L.L.C. is Carlyle Holdings II GP L.L.C.. The sole member of Carlyle Holdings II GP L.L.C. is Carlyle. As such, under the SFO, each of Carlyle Asia Partners V, L.P., CAP V General Partner, L.P., CAP V L.L.C., TC Group Cayman Investment Holdings Sub L.P., TC Group Cayman Investment Holdings L.P., CG Subsidiary Holdings L.L.C., Carlyle Holdings II L.L.C., Carlyle Holdings II GP L.L.C. and Carlyle is deemed to be interested in the equity interests held by Pearl Group Limited.

(2) Corelink is wholly-owned by Mr. LIN Jixun, one of the founders of the Group and a non-executive Director. Mr. LIN Jixun is the brother of Mr. LIN Feng.

(3) Mega Stream is wholly-owned by Mr. LIN Feng, one of the founders of the Group. Mr. LIN Feng is the brother of Mr. LIN Jixun.

(4) Calculated based on the number of the total issued share capital of the Company as of December 31, 2024, being 727,260,291 Shares (including 1,517,000 treasury Shares).

Save as disclosed above, to the best knowledge of the Directors and the chief executives of the Company, as at the date of this annual report, the Company is not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the shares or underlying shares of the Company which would be required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in "—2019 Incentive Plans" of this annual report, at no time during the Reporting Period was the Company or any of its subsidiaries, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of the shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

Directors' Interests in Competing Business

During the Reporting Period, none of the Directors had any interest in a business, apart from the business of the Group, which competes or is likely to compete, directly or indirectly, with the Group's business, which would require disclosure under Rule 8.10 of the Listing Rules.

Directors' Material Interests in Transactions, Arrangements or Contracts of Significance

Save as disclosed in "— Continuing Connected Transactions" of this Directors' report, there were no transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party and in which a Director or its connected entity (within the meaning of Section 486 of the Companies Ordinance) had a material interest, whether directly or indirectly, and subsisting during the Reporting Period or as of end of the Reporting Period.

Directors' Remuneration

The remuneration of the Directors is paid in the form of salaries, allowances and benefits in kind, equity-settled share-based payment expense and pension scheme contributions with reference to his or her duties, responsibilities within the Group. The Company has established the Remuneration Committee to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management.

The Directors and the senior management members are eligible participants of the 2019 Incentive Plans and 2024 Incentive Plans.

During the Reporting Period, none of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors or five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for the loss of office.

Details of the emoluments of the Directors, and five highest paid individuals during the Reporting Period are set out in notes 10 and 11 to the Financial Statements in this annual report.

Directors and Officers Liability Insurance

The Company has arranged appropriate directors' and officers' liability insurance in respect of legal action against the Directors and senior management.

Directors' Permitted Indemnity Provision

Pursuant to Article 194 of the Articles of Association and subject to Cayman Companies Law, every Director, company secretary, assistant secretary, or other officer (but not including the Company's auditors) and the personal representatives of the same (each an "**Indemnified Person**") shall be indemnified and secured harmless out of the assets and funds of the Company against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by such Indemnified Person, other than by reason of such Indemnified Person's own dishonesty, wilful default or fraud as determined by a court of competent jurisdiction, in or about the conduct of the Company's business or affairs (including as a result of any mistake of judgment) or in the execution or discharge of his duties, powers, authorities or discretions, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by such Indemnified Person in defending (whether successfully or otherwise) any civil proceedings concerning the Company or its affairs in any court whether in the Cayman Islands or elsewhere.

CONTINUING CONNECTED TRANSACTIONS

Upon Listing, transactions between members of the Group and the Company's connected person have become connected transactions under Chapter 14A of the Listing Rules.

Among the related party transactions disclosed in note 34 to the Financial Statements, the transactions with ACON Biotech constituted the continuing connected transaction of the Group, and is required to be disclosed in this annual report in accordance with Rule 14A.71 of the Listing Rules. ACON Biotech is currently indirectly owned as to 50% by Mr. LIN Jixun (the Group's founder and one of the non-executive Directors), and is therefore a connected person of the Company under Rule 14A.07(4) of the Listing Rules. The Company confirmed that the other related party transactions as disclosed in note 35 to the Financial Statements do not fall under the definition of "connected transaction" or "continuing connected transaction" (as the case may be) in Chapter 14A of the Listing Rules.

Purchase and Equipment Lease Framework Agreement

On January 10, 2022, the Company and ACON Biotech entered into a purchase and equipment lease framework agreement (the "**Purchase and Equipment Lease Framework Agreement**"), pursuant to which the Company agreed to purchase certain testing equipment and reagents from, and to lease certain testing equipment from, ACON Biotech from time to time in the Company's ordinary course of business.

The Purchase and Equipment Lease Framework Agreement is for a term commencing on the Listing Date until December 31, 2025, and will be renewed for another three years upon expiration, conditional upon the fulfillment of requirements under the Listing Rules and other applicable laws and regulations. The amounts payable by the Company under the Purchase and Equipment Lease Framework Agreement will be determined after a bidding process involving ACON Biotech and other approved qualified suppliers. After a successful bid of ACON Biotech, the Company and ACON Biotech enter into a separate agreement on terms which will be determined on an arm's length basis, with reference to, among others, (i) the historical transaction amounts for the similar testing equipment and reagents from ACON Biotech, (ii) the amount, quality and specifications of the relevant testing equipment and reagents, and (iii) the bidding price, product quality, reliability and specifications, product delivery time and range of offerings of ACON Biotech.

The annual cap of the Purchase and Equipment Lease Framework Agreement for the Reporting Period is approximately RMB110.0 million, while the actual transaction amount for the Reporting Period was approximately RMB1.4 million.

Annual Review by the Independent Non-executive Directors and the Auditor

The independent non-executive Directors have confirmed that the above continuing connected transaction was entered into by the Group: (i) in the ordinary and usual course of its business; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreements (including the pricing principle and guidelines set out therein) and on terms that was fair and reasonable and in the interests of the Company and the Shareholders as a whole.

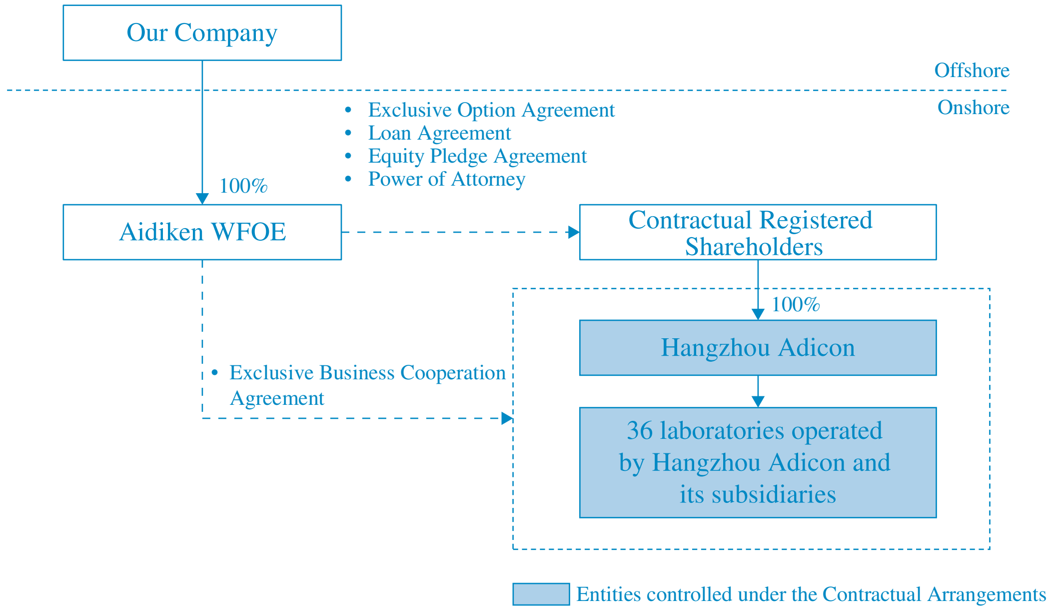
The Auditor has reviewed the continuing connected transaction referred to above and confirmed to the Board that such continuing connected transaction: (i) has received the approval of the Board; (ii) was in accordance with the pricing policies of the Group; (iii) was entered into in accordance with the relevant agreements governing the transactions; and (iv) has not exceeded the relevant annual caps.

Save as disclosed in this annual report, during the Reporting Period, the Company had no connected transactions or continuing connected transactions which are required to be disclosed under the Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the Reporting Period.

CONTRACTUAL ARRANGEMENTS

Summary of the Contractual Arrangements

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



Note:

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

A brief description of each of the specific agreements that comprise the Contractual Arrangements is set out as follows:

Exclusive Business Cooperation Agreement

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

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

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

DIRECTORS' REPORT

Exclusive Option Agreement

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

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

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

Loan Agreements

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

Equity Pledge Agreement

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

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

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

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

Powers of attorney

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

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

DIRECTORS' REPORT

Reasons for Adopting the Contractual Arrangements

As disclosed in the section headed "Contractual Arrangements" in the Prospectus, due to regulatory restrictions or prohibitions on foreign ownership in the PRC, the Company is restricted or prohibited from directly owning equity interest in the PRC Operating Entities, namely Hangzhou Adicon and its subsidiaries. Therefore, in order for the Group to effectively control and enjoy the entire economic benefit of Hangzhou Adicon and its subsidiaries, the Company has entered into the Contractual Arrangements, among Aidiken WFOE, Hangzhou Adicon and the Contractual Registered Shareholders. The Contractual Arrangements enable the Company to (i) receive substantially all of the economic benefits derived from the laboratories of the Group operated by Hangzhou Adicon and its subsidiaries; (ii) exercise effective control over Hangzhou Adicon and its subsidiaries; and (iii) hold an exclusive option to purchase all or part of the equity interests in Hangzhou Adicon and its subsidiaries with the lowest extent of purchase prices permitted by PRC law.

Risks Relating to the Contractual Arrangements

There are certain risks associated with the Contractual Arrangements, including:

(i) 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, the Group could be subject to severe penalties or be forced to relinquish its interests received through the Contractual Arrangements;

(ii) The Contractual Arrangements may not be as effective in providing operational control as direct ownership and the PRC Operating Entities and their shareholders may fail to perform their obligations under the Group's Contractual Arrangements;

(iii) The Contractual Arrangements may result in adverse tax consequences to the Group;

(iv) The Contractual Registered Shareholders of PRC Operating Entities may have conflicts of interest with the Group, which may materially and adversely affect its business; and

(v) If the Company exercises the option to acquire equity ownership and assets of PRC Operating Entities, the ownership or asset transfer may subject the Company to certain limitations and substantial costs.

Details of these risks are provided in "Risk Factors—Risks Relating to our Contractual Arrangement" of the Prospectus.

Actions Taken by the Group to Mitigate the Risks relating to the Contractual Arrangements

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

(i) Major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to the Board, if necessary, for review and discussion on an occurrence basis;

(ii) The Board (including the independent non-executive Directors) will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

(iii) The Company will disclose the overall performance of and compliance with the Contractual Arrangements in the annual reports to update its Shareholders and potential investors;

(iv) The Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements and the legal compliance of Hangzhou Adicon, Aidiken WFOE, the Contractual Registered Shareholders and the PRC Operating Entities to deal with specific issues or matters arising from the Contractual Arrangements;

(v) The company seals, financial seals, contract seals and crucial corporate certificates of the PRC Operating Entities are kept by the Group's designated personnel. Any employee of the Group who wishes to use the seals will have to obtain internal approval following the Group's established policies and procedures. The business, legal and/or finance departments constitute the Group's central management system and the persons in charge of these departments as well as the department members responsible for the custody and handling of the seals and crucial corporate certificates are employees of the Group;

(vi) In the event of the occurrence of a conflict of interests between the Group and the Contractual Registered Shareholders (where the Group has the sole and absolute discretion to determine whether such conflict arises), Hangzhou Adicon shall take appropriate measures upon the consent of Aidiken WFOE or its designee to eliminate such conflicts, failing which Aidiken WFOE will exercise, to the extent permitted under the PRC laws, the option under the Exclusive Option Agreement;

(vii) In order to further secure Aidiken WFOE's rights under the Exclusive Option Agreement, the Contractual Registered Shareholders have also entered into the Equity Pledge Agreements with Aidiken WFOE and Hangzhou Adicon, pursuant to which the Contractual Registered Shareholders pledged all their equity interests in Hangzhou Adicon in favor of Aidiken WFOE as security to guarantee the Contractual Registered Shareholders' performance of the contractual obligations under the Contractual Arrangement (including their obligations under the Exclusive Option Agreement);

(viii) Pursuant to the Loan Agreements, Aidiken WFOE can demand from Ms. LAN Jia and Ms. LIAN Hailun repayment of the Loans without cause at any time after serving 10 days notice as and when Aidiken WFOE considers appropriate at its absolute discretion. The Loans can only be repaid by transferring all of the equity interests in Hangzhou Adicon held by Ms. LAN Jia and Ms. LIAN Hailun to Aidiken WFOE (or its designee); and

(ix) Pursuant to a deed of undertaking dated March 19, 2021 given by all the partners of Hangzhou Kangming (namely Mr. GAO Song, Mr. PAN Chao, Mr. WANG Chengdong and four other existing and previous senior employees who are neither the Directors nor the senior management), each of the partners undertook that he/she will ensure the enforceability of the Contractual Arrangements.

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

DIRECTORS' REPORT

Requirement Related to Contractual Arrangements (Other Than Relevant Foreign Ownership Restrictions)

On January 1, 2020, the Foreign Investment Law (《中華人民共和國外商投資法》) (the "**FIL**") and the Regulations for Implementation of the Foreign Investment Law of the People's Republic of China (the "**Implementation Regulations**") came into effect and, replaced the previous laws regulating foreign investment in PRC, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations. The FIL and its Implementation Regulations embody an expected regulatory trend in PRC to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments.

The FIL does not explicitly stipulate the contractual arrangements as a form of foreign investment. The FIL does not mention concepts including "de facto control" and "controlling through contractual arrangements" nor does it specify the regulation on controlling through contractual arrangements. Furthermore, the FIL does not specifically stipulate rules on the Relevant Businesses. Instead, the FIL stipulates that "foreign investors invest in PRC through any other methods under laws, administrative regulations, or provisions prescribed by the State Council", which leaves leeway for future laws, administrative regulations or provisions promulgated by the Stale Council to provide for contractual arrangements as a method of foreign investment. On December 26, 2019, the Supreme People's Court issued the Interpretations on Certain Issues Regarding the Applicable of Foreign Investment Law (the "**FIL Interpretations**"), which came into effect on January 1, 2020. In accordance with the FIL Interpretations, where a party concerned claims an investment agreement to be invalid on the basis that it is for an investment in the prohibited or restricted industries under the negative list and violates the restrictions set out therein, the courts should support such claim. In addition, the FIL does not specify what actions shall be taken with respect to the existing companies with a contractual arrangement, whether or not these companies are controlled by PRC entities and/or citizens.

Listing Rules Implications and Waivers from the Stock Exchange

The transactions contemplated under certain Contractual Arrangements constitute continuing connected transactions of the Company under the Chapter 14A of the Listing Rules upon Listing, as the PRC Operating Entities will be treated as the Company's wholly-owned subsidiaries, and their directors, chief executives or substantial shareholders (as defined in the Listing Rules) and their respective associates will be treated as the connected persons of the Company.

In relation to the Contractual Arrangements, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver pursuant to Rule 14A.102 of the Listing Rules from strict compliance with (i) the announcement, circular and independent Shareholders' approval requirements under Rule 14A.105 of the Listing Rules, (ii) the annual cap requirement for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement for limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Shares are listed on the Stock Exchange subject, however, to the following conditions:

(i) no change to the Contractual Arrangements will be made without the approval of the independent non-executive Directors;

(ii) save as described in paragraph (iv) below, no change to the agreements governing the Contractual Arrangements will be made without the independent Shareholders' approval. 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 the Company will, however, continue to be applicable;

(iii) the Contractual Arrangements shall continue to enable the Group to receive the economic benefits derived by the Consolidated Affiliated Entities;

(iv) the Contractual Arrangements 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 companies) engaging in the same business as that of the Group which the 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 the existing Contractual Arrangements; and

(v) the Group will disclose details relating to the Contractual Arrangements on an ongoing basis.

Details of the waivers granted by the Stock Exchange are provided in "Waivers from Strict Compliance with the Listing Rules" and "Connected Transactions" of the Prospectus.

Financial Position and Results of Operations

The PRC Operating Entities are primarily engaged in the ICL business in China. The PRC Operating Entities contributed the majority of the Group's financial positions and results of operations. The revenue of the PRC Operating Entities amounted to RMB2,823.8 million for the Reporting Period, representing approximately 96.9% of the total revenue of the Group. As of end of the Reporting Period,, the total assets of the PRC Operating Entities amounted to RMB4,419.9 million, representing approximately 94.3% of the total assets of the Group.

Save as disclosed above, there were no other new contractual arrangements entered into, renewed and/or reproduced between the Group and the PRC Operating Entities during the Reporting Period. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the Reporting Period, and none of the Contractual Arrangements had been unwound because none of the restrictions that led to the adoption of the Contractual Arrangements had been removed. The Group had not encountered any interference or encumbrance from any PRC governing bodies in operating its businesses through the PRC Operating Entities under the Contractual Arrangements.

Annual Review by the Independent Non-Executive Directors and the Auditor

The independent non-executive Directors have reviewed the Contractual Arrangements outlined above, and confirmed that:

(i) The transactions under the Contractual Arrangements carried out during the Reporting Period 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 PRC Operating Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group during the Reporting Period; and

(iii) Any new contracts entered into, renewed or reproduced between the Group and the PRC Operating Entities during the Reporting Period are fair and reasonable, or advantageous to the Shareholders, so far as the Group is concerned and in the interests of the Company and the Shareholders as a whole.

The Auditor has carried out review procedures in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants annually on the transactions carried out pursuant to the Contractual Arrangements.

DIRECTORS' REPORT

Contractual Arrangements: (1) nothing has come to their attention that causes the Auditor to believe that the disclosed transactions under the Contractual Arrangements have not been approved by the Board; (2) nothing has come to their attention that causes the Auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements under the Contractual Arrangements governing such transactions; and (3) nothing has come to their attention that causes the Auditor to believe that there were dividends or other distributions have been made by the PRC Operating Entities to the holders of their equity interests which were not otherwise subsequently assigned or transferred to the Group.

EMPLOYEE INCENTIVE PLANS AND EQUITY-LINKED ACTIVITIES

As of the date of this annual report, the Company has adopted three share schemes, namely, the senior executive incentive plan (the "**Senior Executive Incentive Plan**"), the senior management incentive plan (the "**Senior Management Incentive Plan**", together with the Senior Executive Incentive Plan, the "**2019 Incentive Plans**") and the 2024 Incentive Plan.

2019 Incentive Plans

The Senior Executive Incentive Plan and the Senior Management Incentive Plan were both adopted and approved on July 9, 2019, and were subsequently amended and restated on November 7, 2020, April 14, 2021 and October 1, 2021. The terms of the two 2019 Incentive Plans are substantially similar. The principal terms of the 2019 Incentive Plans are set out in "Appendix IV — Statutory and General Information" of the Prospectus.

A summary of the principal terms of the 2019 Incentive Plans are set out below:

Purpose

The purpose of the 2019 Incentive Plans is to give Eligible Employees (as defined below) an opportunity to have a personal stake in the Company so as to motivate them to optimize their performance and efficiency to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Employees who are significant to and/or whose contributions are or will be beneficial to the performance, growth and success of the Group.

The Senior Executive Incentive Plan is for retaining and motivating the senior executive of the Group, and the Senior Management Incentive Plan is for retaining and motivating the other senior management members of the Group.

Eligible Employees and Plan Administrator

Any employees of the Group as determined by the administration of a plan administrator (the "**Plan Administrator**"), in his/her absolute discretion (the "**Eligible Employees**").

Plan Administrator is any Director who is authorized by the Board to carry out its functions under the 2019 Incentive Plans.

Maximum Number of Shares Available for Issue

The overall limit on the number of underlying Shares pursuant to the 2019 Incentive Plans is 66,205,516 Shares. Before the Listing, the underlying Shares of options and/or RSUs under the 2019 Incentive Plans had already been fully issued and there is no more Share available for issue.

As of December 31, 2024, the issued underlying Shares under the 2019 Incentive Plans amounted to 58,248,596 Shares, among which (i) 26,363,605 Shares, representing approximately 3.63% of the total issued Shares (excluding treasury Shares) as of the date of this annual report, were being held by Trident Trust Company (HK) Limited; and (ii) 31,884,991 Shares, representing approximately 4.39% of the total issued Shares (excluding treasury Shares) as of the date of this annual report, were being held by Computershare Hong Kong Investor Services Limited's account at DBS Vickers (Hong Kong) Limited. These Shares has and continue to be governed and managed under the 2019 Incentive Plan as described in the Prospectus.

Maximum Entitlement of Each Participant

The 2019 Incentive Plans contain no provisions on the maximum entitlement of each participant.

Exercise Period

The Plan Administrator of the 2019 Incentive Plans determines the latest date on which the option may be exercised, as specified in the relevant grant letter.

Vesting Period

The Plan Administrator of the 2019 Incentive Plans determines the vesting period for options and/or RSUs, as specified in the relevant grant letter. After any time after grant of option, the Plan Administrator may, in his or her sole discretion and subject to whatever terms and conditions he or she selects, accelerate the period during which an option vests.

Consideration Payable for Options or RSUs

No consideration shall be payable for the grant of the options and/or RSUs under the 2019 Incentive Plans.

Basis of Determining the Exercise Price or Purchase Price

The Plan Administrator of the 2019 Incentive Plans determines the exercise price of the option granted and/or the purchase price of the RSU granted, as specified in the relevant grant letter. If Shares are to be newly issued to satisfy the exercise of the options and/or the vest of the RSUs, the exercise price and/or purchase price may not be less than the nominal value of a Share.

DIRECTORS' REPORT

Remaining Life

The 2019 Incentive Plans shall continue in effect for a term of ten years from its date of effectiveness. The remaining life of the 2019 Incentive Plans is over four years.

The following table shows the details of the RSUs granted under the 2019 Incentive Plans during the Reporting Period:

				Number of Shares underlying RSUs						
Name and Category of grantee	Date of grant [1]	Vesting period	Purchase price	Outstanding as of beginning of the Reporting Period	Granted during the Reporting Period	Vested during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Outstanding as of end of the Reporting Period	Weighted average closing price per Share before the date of vest
Mr. GAO Song (Director)	November 24, 2021	January 2022 - March 2026	USD 1.67	6,900,000	N/A	900,000	–	–	6,000,000	1.67
Other employees	November 24, 2021 ~ February 9, 2022	January 2022 - March 2025	USD 1.50	30,000	N/A	–	–	30,000	–	–
Total				6,930,000	N/A	900,000	–	30,000	6,000,000	

The following table shows the details of outstanding options granted under the 2019 Incentive Plans during the Reporting Period:

				Number of Shares underlying options						
Name and Category of grantee	Date of grant [1]	Vesting period	Exercise price	Outstanding as of beginning of the Reporting Period	Granted during the Reporting Period	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled/ Forfeited during the Reporting Period	Outstanding as of end of the Reporting Period	Weighted average closing price per Share before the date of exercise
Other employees	July 19, 2019 ~ April 1, 2023	July 2019 - March 2024	USD 0.38-USD1.67	25,218,355	N/A	25,218,355	–	–	–	1.1237
Total				25,218,355	N/A	25,218,355	–	–	–	

Note:

(1) The options and RSUs under the 2019 Incentive Plans were granted before the Listing and the fair value of such options and RSUs is not applicable as of the date of this annual report. Please refer to note 31 in the Financial Statements for relevant accounting standard and policy adopted and more details.

As of the end of the Reporting Period, the Shares that may be issued in respect of all the RSUs and options under 2019 Incentive Plans represented approximately 0.83% the weighted average number of Shares of the Company (excluding any treasury Shares) during the Reporting Period.

2024 Incentive Plan

2024 Incentive plan was adopted and approved on March 28, 2024 (the "**Adoption Date**"). A summary of the principal terms of the 2024 Incentive Plan are set out below:

Purpose

The purpose of the 2024 Incentive Plan is to give Eligible Participants (as defined below) an opportunity to have a personal stake in the Company so as to motivate them to optimize their performance and efficiency to the Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Participants who are significant to and/or whose contributions are or will be beneficial to the performance, growth and success of the Group.

The options and RSUs to be granted under the 2024 Incentive Plan are funded by existing Shares only, and does not involve the grant by the Company to any Eligible Participants of (a) any new Shares, or (b) options over any new Shares. The 2024 Incentive Plan constitutes a share scheme under Chapter 17 of the Listing Rules and shall be subject to the applicable disclosure requirements under Rule 17.12 of the Listing Rules. As the 2024 Incentive Plan does not constitute a scheme involving the issue of new Shares, the adoption of such scheme is not subject to approval by the Shareholders.

Eligible Participants and Plan Administrator

Any employees of the Group, service provider(s) or related entity participant(s) (the "**Eligible Participants**") who the administrator (the "**2024 Plan Administrator**") of the 2024 Incentive Plan, in his or her absolute discretion determines is eligible to be granted an option or RSU under the 2024 Incentive Plan.

2024 Plan Administrator is any individual who is authorized by the Board to carry out the function under the 2024 Incentive Plan.

Maximum Number of Shares Available for Issue

The maximum number of options and RSUs that may be granted under the 2024 Incentive Plan in aggregate shall be up to such number of Shares to be purchased by the trustee entrusted by the Company for the purposes of, among others, purchasing existing Shares in the secondary market as authorized by the Board from time to time at the market trading price. Options and/or RSUs lapsed or cancelled in accordance with the terms of the 2024 Incentive Plan will not be counted for the purpose of calculating the aggregate maximum number of options and RSUs to be granted under the 2024 Incentive Plan.

As of December 31, 2024, 11,448,500 Shares has been purchased by the trustee for the purposed of 2024 Incentive Plan and 9,150,000 RSUs has been granted under the 2024 Incentive Plan, representing approximately 1.58% and 1.26% of the total issued Shares (excluding treasury Shares) as of the date of this annual report, respectively.

DIRECTORS' REPORT

Maximum Entitlement of Each Participant

There is no specific limit on the maximum entitlement of each Eligible Participant under the 2024 Incentive Plan.

Exercise Period

The 2024 Plan Administrator determines the latest date on which the option may be exercised, as specified in the relevant grant letter.

Vesting Period

The 2024 Plan Administrator determines the vesting period for options and/or RSUs, as specified in the relevant grant letter. After any time after grant of option, the 2024 Plan Administrator may, in his or her sole discretion and subject to whatever terms and conditions he or she selects, accelerate the period during which an option vests.

Consideration Payable for Options or RSUs

No consideration shall be payable for the grant of the options and/or RSUs under the 2024 Incentive Plan.

Basis of Determining the Exercise Price or Purchase Price

The 2024 Plan Administrator determines the exercise price of the option granted and/or the purchase price of the RSUs granted, as specified in the relevant grant letter.

Remaining Life

The 2024 Incentive Plan shall continue in effect for a term of ten years from its date of effectiveness. The remaining life of the 2024 Incentive Plan is over nine years.

The following table shows the details of the RSUs granted under the 2024 Incentive Plans during the Reporting Period:

				Number of Shares underlying RSUs						
Name and Category of grantee	Date of grant [1]	Vesting period	Purchase price	Outstanding as of beginning of the Reporting Period	Granted during the Reporting Period	Vested during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Outstanding as of end of the Reporting Period	Weighted average closing price per Share before the date of vest
Senior Management [1]	October 31, 2024	March 2025 - March 2028	HKD7.91	–	9,150,000	–	–	–	9,150,000	–

Note:

(1) Such senior management was not the five highest paid individuals during the Reporting Period.

Convertible Bonds

As at the date of this annual report, the Company has not issued any convertible bonds.

Equity-Linked Agreement

Other than the 2019 Incentive Plans, no equity-linked agreements that will or may result in the Company issuing shares, or that require the Company to enter into any agreements that will or may result in the Company issuing shares, were entered into by the Company during the Reporting Period.

CONTINUING DISCLOSURE OBLIGATION PURSUANT TO THE LISTING RULES

As of end of the Reporting Period, the Directors were not aware of any circumstances giving rise to the disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to end of the Reporting Period and up to the date of this report.

By order of the Board
ADICON Holdings Limited
Ms. YANG Ling
Chairwoman

Hong Kong, March 31, 2025

CORPORATE GOVERNANCE REPORT

The Board has committed to maintaining good corporate governance standards. The Board believes that good corporate governance standards are essential in providing framework for the Group to safeguard the interests of Shareholders and to enhance corporate value and accountability.

The Board considers that during the year ended December 31, 2024, the Company has applied the principles and complied with the code provisions set out in the CG Code. Key corporate governance principles and practices of the Company as well as the foregoing deviation, if any, are summarized below.

The Company recognizes that a good corporate culture is essential to support and complement its corporate governance efforts and corporate image, and has developed a corporate culture emphasizing on lawful, ethical and responsible business conduct over the years, which has been reflected in the overall operations and management of the Group. In order to promote open communication in the workplace and high ethical standards among staff and management of the Group, the Group has established anti-corruption and whistle-blowing policies and training, to provide guidance on identifying potential breaches or improper behaviour, reporting procedures and consequences of violations of such policies. For further details on the Group's anti-corruption and whistle-blowing policies, please see the environmental, social and governance report.

A. THE BOARD

A1. Responsibilities and Delegation

The Board is responsible for the leadership, control and management of the Company and overseeing the Group's business, strategic decision and performances in the attainment of the objective of ensuring effective functioning and growth of the Group and enhancing value to investors. All the Directors carry out their duties in good faith, take decisions objectively and act in the interests of the Company and Shareholders at all times.

The Board reserves for its decision on all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, risk management and internal control systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters.

All Directors have timely access to all relevant information as well as the advice and services of the senior management and the Joint Company Secretaries, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. Any Director may request for independent professional advice in appropriate circumstances at the Company's expense, upon reasonable request made to the Board.

The senior management is delegated the authority and responsibilities with clear directions by the Board for the day-to-day management and operation of the Group. The delegated functions and work tasks are periodically reviewed. Approval has to be obtained from the Board prior to any significant transactions entered into by the senior management. The Board has the full support of the senior management to discharge its responsibilities.

A2. Board Composition

The composition of the Board as at the date of this report is as follows:

Executive Director:

Mr. GAO Song *(Chief executive officer and a member of the Strategy Committee)*

Non-executive Directors:

Ms. YANG Ling *(Chairwoman of the Board and the Nomination Committee, and a member of the Strategy Committee and the Remuneration Committee)*
Mr. LIN Jixun *(a member of the Strategy Committee)*
Ms. FENG Janine Junyuan *(a member of the Strategy Committee)*
Mr. ZHOU Mintao *(Chairman of the Strategy Committee)*

Independent non-executive Directors:

Mr. MI Brian Zihou *(Chairman of the Remuneration Committee, and a member of the Audit Committee)*
Mr. YEH Richard *(Chairman of the Audit Committee and member of the Nomination Committee)*
Mr. ZHANG Wei *(a member of the Audit Committee, the Remuneration Committee and the Nomination Committee)*

Throughout the year ended December 31, 2024, the Board has met the requirements of the Listing Rules 3.10 and 3.10A of having a minimum of three independent non-executive Directors (representing at least one-third of the Board) with one of them, being Mr. YEH Richard, possessing appropriate professional qualifications and accounting and related financial management expertise.

The members of the Board have skills and experience appropriate for the business requirements and objectives of the Group. The executive Director is responsible for the businesses and functional divisions of the Group. The non-executive Directors scrutinize the performance of management in achieving agreed corporate goals and objectives and monitor the Group's performance reporting. The independent non-executive Directors bring different businesses and financial expertise, experiences and independent judgement to the Board and they constitute the majority of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. Through participation in Board meetings and taking the lead in managing issues involving potential conflicts of interests, the independent non-executive Directors have made contributions to the effective direction of the Company and provided adequate checks and balances to safeguard the interests of both the Group and the Shareholders.

To the best knowledge of the Directors, the Directors and senior management have no financial, business, family or other material/relevant relationships with one another. The Company has received written annual confirmation from each independent non-executive Director of his/her independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent with reference to the independence guidelines set out in the Listing Rules.

CORPORATE GOVERNANCE REPORT

The Company has established mechanisms to ensure independent views and input are available to the Board and conducted review of such mechanisms on an annual basis.

All Directors are entitled to seek, at the Company's expense, independent professional advice reasonably necessary for discharging their duties as Directors.

The Nomination Committee annually assesses the independence of each Independent Non-Executive Director during his term of appointment. The Company received from each of the Independent Non-Executive Directors a written confirmation of his independence pursuant to Rule 3.13 and paragraph 12B of Appendix D2 to the Listing Rules. Based on such confirmations and the report of the Nomination Committee, the Company considers that all the independent non-executive Directors continue to demonstrate strong independence and all remain independent. The Board has reviewed the implementation and effectiveness of the mechanisms and considered them to be effective for the year ended December 31, 2024.

A3. Appointment and Re-election of Directors

According to the Articles, one-third of the Directors for the time being, (if their number is not three or a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each AGM provided that every Director shall be subject to retirement by rotation at least once every three years. The retiring Directors should be eligible for re-election at the relevant AGM. In addition, any new Director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office only until the first annual general meeting of the Company after his appointment. The Director appointed by the Board as aforesaid shall be eligible for re-election at the relevant general meeting.

Each Director (including the non-executive Directors and independent non-executive Directors) is engaged for a term of three years. They are subject to retirement and re-election in accordance with the provisions of the Articles as mentioned above.

A4. Training and Continuing Development for Directors

Each newly appointed Director will receive formal induction on the first occasion of his/her appointment, so as to ensure that he/she has appropriate understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements. Such induction shall be supplemented by visits to the Company's key laboratories and meetings with senior management of the Company. During the year ended December 31, 2024, Mr. ZHOU Mintao has been approved by the Shareholders at the 2024 AGM as a non-executive Director. He had obtained the legal advice as referred to in Rule 3.09D of the Listing Rules on May 30, 2024 and has confirmed that he understood his obligations as a director of a listed issuer under the Listing Rules.

The existing Directors are continually updated with legal and regulatory developments, and the business and market changes to facilitate the discharge of their responsibilities. Trainings and professional development for Directors are arranged whenever necessary. In addition, reading material on new or changes to salient laws and regulations applicable to the Group are provided to Directors from time to time for their studying and reference.

CORPORATE GOVERNANCE REPORT

The Directors are required to submit to the Company details of the trainings they received in each financial year for the Company's maintenance of proper training records of the Directors. According to the training records currently maintained by the Company, during the year ended December 31, 2024, the Directors have complied with the code provision C.1.4 of the CG Code on participation in continuous professional training as follows:

	Type of trainings/education	
	Attending trainings on regulatory development, directors' duties or other relevant topics	**Reading regulatory updates or corporate governance related materials or materials relevant to directors' duties**
Mr. GAO Song	✓	✓
Ms. YANG Ling	✓	✓
Mr. LIN Jixun	✓	✓
Ms. FENG Janine Junyuan	✓	✓
Ms. LIM Kooi June (1)	✓	✓
Mr. ZHOU Mintao (2)	✓	✓
Mr. MI Brian Zihou	✓	✓
Mr. YEH Richard	✓	✓
Mr. ZHANG Wei	✓	✓

Notes:

(1) Ms. LIM Kooi June retired as a non-executive Director on May 30, 2024.

(2) Mr. ZHOU Mintao appointed as a non-executive Director on May 30, 2024.

CORPORATE GOVERNANCE REPORT

A5. Directors' Attendance Records at Meetings

The attendance records of each Director at the Board and Board committee meetings and the general meeting of the Company held during the year ended December 31, 2024 are set out below:

	Attendance/Number of Meetings					
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**Strategy Committee**	**Annual General Meeting**
Executive Director:						
Mr. GAO Song	4/4				4/4	1/1
Non-executive Directors:						
Ms. YANG Ling(1)	4/4		2/2	2/2	4/4	1/1
Mr. LIN Jixun(2)	3/4				1/2	1/1
Ms. FENG Janine Junyuan(3)	4/4				2/2	1/1
Ms. LIM Kooi June(4)	2/2					1/1
Mr. ZHOU Mintao(5)	3/3				2/2	N/A
Independent non-executive Directors:						
Mr. MI Brian Zihou	4/4	3/3	2/2		2/2	1/1
Mr. YEH Richard	4/4	3/3		2/2		1/1
Mr. ZHANG Wei	4/4	3/3	2/2	2/2		1/1

Notes:

(1) Ms. YANG Ling resigned as the chairwoman but remains as a member of the Strategy Committee on May 30, 2024.

(2) Ms. LIN Jixun was appointed as a member of the Strategy Committee on May 30, 2024.

(3) Ms. FENG Janine Junyuan was appointed as a member of the Strategy Committee on May 30, 2024.

(4) Ms. LIM Kooi June retired as a non-executive Director on May 30, 2024 at the conclusion of the 2024 annual general meeting.

(5) Mr. ZHOU Mintao was appointed as a non-executive Director and the chairman of the strategy committee on May 30, 2024 at the conclusion of the 2024 annual general meeting.

In addition, the Chairwoman held a meeting with the independent non-executive Directors without the presence of other Directors during the year ended December 31, 2024.

A6. Model Code for Securities Transactions

The Board meets to review the Company's key activities. Board meetings are held at least four times a year at approximately quarterly interval to discuss and review the objectives, strategies and policies of the Company, including any significant acquisitions and disposals, annual budget, financial performance and to approve the release of the financial results. Ad-hoc Board meetings will be held, as and when necessary, to address significant transactions or issues that may arise in between regular meetings.

The Company has adopted the Model Code as its own code of conduct regarding dealings in the securities of the Company by the Directors and the Group's senior management who, because of their office or employment, are likely to possess inside information of the Company and/or securities. Specific enquiry has been made of all the Directors and they have confirmed their compliance with the Model Code throughout the year ended December 31, 2024. In addition, no incident of non-compliance of the Model Code by the senior management of the Group was noted during the year ended December 31, 2024.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and senior management in advance.

A7. Corporate Governance Functions

The Board is responsible for performing the corporate governance functions set out in the code provision A.2.1 of the CG Code.

During the year under review, the Board has performed corporate governance functions as follows: (i) reviewed and developed the Company's corporate governance policies and practices; (ii) reviewed and monitored the training and continuous professional development of Directors and senior management; (iii) reviewed and monitored the Company's policies and practices on compliance with legal and regulatory requirements; (iv) reviewed and monitored the compliance of the Model Code; and (v) reviewed the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

B. BOARD COMMITTEES

The Company has four Board committees, namely, the Remuneration Committee, the Nomination Committee, the Audit Committee and the Strategy Committee, for overseeing particular aspects of the Company's affairs. All Board committees have been established with defined written terms of reference which are available on the websites of the Company and the Stock Exchange. All the Board committees should report to the Board on their decisions or recommendations made.

All Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

B1. Remuneration Committee

The Remuneration Committee currently comprises a total of three members, being one non-executive Director, namely Ms. YANG Ling, and two independent non-executive Directors, namely Mr. MI Brian Zihou (chairman of the Remuneration Committee) and Mr. ZHANG Wei. Throughout the year ended December 31, 2024, the Company has met the Listing Rules requirements of having the majority of the Remuneration Committee members being independent non-executive Directors as well as having the Committee chaired by an independent non-executive Director.

The principal responsibilities of the Remuneration Committee include making recommendations to the Board on the Company's remuneration policy and structure and on the remuneration packages of Directors and members of senior management (i.e. the model described in the code provision E.1.2(c)(ii) of the CG Code is adopted). The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by the Board with reference to the performance of the individual and the Company as well as market practice and conditions. The Remuneration Committee is also responsible for reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

During the year ended December 31, 2024, the Remuneration Committee has reviewed the existing remuneration policy and structure of the Company, assessed performance of executive Director, approved the terms of service contracts/letters of appointment of Directors, considered and made recommendations to the Board on the remuneration packages of Directors and senior management, the proposed remuneration package of the proposed independent non-executive Director, approved the grant of options and/or RSUs under the Employee Incentive Plans, and ensured that share options and RSUs offered by the Company to its Directors and employees during the year ended December 31, 2024 are in accordance with Chapter 17 of the Listing Rules and share schemes are in compliance with applicable laws and regulations and made relevant recommendations to the Board.

The attendance records of each Committee member in the Committee meeting are set out in section A5 above.

Pursuant to code provision E.1.5 of the CG Code, the annual remuneration of the members of the senior management by band for the year ended December 31, 2024 is set out below:

Remuneration band (HK$)	Number of individual
HKD1,500,001 to HKD2,500,000	3
HKD2,500,001 to HKD4,000,000	1
HKD4,500,001 to HKD10,000,000	1
HKD10,000,001 to HKD20,000,000	—

The amount of remuneration includes the amortisation of the fair value of share-based compensation, wages, salaries, bonus, contribution to social securities and housing fund. Details of the remuneration of each Director for the year ended December 31, 2024 are set out in note 10 to the consolidated financial statements contained in this annual report.

B2. Nomination Committee

The Nomination Committee currently comprises a total of three members, being one non-executive Director and the Chairwoman of the Board, namely Ms. YANG Ling (chairwoman of the Nomination Committee), and two independent non-executive Directors, namely Mr. YEH Richard and Mr. ZHANG Wei. Throughout the year ended December 31, 2024, the Company has met the Listing Rules requirements of having a majority of the Nomination Committee members being independent non-executive Directors and having the Nomination Committee chaired by the chairwoman of the Board.

The principal responsibilities of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and recommending any changes to the Board; identifying qualified and suitable individuals to become Board members and selecting and making recommendations to the Board on the selection of individuals nominated for directorships; assessing the independence of independent non-executive Directors; and making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors, in particular, the chairwoman and the chief executive of the Company.

In selecting candidates for directorship of the Company, the Nomination Committee may make reference to certain criteria such as the Company's needs, the diversity on the Board, the integrity, experience, skills and professional knowledge of the candidate and the amount of time and effort that the candidate will devote to discharge his/her duties and responsibilities. External recruitment professionals might be engaged to carry out selection process when necessary.

The Company also recognizes and embraces the benefit of having a diverse Board to enhance the quality of its performance. To comply with Rule 13.92 and Appendix C1 to the Listing Rules, a Board diversity policy was adopted by the Company, pursuant to which the Nomination Committee is responsible for monitoring the implementation of the Board diversity policy and assessing the Board composition under diversified perspectives (including but not limited to gender, age, cultural and educational background, or professional experience). The Nomination Committee shall report its findings and make recommendation to the Board, if any. Such policy and objectives will be reviewed from time to time to ensure their appropriateness in determining the optimum composition of the Board. As of the date of this annual report, the Board consisted of eight Directors, including two female Directors and professionals in law and accounting, and the Board has achieved diversity in its membership in terms of gender, professional background and skill, etc. As of the date of this annual report, 2 out of 12 of senior management of the Company are female. As of December 31, 2024, the Group had a total of 3,168 female staff out of 5,445 employees, representing 58.2% of the employees of the Group. The Group will continue to take opportunities to increase the proportion of female board members and workforce over time as and when suitable candidates are identified. For further details, please refer to the Environmental, Social and Governance Report of the Company.

The Board and the Nomination Committee have reviewed the implementation and effectiveness of the board diversity policy and considered it to be effective for the year ended December 31, 2024.

The Company has adopted the director nomination policy. Such policy, devising the criteria and process of selection and performance evaluation, provides guidance to the Board on nomination and appointment of Directors. In designing the Board's composition, the Nomination Committee and the Board take into account a wide range of aspects, including but not limited to gender, socioeconomic background, age, cultural and educational background, ethnicity, professional experience, skills, knowledge, length of service and any other factors that the Board may consider relevant and applicable from time to time. High emphasis is placed on ensuring a balanced composition of skills and experience at the Board level in order to provide a range of perspectives and insights that enable the Board to discharge its duties and responsibilities effectively, support good decision making in view of the core businesses and strategy of the Group, and support succession planning and development of the Board. The Board believes that the defined selection process is good for corporate governance in ensuring the Board continuity and appropriate leadership at Board level, and enhancing better Board effectiveness and diversity as well as in compliance with the applicable rules and regulations.

CORPORATE GOVERNANCE REPORT

During the year ended December 31, 2024, the Nomination Committee has performed the following major works:

– Review of the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements for the business of the Group;

– Recommendation on the re-election of the retiring Directors at the forthcoming annual general meeting;

– Assessment of the independence of all the independent non-executive Directors;

– Recommendation of the appointment of the proposed non-executive Director and change of committee composition;

– Review of the Board diversity policy.

In assessing the Board composition, the Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained. The attendance records of each Nomination Committee member in the Nomination Committee meeting are set out in section A5 above.

B3. Audit Committee

The Company has met the Listing Rules requirements regarding the composition of the Audit Committee throughout the year ended December 31, 2024. The Audit Committee currently comprises a total of three members, being three independent non-executive Directors, namely Mr. MI Brian Zihou, Mr. YEH Richard and Mr. ZHANG Wei. The chairman of the Audit Committee is Mr. YEH Richard who possesses the appropriate professional qualification, and accounting and financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee are reviewing the financial information and reports of the Group and considering any significant or unusual items raised by the financial officers of the Group or external auditor before submission to the Board; reviewing the relationship with and the terms of appointment of the external auditor and making relevant recommendations to the Board; and reviewing the Company's financial reporting system, risk management and internal control systems and the effectiveness of the internal audit function.

During the year ended December 31, 2024, the Audit Committee has performed the following major works:

– Consideration and recommendation of the re-appointment of Ernst & Young as the external auditor of the Company;

– Review and discussion of the annual financial statements, results announcement and report for the year ended December 31, 2023, the related accounting principles and practices adopted by the Group and the relevant audit findings, the report from the management on the Company's financial reporting system, internal control and risk management review and processes; and the major internal audit issues for the year ended December 31, 2023 and the existing internal audit function of the Company;

– Review and discussion of the interim financial statements, results announcement and report for the six months ended June 30, 2024 and the related accounting principles and practices adopted by the Group;

– Discussion of the nature, plan and scope of the Group's audit and the audit fee for the year ended December 31, 2024; and

– Review of the arrangements for employees of the Group to raise concerns about possible improprieties in the Group's financial reporting, internal control or other matters and the investigation process on the reported cases.

The external auditor has attended all of the above meetings and discussed with the Audit Committee members on issues arising from the audit and financial reporting matters. Besides, there is no disagreement between the Board and the Audit Committee regarding the appointment of external auditor.

The attendance records of each Audit Committee member in the Audit Committee meetings are set out in section A5 above.

B4. Strategy Committee

The Strategy Committee currently comprises a total of five members, being one executive Director, namely Mr. GAO Song, and four non-executive Directors, namely Mr. ZHOU Mintao, Ms. YANG Ling, Mr. LIN Jixun, and Ms. FENG Janine Junyuan. Mr. ZHOU Mintao is the chairman of the Strategy Committee.

The main duties of the Strategy Committee are to formulate and evaluate the business development strategy of the Group and to facilitate, monitor the implementation of the business development and the strategic planning of the Group and make recommendations to the Board in relation to major corporate actions and investments of the Group.

During the year ended December 31, 2024, the Strategy Committee has performed the following major works:

– Research, formulate and recommend the business development strategy of the Group;

– Research, formulate and recommend the implementation plan for implementing the business development strategy of the Group;

– Monitor the implementation of the business development strategy of the Group and make recommendations to the Board;

– Make recommendations to the Board when there is any significant matters affecting the development of the Company; and

– Other duties as delegated by the Board.

The attendance records of each Strategy Committee member in the Strategy Committee meetings are set out in section A5 above.

C. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors have acknowledged their responsibilities for preparing the financial statements of the Group for the year ended December 31, 2024.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports and other financial disclosures required under the Listing Rules and other regulatory requirements. The management has provided such explanation and information to the Board as necessary to enable the Board to make an informed assessment of the financial information and position of the Group put forward to the Board for approval.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

D. RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems. The Board reviews the effectiveness of the risk management and internal control systems as well as the internal audit function of the Company on an annual basis through the Audit Committee.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including production, procurement, marketing, finance, human resources, and information technology. Self-evaluation has been conducted annually to confirm that control policies are properly complied with by each department.

All departments conducted internal control assessment annually to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. The management, in coordination with department heads, assesses the likelihood of risk occurrence, provides treatment plans, and monitors the risk management progress. The management has reported to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended December 31, 2024.

The Company's internal auditor is responsible for performing independent review of the adequacy and effectiveness of the risk management and internal control systems. During the year under review, the internal auditor examined key issues in relation to the accounting practices and all material controls and provided its findings to the Audit Committee.

During the year ended December 31, 2024, the Board, as supported by the Audit Committee as well as the report from the management and the internal audit findings, reviewed the effectiveness of the Group's risk management and internal control systems, including the financial, operational and compliance controls, and considered that such systems are effective and adequate.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

E. JOINT COMPANY SECRETARIES

Mr. WANG Lawrence Allen and Ms. SO Ka Man, are the Company's joint company secretaries. Ms. SO is a director of company secretarial services of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices and matters. Mr. WANG has been designated as the primary contact person at the Company to work and communicate with Ms. SO on the Company's corporate governance and secretarial and administrative matters.

Mr. WANG and Ms. SO have taken not less than 15 hours of relevant professional training and comply with the requirement under Rule 3.29 of the Listing Rules for the year ended December 31, 2024.

F. EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company, Ernst & Young, about their reporting responsibilities on the Company's financial statements for the year ended December 31, 2024 is set out in the section headed "Independent Auditor's Report" in this annual report.

The fees paid/payable to Ernst & Young in respect of audit services and non-audit services for the year ended December 31, 2024 are analyzed below. The remuneration for the audit services includes the service fees in connection with audit and reviews of the Group. The non-audit services conducted by the Auditor mainly include professional services on consultation.

Type of services provided by the external auditor	Fees paid/ payable (RMB'000)
Audit services	3,230
Non-audit services	736
TOTAL:	3,966

G. COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company has established the shareholders' communication policy and believes that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Group also recognizes the importance of transparent and timely disclosure of corporate information, which enables Shareholders and investors to make informed investment decisions.

The Company maintains a website at www.adicon.com.cn as a communication platform with Shareholders and investors, where information and updates on the Company's business developments and operations and other information are available for public access. Shareholders and investors may send their written enquiries or requests to the Company via the following contact details:

Address:	Suite 1303, 13/F, Golden Centre 188 Des Voeux Road Central Sheung Wan Hong Kong
Email:	ir@adicon.com.cn
Tel:	(86) 0571 8777 5775

Enquiries and requests will be dealt with by the Company in an informative and timely manner.

Besides, Shareholders' meetings provide an opportunity for communication between the Board and the Shareholders. It is the Company's general practice that the chairwoman of the Board as well as each chairman or chairwoman of the Audit Committee, Nomination Committee, Remuneration Committee and Strategy Committee, or in their absence, their duly appointed delegates will be available to answer questions at the AGM and other general meetings of the Company. In addition, the Company will invite representatives of the auditor to attend its AGM to answer Shareholders' questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence, if any. The Company reviewed the implementation and effectiveness of the shareholders' communication policy and considered it to be effective for the year ended December 31, 2024 with the above measures in place.

H. SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at Shareholders' meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company (www.adicon.com.cn) and the Stock Exchange (www.hkexnews.hk) after each Shareholders' meeting. The Articles allow a Shareholder entitled to attend and vote at a general meeting to appoint a proxy, who need not be a Shareholder, to attend the meeting and vote thereat on his/her/its behalf.

Pursuant to the Articles, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

There is no provision allowing Shareholders to move new resolutions at general meetings under the Cayman Islands Companies Act or the Articles. Shareholders who wish to move a resolution may request the Company to convene a general meeting following the procedures set out in the preceding paragraph.

With respect to the Shareholders' right in proposing persons for election as Directors, please refer to the procedures available on the website of the Company.

During the year ended December 31, 2024 under review, the Company has not made any changes to the Articles. An up-to-date version of the Articles is available on the websites of the Company and the Stock Exchange.

Shareholders may refer to the Articles for further details of the rights of Shareholders.

INDEPENDENT AUDITOR'S REPORT

Building a better working world

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To the shareholders of ADICON Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of ADICON Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 77 to 166, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses on trade and bills receivables	
As at 31 December 2024, the Group's gross trade and bills receivables were RMB1,750,244,000, representing 37.4% of the total assets of the Group, of which an amount of RMB372,880,000 was provided for expected credit losses. Management applied the simplified approach under IFRS 9 to measure lifetime expected credit losses ("ECLs") of trade and bills receivables based on a provision matrix through the classification of various customers into different groups, taking into account their ageing, historical denial and past collection experience. Management established the ECL model with the involvement of an external independent valuer. The ECLs were determined based on historical default rates and were adjusted to reflect forward-looking factors in relation to the industry, market and the macroeconomic environment that may affect the ability of the customers to repay. In addition, trade receivables with significant outstanding and credit-impaired balances were assessed for ECL individually. The estimation of ECLs involves significant estimates, which may be affected by unexpected future market and economic conditions, we identified the assessment of provision for ECLs on trade and bills receivables as a key audit matter. Details of the provision for ECLs on trade and bills receivables are disclosed in notes 2.4, 3 and 21 to the consolidated financial statements.	Our audit procedures in relation to the assessment of ECLs on trade and bills receivables included, among others, the following: • Obtaining an understanding of and evaluating the relevant controls related to the assessment of the expected credit losses on trade and bills receivables; • Evaluating the methodology for ECL provision on trade and bills receivables adopted by management; • Evaluating, with the assistance of our internal valuation specialists, the appropriateness of the valuation methodology and key assumptions adopted by management, including forward-looking factors; • Testing, on a sampling basis, the data inputs used by management to prepare the provision matrix, the basis management used in the identification and evaluation of individually assessed trade receivables, the reasonableness of management's grouping of various customers into different credit risk groups and the ageing and historical collection records of trade and bills receivables prepared by management; • Evaluating the competence, capabilities and objectivity of the external independent valuer engaged by management; and • Evaluating the adequacy of the disclosures made in the consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill	
As at 31 December 2024, the Group's goodwill was RMB79,802,000. The Group is required to perform an impairment test for goodwill at least on an annual basis. The impairment test is based on the recoverable amount of the cash-generating unit ("CGU") to which the goodwill is allocated. Management established the impairment assessment model with the involvement of an external independent valuer and prepared the recoverable amount calculation to estimate the future cash flows, taking into account key assumptions, including expected revenue growth rate, budgeted gross margin, terminal growth rate and pre-tax discount rate. The estimation of the impairment of goodwill was complex and involved significant judgements and estimates. Therefore, we identified the assessment of the impairment of goodwill as a key audit matter. Details of the impairment of goodwill are disclosed in notes 2.4, 3 and 17 to the consolidated financial statements.	Our audit procedures in relation to the assessment of the impairment of goodwill included, among others, the following: • Obtaining an understanding of and evaluating the relevant controls related to the impairment assessment of goodwill; • Evaluating management's identification of the CGU to which the goodwill was allocated; • Evaluating, with the assistance of our internal valuation specialists, the appropriateness of management's valuation model by reference to industry norms and valuation techniques and evaluating the appropriateness of key valuation parameters, including the pre-tax discount rate and terminal growth rate by benchmarking market data and comparable companies; • Evaluating the reasonableness of management's forecasts, assumptions and estimates of future results of the CGUs used in the valuation models by comparing the historical forecast with actual results and obtaining corroborative evidence to support the assumptions used; • Evaluating the competence, capabilities and objectivity of the external independent valuer engaged by management; and • Evaluating the adequacy of the disclosures made in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS Accounting Standards issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is HO Siu Fung, Terence.

Ernst & Young
Certified Public Accountants
Hong Kong

31 March 2025

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
REVENUE	5	**2,914,113**	3,297,828
Cost of sales		**(1,815,464)**	(1,863,721)
Gross profit		**1,098,649**	1,434,107
Other income and gains	6	**49,261**	61,609
Selling and marketing expenses		**(465,691)**	(485,155)
Administrative expenses		**(253,274)**	(271,015)
Research and development costs		**(120,037)**	(143,522)
Other expenses	7	**(164,590)**	(99,622)
Listing expenses		**—**	(72,189)
Finance costs	9	**(52,358)**	(86,316)
Fair value gains on financial liabilities at fair value through profit or loss ("FVTPL")		**—**	11,475
PROFIT BEFORE TAX	8	**91,960**	349,372
Income tax expense	12	**(29,397)**	(87,050)
PROFIT FOR THE YEAR		**62,563**	262,322
Attributable to:			
Owners of the parent		**47,014**	234,885
Non-controlling interests		**15,549**	27,437
		62,563	262,322

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of the financial statements of subsidiaries		**(5,073)**	(7,768)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of the financial statements of the Company		**(6,239)**	(36,381)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(11,312)**	(44,149)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**51,251**	218,173
Attributable to:			
Owners of the parent		**35,702**	190,736
Non-controlling interests		**15,549**	27,437
		51,251	218,173
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT		**RMB**	RMB
Basic	14	**0.07**	0.34
Diluted	14	**0.07**	0.31

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2024

	Notes	31 December 2024 RMB'000	31 December 2023 RMB'000
NON-CURRENT ASSETS			
Property and equipment	15	**398,520**	410,987
Right-of-use assets	16	**165,719**	187,390
Goodwill	17	**79,802**	79,802
Other intangible assets	18	**154,064**	151,416
Deferred tax assets	19	**129,180**	103,971
Prepayments, deposits and other receivables	22	**54,543**	12,575
Amounts due from related parties	34	**2,511**	2,474
Financial assets at FVTPL	23	**—**	1,535
Pledged deposits	24	**650,000**	300,000
Total non-current assets		**1,634,339**	1,250,150
CURRENT ASSETS			
Inventories	20	**126,935**	176,593
Trade and bills receivables	21	**1,377,364**	1,515,434
Prepayments, deposits and other receivables	22	**196,521**	188,474
Financial assets at FVTPL	23	**—**	50,837
Amounts due from related parties	34	**25**	25
Pledged deposits	24	**306,000**	412,602
Cash and cash equivalents	24	**1,043,833**	959,423
Total current assets		**3,050,678**	3,303,388
CURRENT LIABILITIES			
Trade and bills payables	25	**721,814**	742,108
Other payables and accruals	26	**613,380**	755,527
Contract liabilities	27	**29,905**	34,664
Interest-bearing bank borrowings	28	**467,975**	95,870
Profit tax payable		**30,274**	77,790
Amounts due to related parties	34	**1,081**	1,858
Lease liabilities	16	**60,709**	49,201
Total current liabilities		**1,925,138**	1,757,018
NET CURRENT ASSETS		**1,125,540**	1,546,370
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,759,879**	2,796,520

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2024

	Notes	31 December 2024 RMB'000	31 December 2023 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	28	**837,943**	791,647
Lease liabilities	16	**124,523**	153,117
Deferred tax liabilities	19	**22,737**	23,166
Total non-current liabilities		**985,203**	967,930
NET ASSETS		**1,774,676**	1,828,590
EQUITY			
Equity attributable to owners of the parent			
Share capital	29	**97**	97
Treasury shares	29	**(112,120)**	—
Reserves	30	**1,760,108**	1,707,974
		1,648,085	1,708,071
Non-controlling interests		**126,591**	120,519
Total equity		**1,774,676**	1,828,590

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024

	Attributable to owners of the parent									
	Share capital RMB'000 (Note 29)	Treasury shares RMB'000 (Note 29)	Capital reserve RMB'000 (Note 30)	Share-based payments reserve RMB'000 (Note 30)	Other reserve RMB'000 (Note 30)	Exchange fluctuation reserve RMB'000 (Note 30)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2024	97	—	1,702,430	47,902	(567,195)	(116,437)	641,274	1,708,071	120,519	1,828,590
Profit for the year	—	—	—	—	—	—	47,014	47,014	15,549	62,563
Other comprehensive loss for the year:										
Exchange differences on translation of the financial statements of subsidiaries	—	—	—	—	—	(5,073)	—	(5,073)	—	(5,073)
Exchange differences on translation of the financial statements of the Company	—	—	—	—	—	(6,239)	—	(6,239)	—	(6,239)
Share awards (note 31)	—	—	—	2,151	—	—	—	2,151	—	2,151
Transfer of share-based payments reserve upon exercise of share awards	—	—	64,286	(47,329)	—	—	—	16,957	—	16,957
Acquisition of non-controlling interests	—	—	—	—	(1,958)	—	—	(1,958)	(2,603)	(4,561)
Share repurchase	—	(112,838)	—	—	—	—	—	(112,838)	—	(112,838)
Cancellation of treasury shares	—	718	(718)	—	—	—	—	—	—	—
Capital injection into subsidiaries by non-controlling shareholders	—	—	—	—	—	—	—	—	1,980	1,980
Dividends declared to non-controlling shareholders	—	—	—	—	—	—	—	—	(8,854)	(8,854)
At 31 December 2024	97	(112,120)	1,765,998	2,724	(569,153)	(127,749)	688,288	1,648,085	126,591	1,774,676

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2024

	Attributable to owners of the parent								
	Share capital RMB'000 (Note 29)	Capital reserve RMB'000 (Note 30)	Share-based payments reserve RMB'000 (Note 30)	Other reserve RMB'000 (Note 30)	Exchange fluctuation reserve RMB'000 (Note 30)	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2023	86	612,250	118,707	(554,320)	(72,288)	406,389	510,824	101,512	612,336
Profit for the year	—	—	—	—	—	234,885	234,885	27,437	262,322
Other comprehensive loss for the year:									
Exchange differences on translation of the financial statements of subsidiaries	—	—	—	—	(7,768)	—	(7,768)	—	(7,768)
Exchange differences on translation of the financial statements of the Company	—	—	—	—	(36,381)	—	(36,381)	—	(36,381)
Issue of shares	3	240,265	—	—	—	—	240,268	—	240,268
Share issue expenses	—	(12,175)	—	—	—	—	(12,175)	—	(12,175)
Automatic conversion of convertible redeemable preferred shares upon the Global Offering	8	599,301	—	—	—	—	599,309	—	599,309
Share awards (note 31)	—	—	17,054	—	—	—	17,054	—	17,054
Transfer of share-based payments reserve upon exercise of share awards	—	262,789	(87,859)	—	—	—	174,930	—	174,930
Acquisition of non-controlling interests	—	—	—	(12,875)	—	—	(12,875)	225	(12,650)
Capital injection into subsidiaries by non-controlling shareholders	—	—	—	—	—	—	—	2,900	2,900
Dividends declared to non-controlling shareholders	—	—	—	—	—	—	—	(11,555)	(11,555)
At 31 December 2023	97	1,702,430	47,902	(567,195)	(116,437)	641,274	1,708,071	120,519	1,828,590

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**91,960**	349,372
Adjustments for:			
Bank interest income	6	**(21,472)**	(20,160)
Foreign exchange (gain)/losses, net	6/7	**(7,594)**	8,198
Finance costs	9	**52,358**	86,316
Losses on disposal of property and equipment and other intangible assets	7	**10,174**	3,767
Losses on disposal of items of right-of-use assets	7	**159**	—
Depreciation of property and equipment	15	**105,104**	99,397
Depreciation of right-of-use assets	16	**60,955**	59,552
Amortisation of intangible assets	18	**10,034**	8,490
Impairment losses, net of reversal:			
– Financial assets under the expected credit loss model	7	**139,777**	57,864
– Inventories	7	**2,320**	15,976
Share awards	8	**2,151**	17,054
Fair value gains on convertible redeemable preferred shares	8	**—**	(11,475)
Fair value losses on financial assets on FVTPL, net	6/7	**2,230**	4,913
Fair value gains on put option over non-controlling interests	6	**—**	(15,305)
Transaction costs for wealth management products		**—**	493
Deposits received for bank overdraft facilities	24	**21,000**	—
Deposits paid for bank overdraft facilities	24	**(6,000)**	(21,000)
		463,156	643,452
Decrease in inventories		**47,338**	36,844
(Increase)/decrease in trade and bills receivables		**(1,732)**	283,281
(Increase)/decrease in prepayments, deposits and other receivables		**(45,948)**	27,315
Decrease in trade and bills payables		**(21,209)**	(378,675)
Decrease in other payables and accruals		**(99,967)**	(109,964)
Cash generated from operations		**341,638**	502,253
Income tax paid		**(111,200)**	(124,717)
Net cash flows from operating activities		**230,438**	377,536

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**21,472**	20,160
Purchase of items of property and equipment		**(115,004)**	(149,251)
Purchase of other intangible assets		**(2,575)**	(16,197)
Proceeds from disposal of property and equipment		**2,019**	5,964
Investment in wealth management products		**—**	(50,072)
Proceeds from disposal of wealth management products		**46,795**	—
Consideration paid for acquisition of subsidiaries		**—**	(30,721)
Net cash flows used in investing activities		**(47,293)**	(220,117)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**916,943**	655,000
Proceeds from issue of shares		**—**	230,656
Repayment of bank loans		**(501,534)**	(910,258)
Placement of pledged time deposits	24	**(650,000)**	(691,602)
Withdrawal of pledged time deposits		**391,602**	—
Interest paid		**(41,182)**	(84,851)
Lease payments	16	**(68,296)**	(72,345)
Payment of listing expenses		**(24,286)**	(823)
Contribution from non-controlling shareholders		**1,980**	2,900
Advance payments received for subscription of share awards		**—**	6,001
Repayment for subscription of share awards		**(533)**	—
Payments of share repurchase		**(112,838)**	—
Acquisition of non-controlling interest		**(4,561)**	—
Payments of dividends to non-controlling shareholders		**(9,245)**	(4,849)
Net cash flows used in financing activities	32	**(101,950)**	(870,171)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**81,195**	(712,752)
Cash and cash equivalents at beginning of year	24	**959,423**	1,680,625
Effect of foreign exchange rate changes, net		**3,215**	(8,450)
CASH AND CASH EQUIVALENTS AT END OF YEAR	24	**1,043,833**	959,423
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	24	**1,999,833**	1,672,025
Time deposits when acquired, pledged as security for long term bank loans	24	**(950,000)**	(691,602)
Time deposits when acquired, pledged as security for bank overdraft facilities	24	**(6,000)**	(21,000)
Cash and cash equivalents as stated in the statement of financial position		**1,043,833**	959,423
Cash and cash equivalents as stated in the statement of cash flows		**1,043,833**	959,423

NOTES TO FINANCIAL STATEMENTS

31 December 2024

1. CORPORATE AND GROUP INFORMATION

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

The Company is an investment holding company. During the year, the Company's subsidiaries were principally engaged in providing medical testing services and the trade of medical testing equipment in the People's Republic of China (the "PRC").

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Date and place of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Adicon International Limited ("Adicon HK")	Hong Kong 7 March 2008	USD1,282.05	100%	–	Investment holding
Manson Grand International Limited ("Manson Grand")	Hong Kong 21 December 2010	USD12.82	100%	–	Trade of medical testing equipment
杭州艾迪康醫學檢驗中心有限公司 Adicon (Hangzhou) Clinical Laboratories Co., Ltd. ("Hangzhou Adicon") *	PRC/Mainland China 16 January 2004	RMB45,059,724	–	100%	Medical testing services
合肥艾迪康醫學檢驗實驗室有限公司 Adicon (Hefei) Clinical Laboratories Co., Ltd. ("Hefei Adicon") *	PRC/Mainland China 5 June 2006	RMB20,000,000	–	100%	Medical testing services
上海錦測醫學檢驗所有限公司 Shanghai Jince Clinical Laboratories Co., Ltd. ("Shanghai Adicon") *	PRC/Mainland China 2 August 2006	RMB23,021,583	–	100%	Medical testing services
濟南艾迪康醫學檢驗中心有限公司 Adicon (Jinan) Clinical Laboratories Co., Ltd. ("Jinan Adicon") *	PRC/Mainland China 19 October 2006	RMB20,000,000	–	100%	Medical testing services
北京艾迪康醫學檢驗實驗室有限公司 Adicon (Beijing) Clinical Laboratories Co., Ltd. ("Beijing Adicon") *	PRC/Mainland China 7 December 2007	RMB20,000,000	–	100%	Medical testing services
南昌艾迪康醫學檢驗實驗室有限公司 Adicon (Nanchang) Clinical Laboratories Co., Ltd. ("Nanchang Adicon") *	PRC/Mainland China 10 September 2008	RMB5,000,000	–	100%	Medical testing services
福州艾迪康醫學檢驗所有限公司 Adicon (Fuzhou) Clinical Laboratories Co., Ltd. ("Fuzhou Adicon") *	PRC/Mainland China 6 February 2009	RMB20,000,000	–	100%	Medical testing services
吉林艾迪康醫學檢驗實驗室有限公司 Adicon (Jilin) Clinical Laboratories Co., Ltd. ("Jilin Adicon") *	PRC/Mainland China 23 April 2009	RMB20,000,000	–	100%	Medical testing services

NOTES TO FINANCIAL STATEMENTS

31 December 2024

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Name	Date and place of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
武漢艾迪康醫學檢驗所有限公司 Adicon (Wuhan) Clinical Laboratories Co., Ltd. ("Wuhan Adicon") *	PRC/Mainland China 24 November 2009	RMB20,000,000	—	100%	Medical testing services
南京艾迪康醫學檢驗所有限公司 Adicon (Nanjing) Clinical Laboratories Co., Ltd. ("Nanjing Adicon") *	PRC/Mainland China 4 December 2009	RMB20,000,000	—	100%	Medical testing services
長沙艾迪康醫學檢驗實驗室有限公司 Adicon (Changsha) Clinical Laboratories Co., Ltd. ("Changsha Adicon") *	PRC/Mainland China 19 April 2010	RMB20,000,000	—	100%	Medical testing services
成都艾迪康醫學檢測實驗室有限公司 Adicon (Chengdu) Clinical Laboratories Co., Ltd. ("Chengdu Adicon") *	PRC/Mainland China 11 June 2010	RMB20,000,000	—	100%	Medical testing services
沈陽艾迪康醫學檢驗所有限公司 Adicon (Shenyang) Clinical Laboratories Co., Ltd. ("Shenyang Adicon") *	PRC/Mainland China 16 March 2011	RMB20,000,000	—	100%	Medical testing services
鄭州艾迪康醫學檢驗所 (普通合夥) Zhengzhou Adicon Clinical Partnership ("Zhengzhou Adicon") *	PRC/Mainland China 8 August 2012	RMB20,000,000	—	100%	Medical testing services
廣州艾迪康醫學檢驗所有限公司 Adicon (Guangzhou) Clinical Laboratories Co., Ltd. ("Guangzhou Adicon") *	PRC/Mainland China 21 August 2013	RMB20,000,000	—	100%	Medical testing services
天津艾迪康醫學檢驗實驗室有限公司 Adicon (Tianjin) Clinical Laboratories Co., Ltd. ("Tianjin Adicon") *	PRC/Mainland China 3 June 2014	RMB30,000,000	—	100%	Medical testing services
雲南艾迪康醫學檢驗所有限公司 Adicon (Yunnan) Clinical Laboratories Co., Ltd. ("Yunnan Adicon") *	PRC/Mainland China 2 February 2015	RMB20,000,000	—	100%	Medical testing services

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Name	Date and place of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
西安艾迪康醫學檢驗實驗室有限公司 Adicon (Xi'an) Clinical Laboratories Co., Ltd. ("Xi'an Adicon") *	PRC/Mainland China 23 May 2016	RMB20,000,000	—	100%	Medical testing services
三明艾迪康醫學檢驗所有限公司 Adicon (Sanming) Clinical Laboratories Co., Ltd. ("Sanming Adicon") *	PRC/Mainland China 30 May 2016	RMB20,000,000	—	100%	Medical testing services
重慶艾迪康醫學檢驗實驗室有限公司 Adicon (Chongqing) Clinical Laboratories Co., Ltd. ("Chongqing Adicon") *	PRC/Mainland China 21 September 2016	RMB20,000,000	—	100%	Medical testing services
南寧艾迪康醫學檢驗實驗室有限公司 Adicon (Nanning) Clinical Laboratories Co., Ltd. ("Nanning Adicon") *	PRC/Mainland China 23 November 2017	RMB20,000,000	—	100%	Medical testing services
青島艾迪康醫學檢驗實驗室有限公司 Qingdao Adicon Clinical Laboratories Co., Ltd. ("Qingdao Adicon") *	PRC/Mainland China 13 May 2019	RMB11,666,600	—	60%	Medical testing services
杭州輝圖生物科技有限公司 Hangzhou Huitu Biotechnology Co., Ltd. ("Hangzhou Huitu") *	PRC/Mainland China 2 December 2010	RMB7,500,000	—	100%	Trade of medical testing equipment
艾迪肯 (杭州) 生物科技有限公司 Aidiken (Hangzhou) Biotech Co., Ltd. ("Aidiken WFOE") *	PRC/Mainland China 18 July 2008	USD21,120,100	—	100%	Investment holding
上海律昂傑生物科技有限公司 Shanghai Lv'angjie BioTech Co., Ltd. ("Shanghai Lv'angjie") *	PRC/Mainland China 15 October 2015	RMB1,000,000	—	100%	Trade of medical testing equipment
杭州艾易檢科技有限公司 Hangzhou Aiyijian Technology Co., Ltd. ("Hangzhou Aiyijian") *	PRC/Mainland China 8 April 2020	RMB10,000,000	—	100%	Medical technology
黑龍江艾迪康醫學檢驗實驗室有限公司 Heilongjiang Adicon Clinical Laboratories Co., Ltd. ("Heilongjiang Adicon") *	PRC/Mainland China 13 January 2020	RMB20,000,000	—	75%	Medical testing services

NOTES TO FINANCIAL STATEMENTS

31 December 2024

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Name	Date and place of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
衢州艾迪康醫學檢驗實驗室有限公司 Quzhou Adicon Clinical Laboratories Co., Ltd. ("Quzhou Adicon") *	PRC/Mainland China 6 January 2020	RMB20,000,000	—	70%	Medical testing services
深圳艾迪康醫學檢驗實驗室 Shenzhen Adicon Clinical Laboratories Co., Ltd. ("Shenzhen Adicon") *	PRC/Mainland China 13 May 2019	RMB13,333,300	—	60%	Medical testing services
廈門國貿艾迪康醫學檢驗實驗室有限公司 Xiamen Guomao Adicon Clinical Laboratories Co., Ltd. ("Xiamen Adicon") *	PRC/Mainland China 25 September 2020	RMB30,000,000	—	51%	Medical testing services
上饒艾迪康醫學檢驗實驗室有限公司 Shangrao Adicon Clinical Laboratory Co., Ltd. ("Shangrao Adicon") *	PRC/Mainland China 7 December 2020	RMB3,625,000	—	61%	Medical testing services
江西錦測生物科技有限公司 Jiangxi Jince BioTech Co., Ltd ("Jiangxi Jince") *	PRC/Mainland China 6 August 2020	RMB8,000,000	—	61%	Trade of medical testing equipment
鄭州艾迪康醫學檢驗實驗室有限公司 Zhengzhou Adicon Clinical Laboratories Co., Ltd. ("Zhengzhou Adicon Ltd") *	PRC/Mainland China 22 June 2020	RMB20,000,000	—	100%	Medical testing services
蘇州艾迪康醫學檢驗所有限公司 Suzhou Adicon Clinical Laboratories Co., Ltd. ("Suzhou Adicon") *	PRC/Mainland China 3 August 2021	RMB30,000,000	—	51%	Medical testing services
貴州艾迪康醫學檢驗中心有限公司 Guizhou Adicon Clinical Laboratories Center Co., Ltd. ("Guizhou Adicon") *	PRC/Mainland China 16 July 2021	RMB15,000,000	—	95%	Medical testing services
溫州艾迪康醫學檢驗實驗室有限公司 Wenzhou Adicon Clinical Laboratories Co., Ltd. ("Wenzhou Adicon") *	PRC/Mainland China 29 November 2021	RMB20,000,000	—	100%	Medical testing services
臨沂艾迪康醫學檢驗實驗室有限公司 Linyi Adicon Clinical Laboratories Co., Ltd. ("Linyi Adicon") */**	PRC/Mainland China 10 November 2021	RMB20,000,000	—	100%	Medical testing services

1. CORPORATE AND GROUP INFORMATION (Continued)

Information about subsidiaries (Continued)

Name	Date and place of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
信陽艾迪康醫學檢驗實驗室有限公司 Xinyang Adicon Clinical Laboratories Co., Ltd. ("Xinyang Adicon") *	PRC/Mainland China 13 May 2022	RMB15,000,000	—	65%	Medical testing services
石家莊艾迪康醫學檢驗實驗室有限公司 Shijiazhuang Adicon Clinical Laboratories Co., Ltd. ("Shijiazhuang Adicon") *	PRC/Mainland China 21 June 2022	RMB20,000,000	—	100%	Medical testing services
河南艾迪康醫學檢驗實驗室有限公司 Henan Adicon Clinical Laboratories Co., Ltd. ("Henan Adicon") *	PRC/Mainland China 16 October 2019	RMB20,000,000	—	51%	Medical testing services
紹興艾迪康醫學檢驗實驗室有限公司 Shaoxing Adicon Clinical Laboratories Co., Ltd. ("Shaoxing Adicon") *	PRC/Mainland China 6 March 2023	RMB8,000,000	—	65%	Medical testing services
溫州甌海艾迪康醫學檢驗實驗室有限公司 Wenzhou Ouhai Adicon Clinical Laboratories Co., Ltd. ("Ouhai Adicon") *	PRC/Mainland China 16 May 2023	RMB10,000,000	—	100%	Medical testing services
廣州艾護有加綜合門診部有限公司 Guangzhou Aihuyoujia Comprehensive Clinic Co., Ltd. ("Guangzhou Aihuyoujia") *	PRC/Mainland China 15 May 2024	RMB3,000,000	—	100%	Medical testing services
海南艾易檢健康管理有限公司 Hainan Aiyijian Technology Co., Ltd. ("Hainan Aiyijian") *	PRC/Mainland China 6 November 2024	RMB1,000,000	—	100%	Medical technology
南陽錦測生物科技有限公司 Nanyang Jince BioTech Co., Ltd ("Nanyang Jince") *	PRC/Mainland China 19 November 2024	RMB15,000,000	—	51%	Trade of medical testing equipment

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

** On 5 March 2024, Hangzhou Adicon acquired a 30% equity interest in Linyi Adicon at a consideration of RMB4,561,000.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group.

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2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRS Accounting Standards (which include all International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations) issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for derivative financial instruments, wealth management products, contingent consideration which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2024. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRS Accounting Standards for the first time for the current year's financial statements.

Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*
Amendments to IAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*

The nature and the impact of the revised IFRS Accounting Standards are described below:

(a) Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

(b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

NOTES TO FINANCIAL STATEMENTS

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2.3 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS

The Group has not applied the following new and revised IFRS Accounting Standards, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these new and revised IFRS Accounting Standards, if applicable, when they become effective.

IFRS 18	*Presentation and Disclosure in Financial Statements*[3]
IFRS 19	*Subsidiaries without Public Accountability: Disclosures*[3]
Amendments to IFRS 9 and IFRS 7	*Amendments to the Classification and Measurement of Financial Instruments*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IAS 21	*Lack of Exchangeability*[1]
Annual Improvements to IFRS Accounting Standards – Volume 11	Amendments to IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7[2]
Amendments to IFRS 9 and IFRS 7	*Contracts Referencing Nature-dependent Electricity*[2]

1 Effective for annual periods beginning on or after 1 January 2025

2 Effective for annual periods beginning on or after 1 January 2026

3 Effective for annual/reporting periods beginning on or after 1 January 2027

4 No mandatory effective date yet determined but available for adoption

Further information about those IFRS Accounting Standards that are expected to be applicable to the Group is described below.

IFRS 18 replaces IAS 1 Presentation of Financial Statements. While a number of sections have been brought forward from IAS 1 with limited changes, IFRS 18 introduces new requirements for presentation within the statement of profit or loss and other comprehensive income, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss and other comprehensive income into one of the five categories: operating, investing, financing, income taxes and discontinued operations and to present two new defined subtotals. It also requires disclosures about management-defined performance measures in a single note and introduces enhanced requirements on the grouping (aggregation and disaggregation) and the location of information in both the primary financial statements and the notes. Some requirements previously included in IAS 1 are moved to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, which is renamed as IAS 8 Basis of Preparation of Financial Statements. As a consequence of the issuance of IFRS 18, limited, but widely applicable, amendments are made to IAS 7 Statement of Cash Flows, IAS 33 Earnings per Share and IAS 34 Interim Financial Reporting. In addition, there are minor consequential amendments to other IFRS Accounting Standards. IFRS 18 and the consequential amendments to other IFRS Accounting Standards are effective for annual periods beginning on or after 1 January 2027 with earlier application permitted. Retrospective application is required. The Group is currently analysing the new requirements and assessing the impact of IFRS 18 on the presentation and disclosure of the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS (Continued)

IFRS 19 allows eligible entities to elect to apply reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS Accounting Standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10 Consolidated Financial Statements, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements available for public use which comply with IFRS Accounting Standards. Earlier application is permitted. As the Company is a listed company, it is not eligible to elect to apply IFRS 19. Some of the Company's subsidiaries are considering the application of IFRS 19 in their specified financial statements.

Amendments to IFRS 9 and IFRS 7 clarify the date on which a financial asset or financial liability is derecognised and introduce an accounting policy option to derecognise a financial liability that is settled through an electronic payment system before the settlement date if specified criteria are met. The amendments clarify how to assess the contractual cash flow characteristics of financial assets with environmental, social and governance and other similar contingent features. Moreover, the amendments clarify the requirements for classifying financial assets with non-recourse features and contractually linked instruments. The amendments also include additional disclosures for investments in equity instruments designated at fair value through other comprehensive income ("FVTOCI") and financial instruments with contingent features. The amendments shall be applied retrospectively with an adjustment to opening retained profits (or other component of equity) at the initial application date. Prior periods are not required to be restated and can only be restated without the use of hindsight. Earlier application of either all the amendments at the same time or only the amendments related to the classification of financial assets is permitted. Amendments to contracts referencing nature-dependent electricity clarify the application of the 'own-use' requirements for in-scope contracts, amend the designation requirements for a hedged item in a cash flow hedging relationship for in-scope contracts and add new disclosure requirements. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB. However, the amendments are available for adoption now.

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRS ACCOUNTING STANDARDS (Continued)

Annual Improvements to IFRS Accounting Standards – Volume 11 set out amendments to IFRS 1, IFRS 7 (and the accompanying *Guidance on implementing IFRS 7)*, IFRS 9, IFRS 10 and IAS 7. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 7 *Financial Instruments: Disclosures*: The amendments have updated certain wording in paragraph B38 of IFRS 7 and paragraphs IG1, IG14 and IG20B of the *Guidance on implementing IFRS 7* for the purpose of simplification or achieving consistency with other paragraphs in the standard and/or with the concepts and terminology used in other standards. In addition, the amendments clarify that the *Guidance on implementing IFRS 7* does not necessarily illustrate all the requirements in the referenced paragraphs of IFRS 7 nor does it create additional requirements. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- IFRS 9 *Financial Instruments:* The amendments clarify that when a lessee has determined that a lease liability has been extinguished in accordance with IFRS 9, the lessee is required to apply paragraph 3.3.3 of IFRS 9 and recognise any resulting gain or loss in profit or loss. In addition, the amendments have updated certain wording in paragraph 5.1.3 of IFRS 9 and Appendix A of IFRS 9 to remove potential confusion. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- IFRS 10 *Consolidated Financial Statements:* The amendments clarify that the relationship described in paragraph B74 of IFRS 10 is just one example of various relationships that might exist between the investor and other parties acting as de facto agents of the investor, which removes the inconsistency with the requirement in paragraph B73 of IFRS 10. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

- IAS 7 *Statement of Cash Flows:* The amendments replace the term "cost method" with "at cost" in paragraph 37 of IAS 7 following the prior deletion of the definition of "cost method". Earlier application is permitted. The amendments are not expected to have any impact on the Group's financial statements.

2.4 MATERIAL ACCOUNTING POLICIES

Business combinations and goodwill

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

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

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

Fair value measurement

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

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

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

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

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

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

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

Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Related parties (Continued)

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

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

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

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

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

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

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

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

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

Property, plant and equipment and depreciation

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Property, plant and equipment and depreciation (Continued)

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

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

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

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

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

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

Patents and software

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

Customer relationship

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2024

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Intangible assets (other than goodwill) (Continued)

Research and development costs

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

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

Leases

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

Group as a lessee

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

(a) Right-of-use assets

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

Properties	2 to 10 years
Equipment	2 to 5 years

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

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

(b) Lease liabilities

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

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

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

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost and FVTPL.

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

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2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

In order for a financial asset to be classified and measured at amortised cost or FVTOCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

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

Purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset.

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at FVTPL

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

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at FVTOCI. Dividends on the equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at FVTPL. Embedded derivatives are measured at fair value with changes in fair value recognised in the statement of profit or loss. Reassessment occurs if there is a change in the terms of the contract that significantly modifies the cash flows.

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

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

General approach

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

NOTES TO FINANCIAL STATEMENTS

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2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Debt investments at FVTOCI and financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade and bills receivables which apply the simplified approach as detailed below.

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

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

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

Simplified approach

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

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

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, payables, as appropriate.

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

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

Subsequent measurement

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

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

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

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

Financial liabilities at amortised cost (trade and other payables, and borrowings)

After initial recognition, trade and other payables, and interest-bearing borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

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

Put option over non-controlling interests

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

NOTES TO FINANCIAL STATEMENTS

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2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Derivative financial instruments

Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

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

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Provisions

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

When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

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

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general policy for provisions above and (ii) the amount initially recognised less, when appropriate, the amount of income recognised in accordance with the policy for revenue recognition.

Income tax

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

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

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

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

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

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Government grants

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

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

Where the Group receives grants of non-monetary assets, the grants are recorded at the fair value of the non-monetary assets and released to the statement of profit or loss over the expected useful lives of the relevant assets by equal annual instalments.

Where the Group receives government loans granted with no or at a below-market rate of interest for the construction of a qualifying asset, the initial carrying amount of the government loans is determined using the effective interest rate method, as further explained in the accounting policy for "Financial liabilities" above. The benefit of the government loans granted with no or at a below-market rate of interest, which is the difference between the initial carrying value of the loans and the proceeds received, is treated as a government grant and released to the statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue from contracts with customers

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

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

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

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

(a) Medical diagnostic testing services

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

Revenue from specialised diagnostic testing services is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the testing report.

(b) Sales of medical products

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

Some contracts for the sale of medical products provide customers with rights of return, giving rise to variable consideration.

(i) Rights of return

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

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

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

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

Other income

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

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Share-based payments

The Company operates a share incentive plan. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("equity-settled transactions"). The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 31 to the financial statements.

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

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

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

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

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

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2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Other employee benefits

Pension scheme

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute 5% of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

There is no forfeited contribution for the defined contribution plans as the contributions are fully vested to the employees upon payment.

Housing fund – Mainland China

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

Borrowing costs

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

Events after the reporting period

If the Group receives information after the reporting period, but prior to the date of authorisation for issue, about conditions that existed at the end of the reporting period, it will assess whether the information affects the amounts that it recognises in its financial statements. The Group will adjust the amounts recognised in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognised in its financial statements, but will disclose the nature of the non-adjusting events and an estimate of their financial effects, or a statement that such an estimate cannot be made, if applicable.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements. Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 MATERIAL ACCOUNTING POLICIES (Continued)

Foreign currencies

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

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

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

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

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3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2024 was RMB79,802,000 (2023: RMB79,802,000). Further details are given in note 17 to the financial statements.

Provision for expected credit losses on trade and bills receivables

The Group uses a provision matrix to calculate ECLs for trade and bills receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns such as ageing, historical denial and past collection experience.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade and bills receivables is disclosed in note 21 to the financial statements.

4. OPERATING SEGMENT INFORMATION

Geographical information

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

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

4. OPERATING SEGMENT INFORMATION (Continued)

Information about a major customer

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

5. REVENUE

An analysis of revenue is as follows:

(i) Disaggregated revenue information

	2024 RMB'000	2023 RMB'000
Revenue from contracts with customers		
Medical diagnostic services	**2,914,113**	3,297,828
Timing of revenue recognition		
Goods transferred at a point in time	**2,878,000**	3,272,740
Services transferred over time	**36,113**	25,088
Total	**2,914,113**	3,297,828

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

	2024 RMB'000	2023 RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of year:	**34,664**	21,060

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Testing services for R&D projects and others

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

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6. OTHER INCOME AND GAINS

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

	2024 RMB'000	2023 RMB'000
Other income and gains		
Bank interest income	**21,472**	20,160
Government grants - income*	**11,571**	20,022
Foreign exchange gains	**7,594**	—
Fair value gains on financial assets at FVTPL	**2,256**	1,252
Fair value gains on put option over non-controlling interests	**—**	15,305
Others	**6,368**	4,870
Total	**49,261**	61,609

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

7. OTHER EXPENSES

An analysis of other expenses, net is as follows:

	2024 RMB'000	2023 RMB'000
Other expenses		
Impairment losses, net of reversal		
– Financial assets under the ECL model	**139,777**	57,864
– Inventories	**2,320**	15,976
Losses on disposal of property and equipment and other intangible assets	**10,174**	3,767
Fair value losses on financial assets at FVTPL	**4,486**	6,165
Donation	**3,216**	1,763
Bank charges	**2,283**	1,786
Losses on disposal of items of right-of-use assets, net	**159**	—
Transaction costs for wealth management products	**—**	493
Foreign exchange losses	**—**	8,198
Others	**2,175**	3,610
Total	**164,590**	99,622

8. PROFIT BEFORE TAX

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

	2024 RMB'000	2023 RMB'000
Cost of services provided	**1,514,526**	1,692,871
Cost of inventories sold	**300,938**	170,850
Depreciation of property and equipment*	**105,104**	99,397
Depreciation of right-of-use assets*	**60,955**	59,552
Amortisation of other intangible assets*	**10,034**	8,490
Fair value gains on convertible redeemable preferred shares	**—**	(11,475)
Fair value gains on put option over non-controlling interests	**—**	(15,305)
Fair value losses on financial assets on FVTPL, net	**2,230**	4,913
Research and development costs	**120,037**	143,522
Auditors' remuneration	**3,230**	8,095
Listing expenses excluding auditors' remuneration	**—**	67,315
Employee benefit expense*		
(including directors' remuneration as set out in note 10):	**887,189**	975,366
Share awards	**2,151**	17,054
Salaries and other benefits	**723,122**	775,757
Pension scheme contributions, social welfare and other welfare	**161,916**	182,555
Lease payments not included in the measurement of lease liabilities	**15,996**	17,105
Bank interest income	**(21,472)**	(20,160)
Foreign exchange (gains)/losses, net	**(7,594)**	8,198
Losses on disposal of items of property and equipment and other intangible assets	**10,174**	3,767
Losses on disposal of items of right-of-use assets	**159**	—
Impairment losses, net of reversal:	**142,097**	73,840
– Financial assets under the ECLs model	**139,777**	57,864
– Inventories	**2,320**	15,976

* The depreciation of property and equipment, the depreciation of right-of-use assets, the amortisation of other intangible assets, and the employee benefit expenses for the year are included in "Cost of sales", "Selling and marketing expenses", "Administrative expenses" and "Research and development costs" in the consolidated statement of profit or loss and other comprehensive income.

9. FINANCE COSTS

An analysis of finance costs is as follows:

	2024 RMB'000	2023 RMB'000
Interest expenses on:		
Bank borrowings	**40,591**	73,597
Lease liabilities	**11,767**	12,719
Total	**52,358**	86,316

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

	2024 RMB'000	2023 RMB'000
Fees	**1,277**	274
Other emoluments:		
Salaries, allowances and benefits in kind	**3,975**	3,964
Performance related bonuses	**900**	900
Share-based compensation expenses	**302**	461
Pension scheme contributions	**71**	160
Subtotal	**5,248**	5,485
Total	**6,525**	5,759

During the year, certain directors were granted share awards, in respect of their services to the Group, under the share incentive plan of the Company, further details of which are set out in note 31 to the financial statements. The fair value of such share awards, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount is included in the above directors' and chief executive's remuneration disclosures.

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	Note	2024 RMB'000	2023 RMB'000
Mr. MI Brian Zihou		**290**	97
Mr. YEH Richard		**282**	90
Mr. ZHANG Wei	i	**272**	87
Total		**844**	274

Note:

(i) Mr. ZHANG Wei was appointed as a director of the Company on 30 June 2023.

(b) Executive directors, non-executive directors and the chief executive

	Notes	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Share-based payment RMB'000	Pension scheme contributions RMB'000	Total remune-ration RMB'000
2024							
Executive director and chief executive:							
Mr. GAO Song		—	3,975	900	302	71	5,248
Non-executive directors:							
Mr. LIN Jixun		—	—	—	—	—	—
Ms. YANG Ling		—	—	—	—	—	—
Ms. FENG Janine Junyuan		—	—	—	—	—	—
Ms. LIM Kooi June	ii	—	—	—	—	—	—
Mr. ZHOU Mintao	iii	433	—	—	—	—	433
Subtotal		433	—	—	—	—	433
Total		433	3,975	900	302	71	5,681

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10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive directors, non-executive directors and the chief executive (Continued)

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Share-based payment RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2023						
Executive director and chief executive:						
Mr. GAO Song	—	3,964	900	461	160	5,485
Non-executive directors:						
Mr. LIN Jixun	—	—	—	—	—	—
Ms. YANG Ling	—	—	—	—	—	—
Ms. FENG Janine Junyuan	—	—	—	—	—	—
Ms. LIM Kooi June	—	—	—	—	—	—
Subtotal	—	—	—	—	—	—
Total	—	3,964	900	461	160	5,485

Notes:

(ii) Ms. LIM Kooi June retired as a non-executive director of the Company on 30 May 2024.

(iii) Mr. ZHOU Mintao was appointed as a non-executive director of the Company on 30 May 2024.

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included one director (2023: one), details of whose remuneration are set out in note 10 above. Details of the remuneration for the year of the remaining four (2023: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2024 RMB'000	2023 RMB'000
Salaries, allowances and benefits in kind	**5,428**	4,759
Performance related bonuses	**1,589**	5,033
Social welfare and other benefits	**348**	445
Share-based compensation expenses	**174**	12,367
Total	**7,539**	22,604

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

	Number of employees	
	2024	2023
Hong Kong Dollar ("HKD") 1,500,001 to HKD2,000,000	**2**	—
HKD2,000,001 to HKD2,500,000	**1**	2
HKD3,000,001 to HKD3,500,000	**1**	1
HKD17,000,001 to HKD17,500,000	**—**	1
Total	**4**	4

During the year, share awards were granted to non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of which are included in the disclosures in note 31 to the financial statements. The fair value of such share awards, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

NOTES TO FINANCIAL STATEMENTS

31 December 2024

12. INCOME TAX

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

Cayman Islands

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

Hong Kong

The subsidiaries which operate in Hong Kong are subject to profits tax at a rate of 8.25% which applies to the first HKD2,000,000 of assessable profits, and the remaining assessable profits are subject to profits tax at a rate of 16.5%.

Pursuant to the PRC Enterprise Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% since September 2023. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

Mainland China

Pursuant to the Enterprise Income Tax Law of the PRC and the respective regulations (the "EIT Law"), the subsidiaries which operate in Mainland China are subject to EIT at a rate of 25% on the taxable income, except for certain subsidiaries which are entitled to preferential tax rates.

Pillar Two income taxes

The Group is out of the scope of the Pillar Two model rules because the revenue for the year ended 31 December 2024 did not exceed Euro 750 million. The Group continues to closely monitor Pillar Two legislative developments, as more countries prepare to enact the Pillar Two model rules, to evaluate the potential future impact on its financial statements.

The income tax expense of the Group for the year is analysed as follows:

	2024 **RMB'000**	2023 RMB'000
Current income tax	**55,035**	77,954
Deferred income tax	**(25,638)**	9,096
Total tax charge for the year	**29,397**	87,050

12. INCOME TAX (Continued)

Mainland China (Continued)

Pillar Two income taxes (Continued)

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

	2024 **RMB'000**	2023 RMB'000
Profit before tax	**91,960**	349,372
Tax at the statutory tax rate (25%)	**22,990**	87,343
Lower tax rates for specific provinces or enacted by local authority	**(7,100)**	(28,586)
Effect on opening deferred tax assets or liabilities resulting from previously unrecognised tax losses, tax credit or temporary differences and adjustments in respect of current tax of previous periods	**2,816**	(7,759)
Additional deductible allowance for qualified research and development costs	**(16,521)**	(17,217)
Expenses not deductible for tax	**4,557**	6,621
Tax losses utilised from previous years	**(2,078)**	(225)
Tax losses not recognised	**24,173**	51,371
Effect of withholding tax at 5% (2023: 5%) on the distributable profits of the Group's PRC subsidiaries	**560**	(4,498)
Tax charge at the Group's effective rate	**29,397**	87,050

13. DIVIDENDS

No dividend has been paid or declared by the Company for the year ended 31 December 2024.

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14. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 721,371,760 (2023: 690,606,994) outstanding during the year, as adjusted to reflect the rights issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible redeemable preferred shares for the year. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares outstanding during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares. For the year ended 31 December 2024, the calculation of diluted earnings per share has not considered restricted share units ("RSUs") under the share incentive plans of the Company as the inclusion would be anti-dilutive.

The calculations of basic and diluted earnings per share are based on:

	2024	2023
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation (RMB'000)	**47,014**	234,885
Less: Fair value gains on financial liabilities at FVTPL	**—**	11,475
	47,014	223,410
Ordinary shares ('000)		
Weighted average number of ordinary shares outstanding during the year used in the basic earnings per share calculation*	**721,372**	690,607
Earnings per share (RMB per share)	**0.07**	0.34
Effect of dilution – weighted average number of ordinary shares:		
Convertible redeemable preferred shares	**—**	26,019
Weighted average number of ordinary shares outstanding during the year used in the diluted earnings per share calculation	**721,372**	716,626
Diluted earnings per share (RMB per share)	**0.07**	0.31

* The weighted average number of shares was after taking into account the effect of treasury shares held.

15. PROPERTY AND EQUIPMENT

	Office and electronic equipment RMB'000	Laboratory equipment RMB'000	Motor vehicles RMB'000	Leasehold improve-ments RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2024						
At 1 January 2024						
Cost	97,985	522,037	16,605	260,600	8,708	905,935
Accumulated depreciation	(46,123)	(324,960)	(11,711)	(112,154)	—	(494,948)
Net carrying amount	51,862	197,077	4,894	148,446	8,708	410,987
At 1 January 2024, net of accumulated depreciation	51,862	197,077	4,894	148,446	8,708	410,987
Additions	8,320	71,495	216	8,962	15,832	104,825
Disposals	(1,064)	(3,976)	(342)	(6,806)	—	(12,188)
Transfers	—	—	—	16,493	(16,493)	—
Depreciation provided during the year	(14,857)	(58,090)	(1,980)	(30,177)	—	(105,104)
At 31 December 2024, net of accumulated depreciation	44,261	206,506	2,788	136,918	8,047	398,520
At 31 December 2024						
Cost	101,918	560,340	14,896	271,110	8,047	956,311
Accumulated depreciation	(57,657)	(353,834)	(12,108)	(134,192)	—	(557,791)
Net carrying amount	44,261	206,506	2,788	136,918	8,047	398,520

NOTES TO FINANCIAL STATEMENTS

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15. PROPERTY AND EQUIPMENT (Continued)

	Office and electronic equipment RMB'000	Laboratory equipment RMB'000	Motor vehicles RMB'000	Leasehold improve-ments RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2023						
At 1 January 2023						
Cost	67,341	489,062	15,557	226,735	8,244	806,939
Accumulated depreciation	(35,952)	(304,229)	(9,165)	(82,165)	—	(431,511)
Net carrying amount	31,389	184,833	6,392	144,570	8,244	375,428
At 1 January 2023, net of accumulated depreciation	31,389	184,833	6,392	144,570	8,244	375,428
Additions	33,198	66,093	2,355	9,245	33,796	144,687
Disposals	(779)	(4,321)	(135)	(4,496)	—	(9,731)
Transfers	427	553	—	32,352	(33,332)	—
Depreciation provided during the year	(12,373)	(50,081)	(3,718)	(33,225)	—	(99,397)
At 31 December 2023, net of accumulated depreciation	51,862	197,077	4,894	148,446	8,708	410,987
At 31 December 2023						
Cost	97,985	522,037	16,605	260,600	8,708	905,935
Accumulated depreciation	(46,123)	(324,960)	(11,711)	(112,154)	—	(494,948)
Net carrying amount	51,862	197,077	4,894	148,446	8,708	410,987

16. LEASES

The Group as a lessee

The Group has lease contracts for various items of properties and other equipment used in its operations. Leases of properties generally have lease terms between 2 and 10 years. Other equipment generally has lease terms of 12 months or less or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

(a) Right-of-use assets

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

	Properties RMB'000	Equipment RMB'000	Total RMB'000
As at 1 January 2023	202,916	15,937	218,853
Additions	30,062	4,066	34,128
Revision of a lease term arising from a change in the non-cancellable period of a lease	(6,039)	—	(6,039)
Depreciation charge	(52,499)	(7,053)	(59,552)
As at 31 December 2023	174,440	12,950	187,390
As at 1 January 2024	**174,440**	**12,950**	**187,390**
Additions	**31,652**	**9,019**	**40,671**
Revision of a lease term arising from a change in the non-cancellable period of a lease	**(465)**	**—**	**(465)**
Disposal	**(752)**	**(170)**	**(922)**
Depreciation charge	**(53,893)**	**(7,062)**	**(60,955)**
As at 31 December 2024	**150,982**	**14,737**	**165,719**

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31 December 2024

16. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

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

	2024 RMB'000	2023 RMB'000
At the beginning of year	**202,318**	233,855
New leases	**40,671**	34,128
Accretion of interest recognised during the year	**11,767**	12,719
Payments	**(68,296)**	(72,345)
Revision of a lease term arising from a change in the non-cancellable period of a lease	**(465)**	(6,039)
Disposal	**(763)**	—
Ending balance	**185,232**	202,318
Analysed into:		
Current portion	**60,709**	49,201
Non-current portion	**124,523**	153,117

A maturity analysis of the lease liabilities for the year is as follows:

	2024 RMB'000	2023 RMB'000
Less than 3 months	**22,795**	15,367
3 to less than 12 months	**37,914**	33,834
1 to 3 years	**72,429**	88,525
Over 3 years	**52,094**	64,592
Total	**185,232**	202,318

16. LEASES (Continued)

The Group as a lessee (Continued)

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

	2024 RMB'000	2023 RMB'000
Interest on lease liabilities	**11,767**	12,719
Depreciation charge of right-of-use assets	**60,955**	59,552
Expense relating to leases of short-term and low-value assets	**15,996**	17,105
Losses on disposal of right-of-use assets	**159**	—
Total amount recognised in profit or loss	**88,877**	89,376

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

	2024 RMB'000	2023 RMB'000
Future cash outflows for short-term leases	**5,106**	4,932

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31 December 2024

17. GOODWILL

	RMB'000
Cost at 1 January 2023, net of accumulated impairment	79,802
Impairment during the year	—
Net carrying amount at 31 December 2023	79,802
As at 31 December 2023:	
Cost	79,802
Accumulated impairment	—
Net carrying amount	79,802
Cost at 1 January 2024, net of accumulated impairment	79,802
Impairment during the year	—
Net carrying amount at 31 December 2024	79,802
As at 31 December 2024:	
Cost	79,802
Accumulated impairment	—
Net carrying amount	79,802

Impairment testing of goodwill

Goodwill of RMB25,691,000 was generated from the acquisition of Shangrao Adicon and Jiangxi Jince on 28 February 2021 and goodwill of RMB54,111,000 was generated from the acquisition of Henan Adicon on 31 May 2022.

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

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

17. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

	Shangrao Adicon and Jiangxi Jince CGU	
	As at 31 December 2024	As at 31 December 2023
Revenue (% compound growth rate)	**5%**	5%
Terminal growth rate	**2%**	2%
Pre-tax discount rate	**17%**	18%

	Henan Adicon CGU	
	As at 31 December 2024	As at 31 December 2023
Revenue (% compound growth rate)	**7%**	2%
Terminal growth rate	**2%**	2%
Pre-tax discount rate	**18%**	21%

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill for each CGU as at 31 December 2023 and 31 December 2024.

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

Terminal growth rate – The forecasted terminal growth rate is based on management's expectations and does not exceed the long-term average growth rate for the industry relevant to the CGUs. The pre-tax discount rate used is before tax and reflects specific risks relating to the CGUs.

Based on the result of impairment assessment, there was no impairment as at 31 December 2024.

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17. GOODWILL (Continued)

Impairment testing of goodwill (Continued)

Sensitivity to changes in key assumptions:

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

	Shangrao Adicon and Jiangxi Jince CGU	
	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
Headroom	**9,914**	12,708
Impact by decreasing the expected revenue	**(3,105)**	(1,233)
Impact by decreasing the terminal growth rate	**(7,217)**	(4,377)
Impact by increasing the pre-tax discount rate	**(7,744)**	(5,367)

	Henan Adicon CGU	
	As at 31 December 2024 RMB'000	As at 31 December 2023 RMB'000
Headroom	**21,385**	32,944
Impact by decreasing the expected revenue	**(5,466)**	(3,632)
Impact by decreasing the terminal growth rate	**(13,683)**	(5,690)
Impact by increasing the pre-tax discount rate	**(17,370)**	(13,073)

Considering there was still sufficient headroom based on the assessment, the management of the Company believes that a reasonably possible change in the above key parameters would not cause the carrying amount of the group of CGUs to exceed its recoverable amount as at 31 December 2023 and 31 December 2024.

18. OTHER INTANGIBLE ASSETS

	Patents RMB'000	Software RMB'000	Customer relationship RMB'000	Total RMB'000
At 1 January 2024:				
Cost	**81,680**	**12,206**	**77,000**	**170,886**
Accumulated amortisation	**(3,431)**	**(8,818)**	**(7,221)**	**(19,470)**
Net carrying amount	**78,249**	**3,388**	**69,779**	**151,416**
Cost at 1 January 2024, net of accumulated amortisation	**78,249**	**3,388**	**69,779**	**151,416**
Additions	**9,817**	**2,870**	**—**	**12,687**
Disposal	**—**	**(5)**	**—**	**(5)**
Amortisation provided during the year	**(4,104)**	**(2,080)**	**(3,850)**	**(10,034)**
At 31 December 2024	**83,962**	**4,173**	**65,929**	**154,064**
At 31 December 2024:				
Cost	**91,497**	**15,051**	**77,000**	**183,548**
Accumulated amortisation	**(7,535)**	**(10,878)**	**(11,071)**	**(29,484)**
Net carrying amount	**83,962**	**4,173**	**65,929**	**154,064**
At 1 January 2023:				
Cost	68,433	9,256	77,000	154,689
Accumulated amortisation	(83)	(7,526)	(3,371)	(10,980)
Net carrying amount	68,350	1,730	73,629	143,709
Cost at 1 January 2023, net of accumulated amortisation	68,350	1,730	73,629	143,709
Additions	13,247	2,950	—	16,197
Amortisation provided during the year	(3,348)	(1,292)	(3,850)	(8,490)
At 31 December 2023	78,249	3,388	69,779	151,416
At 31 December 2023:				
Cost	81,680	12,206	77,000	170,886
Accumulated amortisation	(3,431)	(8,818)	(7,221)	(19,470)
Net carrying amount	78,249	3,388	69,779	151,416

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19. DEFERRED TAX

The movements in deferred tax assets during the year is as follows:

Deferred tax assets

	Losses available for offsetting against future taxable profits RMB'000	Accrued expenses RMB'000	Lease liabilities RMB'000	Impairment of assets RMB'000	Total RMB'000
At 1 January 2023	29,331	48,591	29,429	38,184	145,535
Deferred tax (charged)/credited to the statement of profit or loss during the year (note 12)	(21,149)	(3,482)	(114)	7,849	(16,896)
At 31 December 2023 and 1 January 2024	8,182	45,109	29,315	46,033	128,639
Deferred tax credited to the statement of profit or loss during the year (note 12)	3,884	2,682	3,567	20,344	30,477
At 31 December 2024	**12,066**	**47,791**	**32,882**	**66,377**	**159,116**

Deferred tax liabilities

	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Right of use assets Leases RMB'000	Accrual for withholding tax RMB'000	Total RMB'000
At 1 January 2023	18,408	27,132	10,094	55,634
Deferred tax credited to the statement of profit or loss during the year (note 12)	(963)	(2,339)	(4,498)	(7,800)
At 31 December 2023 and 1 January 2024	17,445	24,793	5,596	47,834
Deferred tax (credited)/charged to the statement of profit or loss during the year (note 12)	(963)	5,242	560	4,839
At 31 December 2024	**16,482**	**30,035**	**6,156**	**52,673**

19. DEFERRED TAX (Continued)

Deferred tax liabilities (Continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2024 RMB'000	2023 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**129,180**	103,971
Net deferred tax liabilities recognised in the consolidated statement of financial position	**22,737**	23,166

The Group has tax losses arising in Mainland China of RMB416,073,000 as at 31 December 2024 (31 December 2023: RMB286,380,000) that will expire in one to ten years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in certain subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

Deferred tax assets have not been recognised in respect of the following items:

	2024 RMB'000	2023 RMB'000
Tax losses	**87,867**	72,583
Deductible temporary differences	**23,796**	29,157
Total	**111,663**	101,740

The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. The applicable rate is 5% (2023: 5%) for the Group.

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20. INVENTORIES

	2024 RMB'000	2023 RMB'000
Reagents	**79,740**	107,282
Finished goods	**46,344**	68,269
Consumables	**851**	1,042
Total	**126,935**	176,593

21. TRADE AND BILLS RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables	**1,745,680**	1,751,633
Bills receivable	**4,564**	6,174
	1,750,244	1,757,807
Allowance for expected credit losses	**(372,880)**	(242,373)
Total	**1,377,364**	1,515,434

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

An ageing analysis of trade and bills receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2024 RMB'000	2023 RMB'000
1 month to 6 months	**855,432**	1,074,252
6 months to 1 year	**213,256**	259,156
1 year to 2 years	**261,867**	157,116
2 years to 3 years	**40,694**	24,177
Over 3 years	**6,115**	733
Total	**1,377,364**	1,515,434

21. TRADE AND BILLS RECEIVABLES (Continued)

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

	2024 RMB'000	2023 RMB'000
At beginning of year	**242,373**	190,307
Impairment losses	**139,804**	58,120
Amount written off as uncollectible	**(9,297)**	(6,054)
At end of year	**372,880**	242,373

The Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECLs. The Group determines the ECLs on these items by using a provision matrix. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns such as ageing, historical denial and past collection experience, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. The following table details the risk profile of trade and bills receivables, the expected loss rate represents combined expected loss rate of different groupings of various customer segments:

	As at 31 December 2024		
	Amount RMB'000	**Expected loss rate %**	**Impairment RMB'000**
Individually assessed	**125,727**	**100.00**	**125,727**
Measured by provision matrix:			
1 month to 6 months	**887,190**	**3.58**	**31,758**
6 months to 1 year	**245,057**	**12.98**	**31,801**
1 year to 2 years	**341,135**	**23.24**	**79,268**
2 years to 3 years	**101,361**	**59.85**	**60,667**
3 years to 4 years	**36,605**	**83.45**	**30,548**
4 years to 5 years	**9,564**	**99.39**	**9,506**
Over 5 years	**3,605**	**100.00**	**3,605**
Total	**1,750,244**		**372,880**

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21. TRADE AND BILLS RECEIVABLES (Continued)

	As at 31 December 2023		
	Amount RMB'000	Expected loss rate %	Impairment RMB'000
Measured by provision matrix:			
1 month to 6 months	1,099,652	2.31	25,400
6 months to 1 year	301,788	14.13	42,632
1 year to 2 years	255,344	38.47	98,228
2 years to 3 years	77,425	68.77	53,248
3 years to 4 years	18,751	96.09	18,018
4 years to 5 years	3,605	100.00	3,605
Over 5 years	1,242	100.00	1,242
Total	1,757,807		242,373

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2024 RMB'000	2023 RMB'000
Deposits		**20,553**	20,277
– current		**7,173**	7,397
– non-current	(a)	**13,380**	12,880
Prepayments	(b)	**43,778**	43,877
Prepayments for property, plant and equipment		**11,840**	—
Advanced payment for investment	(c)	**18,200**	18,200
Advance lease payments for short-term leases		**6,286**	6,325
Subscription receivable for exercising share awards	(d)	**83,851**	90,105
Prepaid taxes		**29,413**	18,625
Long-term receivables	(e)	**29,601**	—
Others		**7,820**	3,945
Provision for impairment		**(278)**	(305)
Total		**251,064**	201,049

Notes:

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

(b) The amount represents prepayments for reagents and consumables.

(c) As at 31 December 2024, the balance amounting to approximately RMB18,200,000 represents an advance payment for the proposed acquisition of two Independent Clinical Laboratories ("ICL"s) in Henan from parties which are independent of the Company and its connected persons, Yongcheng Meikang Shengde Medical Laboratory Co., Ltd. and Minquan County Meikang Shengde Medical Laboratory Co., Ltd. The advance payment was refundable if certain conditions were not satisfied.

(d) As at 31 December 2024, the balance amounting to approximately RMB83,851,000 represents the subscription receivables due from executive directors, senior management and employees under share incentive plans to settle the share awards being exercised. The amount is not yet received by the Company due to the restrictions from the Sale and Payment of Foreign Exchange Regulations.

(e) In June 2024, a subsidiary of the Group entered into a supplemental agreement with a customer for nucleic acid testing services completed in 2022. Pursuant to the supplemental agreement, the receivables of RMB31,900,000 due from the customer will be settled by three instalment payments over three consecutive years. As such, the receivable has been reclassified as a non-current asset and measured at its present value of RMB29,099,000 as of the date of signing the supplemental agreement, and subsequently measured at amortised cost.

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22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES (Continued)

Analysed into:

	2024 RMB'000	2023 RMB'000
Current portion	**196,521**	188,474
Non-current portion	**54,543**	12,575
Total	**251,064**	201,049

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

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

23. FINANCIAL ASSETS AT FVTPL

	Notes	2024 RMB'000	2023 RMB'000
Non-current			
Derivatives - interest rate cap contracts	(a)	**—**	1,535
Current			
Wealth management products	(b)	**—**	50,837

Notes:

(a) In October 2022, the Group entered into interest rate cap contracts with certain financial institutions in order to manage interest rate risk on the five-year loan facility amounting to USD150,000,000 with a variable interest rate. These interest rate cap contracts were assessed as derivative financial instruments and therefore were initially recognised as financial assets at FVTPL. The contracts were terminated in January 2024.

(b) In June 2023, the Group entered into an investment to purchase wealth management products. The Group has estimated the fair value of the wealth management products by using a discounted cash flow valuation model based on the expected return discounted at a rate that reflects the risk of underlying assets. The wealth management products matured in April 2024.

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2024 RMB'000	2023 RMB'000
Cash and bank balances	**1,999,833**	1,672,025
Less: Pledged time deposits:		
Pledged for long term bank loans*	**(950,000)**	(691,602)
Pledged for bank overdraft facilities**	**(6,000)**	(21,000)
Cash and cash equivalents	**1,043,833**	959,423

	2024 RMB'000	2023 RMB'000
Denominated in:		
RMB	**988,036**	899,447
USD	**31,121**	58,737
HKD	**24,676**	1,239
Cash and cash equivalents	**1,043,833**	959,423

* It represents pledged deposits in commercial banks partly to secure several five-year loans of RMB613,200,000 and a one-year loan of RMB50,000,000 with 上海浦東發展銀行 (Shanghai Pudong Development Bank), and partly to secure a one-year loan of RMB200,000,000 with 招商銀行 (China Merchants Bank). None of these deposits are either past due or impaired. The pledged bank deposits will be released upon the repayment of the above loans.

** It represents pledged deposits for Group's overdraft facilities. The Group's overdraft facilities amounting to RMB20,000,000 as of 31 December 2024 (2023: RMB50,000,000) are secured by the pledge of the Group's certain time deposits amounting to RMB6,000,000 as of 31 December 2024 (2023: RMB21,000,000).

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

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

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25. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	2024 RMB'000	2023 RMB'000
Within 1 year	**649,124**	667,679
1 to 2 years	**47,205**	65,836
2 to 3 years	**23,502**	7,016
Over 3 years	**1,983**	1,577
Total	**721,814**	742,108

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

26. OTHER PAYABLES AND ACCRUALS

	Notes	2024 RMB'000	2023 RMB'000
Payroll payables		**226,178**	313,959
Accruals		**141,673**	141,104
Payables arising from acquisitions	(a)	**99,306**	99,306
Other payables		**78,501**	90,554
Amounts due to non-controlling shareholders	(b)	**61,175**	57,127
Advance payments received for subscription of share awards		**—**	22,059
Accrued listing expenses		**5,310**	29,596
Deferred revenue		**1,237**	1,822
Total		**613,380**	755,527

26. OTHER PAYABLES AND ACCRUALS (Continued)

Notes:

(a) In connection with the acquisition of Shangrao Adicon and Jiangxi Jince, the Group acquired 61% equity interests during 2021 at a total consideration of RMB45,726,000 in cash, which has been fully paid by January 2023. The Group was also obligated to purchase the remaining non-controlling interests in Shangrao Adicon and Jiangxi Jince from minority shareholders upon satisfaction of certain conditions in the relevant share purchase agreements. As of 31 December 2024, the satisfaction of these conditions was still under evaluation. The Group estimated that the present value of the put option's strike price over the non-controlling interests in Shangrao Adicon and Jiangxi Jince amounted to RMB42,160,000 as at 31 December 2024 (2023: RMB42,160,000), with the debit entry on recognising the put option as a debit to equity and the subsequent changes recognised in profit or loss.

In connection with the acquisition of Henan Adicon, the Group acquired 51% equity interests in Henan Adicon during 2022 at a total consideration of RMB88,916,000 in cash, of which RMB62,241,000 had been paid and RMB26,675,000 recognised as contingent consideration. The fair value of the contingent consideration was RMB13,337,000 as of 31 December 2024 (2023: RMB13,337,000) and the subsequent fair value changes were recognised in profit or loss. The Group is also obligated to purchase 19% equity interests in Henan Adicon from minority shareholders upon satisfaction of certain condition of 2024 and 2025 precedents in the relevant share purchase agreements. The Group estimated that the present value of the put option's strike price over the non-controlling interests in Henan Adicon amounted to RMB43,809,000 as at 31 December 2024 (2023: RMB43,809,000), with the debit entry on recognising the put option as a debit to equity and the subsequent changes recognised in profit or loss.

(b) Pursuant to the share purchase agreement entered into between the Group and the then shareholders of Henan Adicon, the collection of revenue from COVID-19 testing services earned by Henan Adicon during 2021 shall be repaid to the then shareholders. The balance amounting to RMB61,175,000 (2023: RMB57,127,000) represents the revenue collected by the Group on behalf of the then shareholders as at 31 December 2024.

27. CONTRACT LIABILITIES

	2024 RMB'000	2023 RMB'000
Amounts received in advance of delivery of services and equipment	**29,905**	34,664

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

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28. INTEREST-BEARING BANK BORROWINGS

	2024 RMB'000	2023 RMB'000
Current		
Bank loans – secured	**250,612**	—
Bank loans – unsecured	**189,363**	64,780
Current portion of long term bank loans – unsecured	**28,000**	—
Current portion of long term bank loans – secured	**—**	31,090
Total – current	**467,975**	95,870
Non-current		
Bank loans – secured	**613,200**	570,000
Bank loans – unsecured	**224,743**	221,647
Total – non-current	**837,943**	791,647
Total	**1,305,918**	887,517

The effective interest rates and maturities of the borrowings are as follows:

	2024		2023	
	Effective interest rate (%)	**Maturity**	Effective interest rate (%)	Maturity
Bank loans	**1.93 - 3.5**	**2025 - 2029**	2.9 - 7.67	2024 - 2028

Analysed into:

	2024 RMB'000	2023 RMB'000
Repayable:		
Within one year	**467,975**	95,870
In the second year	**133,000**	60,000
In the third to fifth years	**704,943**	731,647
Total	**1,305,918**	887,517

28. INTEREST-BEARING BANK BORROWINGS (Continued)

The carrying amounts of borrowings are denominated in the following currencies:

	2024 RMB'000	2023 RMB'000
RMB	**1,305,918**	665,870
USD	**—**	221,647
Total	**1,305,918**	887,517

29. SHARE CAPITAL AND TREASURY SHARES

	2024 RMB'000	2023 RMB'000
Issued and fully paid:		
727,260,291 (2023: 727,354,791) ordinary shares	**97**	97

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

	Number of shares in issue	Share capital RMB'000
At 1 January 2023	653,402,129	86
Shares issued upon the Global Offering (Note a)	17,288,500	2
Automatic conversion of Convertible Preferred Shares upon Global Offering	52,761,653	8
Shares issued upon partial exercise of the Over-allotment Option (Note b)	3,902,509	1
At 31 December 2023 and 1 January 2024	727,354,791	97
Shares repurchased and cancelled (Note c)	(94,500)	—
At 31 December 2024	**727,260,291**	**97**

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29. SHARE CAPITAL AND TREASURY SHARES (Continued)

A summary of movements in the Group's treasury shares is as follows:

	Number of shares	Treasury shares RMB'000
At 1 January 2024	**—**	—
Shares repurchased by the Company	**1,611,500**	14,033
Shares purchased by a trust (Note d)	**11,448,500**	98,805
Shares cancelled (Note c)	**(94,500)**	(718)
At 31 December 2024	**12,965,500**	112,120
Treasury shares held by the Company	**1,517,000**	13,315
Treasury shares held by a trust	**11,448,500**	98,805

Notes:

a. On 30 June 2023, the Company issued a total of 17,288,500 ordinary shares of USD0.00002 each at the price of HKD12.32 per share by means of the Global Offering.

b. On 26 July 2023, the Company issued a total of 3,902,509 ordinary shares of USD0.00002 each at the price of HKD12.32 per share by means of partial exercise of the over-allotment option.

c. In September 2024, 94,500 Shares were cancelled according to the resolution of the board of directors of the Company.

d. During the year of 2024, the employee benefit trust under the 2024 Incentive Plans purchased 11,448,500 shares of the Company at a total consideration, including expenses of HK$108,046,000 (equivalent to RMB98,805,000) and these shares were held as treasury shares.

30. RESERVES

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

(i) Capital reserve

The capital reserve represents the difference between the par value of the shares issued and the consideration received.

(ii) Other reserve

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

30. RESERVES (Continued)

(iii) Share-based payments reserve

The share-based payments reserve of the Group represents the fair value of equity-settled share-based payments granted and exercised in 2023 and 2024, with the debit entry to reflect the exercise/vest of share awards.

(iv) Exchange fluctuation reserve

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

31. SHARE INCENTIVE PLANS

Pre-IPO Employee Incentive Plans

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

During the year ended 31 December 2019 to the year ended 31 December 2023, the Company granted share options and RSUs to eligible senior executives and senior management of the Group to subscribe up to 101,171,226 underlying shares of the Company.

Set out below are the details of the specific grant under the Pre-IPO Employee Incentive Plans:

Grantee	Date of grant	Type	Number of underlying shares granted '000	Weighted average exercise/ subscription price per share	Vesting period
Employees	10 July 2019 ~ 15 March 2022	Share options	18,326	USD 0.76	30 June 2020 ~ 31 March 2024
Executive directors and a member of senior management	25 February 2020 ~ 1 April 2023	Share options	70,272	USD 0.87	30 June 2020 ~ 31 March 2024
Executive directors and senior management	24 November 2021~ 9 February 2022	RSUs	12,573	USD 1.66	15 December 2021 ~ 31 March 2026

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31. SHARE INCENTIVE PLANS (Continued)

Pre-IPO Employee Incentive Plans (Continued)

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

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

The following share options were outstanding under the Pre-IPO Employee Incentive Plans during the reporting period.

	At 31 December 2024		At 31 December 2023	
	Weighted average exercise price USD per share	**Number of share options '000**	Weighted average exercise price USD per share	Number of share options '000
At 1 January	**1.1237**	**25,218**	0.7104	18,799
Granted during the year	**—**	**—**	1.6163	12,134
Forfeited during the year	**—**	**—**	0.4446	(3,528)
Exercised during the year	**1.1237**	**(25,218)**	0.4809	(2,187)
At 31 December	**—**	**—**	1.1237	25,218

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

31. SHARE INCENTIVE PLANS (Continued)

Pre-IPO Employee Incentive Plans (Continued)

The following RSUs were outstanding under the Pre-IPO Employee Incentive Plans during the reporting period.

	2024 Number of RSUs '000	2023 Number of RSUs '000
At the beginning of the year	**6,930**	12,200
Forfeited during the year	**(30)**	(2,270)
Vested during the year	**(900)**	(3,000)
At the end of the year	**6,000**	6,930

The Group recognised share-based payment expenses of RMB352,000 (2023: RMB17,054,000) during the year ended 31 December 2024 under the Pre-IPO Employee Incentive Plans.

2024 Incentive Plans

In March 2024, the board of directors of the Company passed a resolution to adopt share incentive plans for senior executives and senior management (the "2024 Incentive Plans") to promote the success of the Company and to incentivise directors and employees of the Group. Under the 2024 Incentive Plans, the board of directors of the Company approved to repurchase up to 3% of shares outstanding to grant to any eligible senior executive and senior management of the Company.

During the year ended 31 December 2024, the Company granted RSUs to eligible senior management of the Group to subscribe up to 9,150,000 underlying shares of the Company.

Set out below are the details of the specific grant of the 2024 Incentive Plans:

Grantee	Date of grant	Type	Number of underlying shares granted '000	Weighted average subscription price per share	Vesting period
Senior Management	31 October 2024	RSUs	9,150	HKD 7.91	31 March 2025 to 31 March 2028

The RSUs granted to senior management shall vest and become either i) 100% exercisable on the first day of the sixth month from the vesting commencement date, or ii) 25% of the total number of RSUs granted on the first day of the sixth month from the vesting commencement date, and the remaining 25%, 25% and 25% of the total number of RSUs granted shall vest and become exercisable on the second, third and fourth anniversaries from the first vesting date, respectively.

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31. SHARE INCENTIVE PLANS (Continued)

2024 Incentive Plans (Continued)

In addition to the time-based vesting condition, the number of RSUs that vest shall also depend on the financial performance targets including total sales, net profit achieved by the Group, and trade and bills receivables collected during the vesting period.

The following RSUs were outstanding under the 2024 Incentive Plans during the reporting period.

	2024 Number of RSUs '000
At the beginning of the year	—
Granted during the year	9,150
At the end of the year	9,150

The fair value of the RSUs granted during year was RMB12,617,000, and the Group recognised share-based payment expenses of RMB1,799,000 during the year ended 31 December 2024 under the 2024 Incentive Plans.

The fair value of RSUs with performance conditions on the grant date during the year ended 31 December 2024 was computed using a binomial model with the assumptions summarised as follows:

	2024
Risk-free interest rate (%)	3.05 to 3.06
Expected dividend yield (%)	—
Expected volatility (%)	63.3 to 68.72
Expected life (year)	0.7 to 3.7
Weighted average share price (HKD per share)	6.43

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB40,671,000 (2023: RMB34,128,000) and RMB40,671,000 (2023: RMB34,128,000), respectively, in respect of lease arrangements for properties and equipment.

During the year, the Group had a non-cash revision of a lease term from a change in the non-cancellable period of a lease to right-of-use assets and lease liabilities of RMB465,000 (2023: RMB6,039,000) and RMB465,000 (2023: RMB6,039,000), respectively, in respect of lease arrangements for properties and equipment.

During the year, the Group had non-cash additions to share-based payments reserve of RMB2,151,000 (2023: RMB17,054,000), in respect of share-based payment arrangements.

(b) Changes in liabilities arising from financing activities

	Bank loans RMB'000	Lease liabilities RMB'000	Accrued listing expenses in other payables RMB'000	Dividend payables to non-controlling shareholders RMB'000	Advance payments received for subscription of share awards RMB'000
At 31 December 2023 and 1 January 2024	**887,517**	**202,318**	**29,596**	**6,706**	**22,059**
Interest expense	40,592	11,767	—	—	—
Additions	—	40,671	—	8,854	—
Disposal	—	(1,228)	—	—	—
Changes from financing cash flows	374,227	(68,296)	(24,286)	(9,245)	—
Repayment for subscription of share awards	—	—	—	—	(533)
Net off proceeds of exercise of share awards	—	—	—	—	(22,265)
Exchange adjustment	3,582	—	—	—	739
At 31 December 2024	1,305,918	185,232	5,310	6,315	—

NOTES TO FINANCIAL STATEMENTS

31 December 2024

32. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Changes in liabilities arising from financing activities (Continued)

	Bank loans RMB'000	Lease liabilities RMB'000	Accrued listing expenses in other payables RMB'000	Convertible redeemable preferred shares RMB'000	Dividend payables to non-controlling shareholders RMB'000	Advance payments received for subscription of share awards RMB'000
At 1 January 2023	1,136,121	233,855	11,011	589,179	—	97,036
Interest expense	73,597	12,719	—	—	—	—
Additions	—	34,128	—	—	11,555	—
Disposal	—	(6,039)	—	—	—	—
Changes from financing cash flows	(340,109)	(72,345)	(823)	—	(4,849)	6,001
Changes from operating cash flows	—	—	(42,663)	—	—	—
Interest paid	—	—	—	—	—	—
Decrease in deferred listing expenses	—	—	(10,118)	—	—	—
Listing expenses	—	—	72,189	—	—	—
Fair value gain on convertible redeemable preferred shares	—	—	—	(11,475)	—	—
Automatic conversion of convertible redeemable preferred shares upon the Global Offering	—	—	—	(599,309)	—	—
Net off proceeds of exercise of share awards	—	—	—	—	—	(84,826)
Exchange adjustment	17,908	—	—	21,605	—	3,848
At 31 December 2023	887,517	202,318	29,596	—	6,706	22,059

33. COMMITMENTS

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

	2024 RMB'000	2023 RMB'000
Contracted, but not provided for acquisition of property and equipment	**9,303**	14,546

34. RELATED PARTY TRANSACTIONS

(a) Name and relationship of related parties

Name	Note	Relationship
艾康生物技術 (杭州) 有限公司 ACON Biotech (Hangzhou) Company Limited ("ACON")	(i)	Controlled by a shareholder
艾健醫療器械 (杭州) 有限公司 AJON Medical Device (Hangzhou) Co. Ltd. ("AJON")	(i)	Controlled by a shareholder

Notes:

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

(b) Transactions with related parties

The following transactions were carried out with related parties:

	2024 RMB'000	2023 RMB'000
Sales to		
ACON	**112**	96
Purchase from		
ACON	**1,429**	25,390
Rent from		
AJON	**8,804**	9,179

The directors of the Company are of the opinion that the above sales to the related party and purchase from the related party were conducted in the ordinary course of business and on arm's length commercial terms.

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34. RELATED PARTY TRANSACTIONS (Continued)

(c) Outstanding balances with related parties

As disclosed in the statements of financial position, the Group had outstanding balances with related parties at 31 December 2023 and 2024.

	2024 RMB'000	2023 RMB'000
Due from related parties		
Trade receivables (trade in nature)		
ACON	**22**	24
Other receivables and prepayments (trade in nature)		
ACON	**49**	49
AJON	**2,465**	2,426
	2,514	2,475
Total amounts due from related parties	**2,536**	2,499
Analysed as:		
Current	**25**	25
Non-current	**2,511**	2,474
	2,536	2,499
Due to related parties		
Trade payables (trade in nature)		
ACON	**590**	1,505
Other payables (trade in nature)		
AJON	**299**	282
ACON	**67**	71
	366	353
Contract liabilities (trade in nature)		
ACON	**125**	—
Total amounts due to related parties	**1,081**	1,858

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

34. RELATED PARTY TRANSACTIONS (Continued)

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

	2024 RMB'000	2023 RMB'000
Salaris, allowances and benefits in kind	**6,199**	6,254
Performance related bonuses	**1,547**	1,950
Share-based compensation expenses	**302**	12,828
Total compensation paid to key management personnel	**8,048**	21,032

Further details of directors' and chief executive's emoluments are included in note 10 to the financial statements.

35. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	2024 RMB'000	2023 RMB'000
Financial assets at FVTPL:		
Derivatives – interest rate cap contracts	**—**	1,535
Wealth management products	**—**	50,837
	—	52,372
Financial assets at amortised cost:		
Trade and bills receivables	**1,377,364**	1,515,434
Due from related parties	**2,536**	2,499
Financial assets included in prepayments, other receivables and other assets	**57,974**	24,222
Pledged deposits	**956,000**	712,602
Cash and bank balances	**1,043,833**	959,423
Total	**3,437,707**	3,214,180

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35. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

Financial liabilities

	2024 RMB'000	2023 RMB'000
Financial liabilities at FVTPL:		
Financial liabilities included in other payables	**13,337**	13,337
Financial liabilities at amortised cost:		
Trade and bills payables	**721,814**	742,108
Amounts due to related parties	**956**	1,858
Financial liabilities included in other payables	**223,115**	239,925
Interest-bearing bank borrowings	**1,305,918**	887,517
Lease liabilities	**185,232**	202,318
Total	**2,437,035**	2,073,726

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

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

	2024		2023	
	Carrying amount RMB'000	Fair value RMB'000	Carrying amount RMB'000	Fair value RMB'000
Financial assets				
Derivatives – interest rate cap contracts	**—**	**—**	1,535	1,535
Wealth management products	**—**	**—**	50,837	50,837
Pledged deposits	**650,000**	**650,000**	300,000	300,000
Total	**650,000**	**650,000**	352,372	352,372
Financial liabilities				
Contingent consideration	**13,337**	**13,337**	13,337	13,337
Interest-bearing bank borrowings	**1,305,918**	**1,305,918**	887,517	887,517
Total	**1,319,255**	**1,319,255**	900,854	900,854

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

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

The Group's finance department headed by the finance controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

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

The fair values of the non-current portion of pledged deposits, interest-bearing bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2024 were assessed to be insignificant. The fair value of the convertible redeemable preferred shares measured at FVTPL is estimated using the Black-Scholes option pricing model.

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with AAA credit ratings. Derivative financial instruments, including forward currency contracts, foreign currency swaps and interest rate swaps, are measured using valuation techniques similar to forward pricing and swap models, using present value calculations. The models incorporate various market observable inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. The carrying amounts of forward currency contracts, foreign currency swaps and interest rate swaps are the same as their fair values.

As at 31 December 2024, the mark-to-market value of the derivative asset position is net of a credit valuation adjustment attributable to derivative counterparty default risk. The changes in counterparty credit risk had no material effect on the hedge effectiveness assessment for derivatives designated in hedge relationship and other financial instruments recognised at fair value.

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36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy

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

Assets and liabilities measured at fair value:

As at 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial liabilities				
Contingent consideration	—	—	13,337	13,337

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial assets				
Derivatives - interest rate cap contracts	—	1,535	—	1,535
Wealth management products	—	50,837	—	50,837
Total	—	52,372	—	52,372
Financial liabilities				
Contingent consideration	—	—	13,337	13,337

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (Continued)

Fair value hierarchy (Continued)

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2023: Nil).

Assets and liabilities for which fair values are disclosed:

As at 31 December 2024

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Assets				
Pledged deposits, non-current portion	—	650,000	—	650,000
Liabilities				
Interest-bearing bank borrowings	—	1,305,918	—	1,305,918

As at 31 December 2023

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Assets				
Pledged deposits, non-current portion	—	300,000	—	300,000
Liabilities				
Interest-bearing bank borrowings	—	887,517	—	887,517

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37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Foreign currency risk

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

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

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

	2024 **RMB'000**	2023 RMB'000
RMB/USD		
Strengthened by 5%	**41,574**	(14,696)
Weakened by 5%	**(41,574)**	14,696

Credit risk

An impairment analysis was performed at 31 December 2024 and 2023 using a provision matrix to measure expected credit losses. The provision rates are based on ageing for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Maximum exposure and year-end staging

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on ageing information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2024 and 2023. The amounts presented are gross carrying amounts for financial assets.

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

As at 31 December 2024

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade and bills receivables*	—	—	—	1,750,244	1,750,244
Financial assets included in prepayments, deposits and other receivables					
– Normal**	57,974	—	—	—	57,974
Amounts due from related parties	2,536	—	—	—	2,536
Pledged deposits					
– Not yet past due	956,000	—	—	—	956,000
Cash and cash equivalents	1,043,833	—	—	—	1,043,833
Total	2,060,343	—	—	1,750,244	3,810,587

As at 31 December 2023

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade and bills receivables*	—	—	—	1,757,807	1,757,807
Financial assets included in prepayments, deposits and other receivables					
– Normal**	24,222	—	—	—	24,222
Amounts due from related parties	2,499	—	—	—	2,499
Pledged deposits					
– Not yet past due	712,602	—	—	—	712,602
Cash and cash equivalents	959,423	—	—	—	959,423
Total	1,698,746	—	—	1,757,807	3,456,553

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31 December 2024

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

* For trade and bills receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 to the financial statements.

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

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

– significant financial difficulty of the debtor;

– a breach of contract such as a default or past due event;

– it is probable that the debtor will enter bankruptcy or other financial reorganisation.

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

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

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

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

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

	2024					
	On demand RMB'000	Less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and bills payables	—	721,814	—	—	—	721,814
Financial liabilities included in other payables and accruals	223,115	—	—	—	—	223,115
Interest-bearing bank borrowings	—	499,783	155,721	736,693	—	1,392,197
Lease liabilities	—	72,238	56,361	70,932	17,408	216,939
Total	223,115	1,293,835	212,082	807,625	17,408	2,554,065

	2023					
	On demand RMB'000	Less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade and bills payables	—	742,108	—	—	—	742,108
Financial liabilities included in other payables and accruals	239,925	—	—	—	—	239,925
Interest-bearing bank borrowings	—	95,870	75,225	762,750	—	933,845
Lease liabilities	—	49,201	61,643	91,911	35,336	238,091
Total	239,925	887,179	136,868	854,661	35,336	2,153,969

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31 December 2024

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2024 and 31 December 2023.

The asset-liability ratios as at the end of the reporting periods were as follows:

	2024 RMB'000	2023 RMB'000
Total assets	**4,685,017**	4,553,538
Total liabilities	**2,910,341**	2,724,948
Asset-liability ratio (Note)	**62%**	60%

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

38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**331,213**	326,696
Total non-current assets	**331,213**	326,696
CURRENT ASSETS		
Trade and bills receivables	**9,795**	—
Prepayments, deposits and other receivables	**203,959**	90,105
Amounts due from related parties	**20,757**	7,795
Cash and cash equivalents	**23,178**	53,562
Total current assets	**257,689**	151,462
CURRENT LIABILITIES		
Other payables and accruals	**13,783**	23,218
Amounts due to related parties	**676,230**	547,426
Total current liabilities	**690,013**	570,644
NET CURRENT LIABILITIES	**(432,324)**	(419,182)
TOTAL ASSETS LESS CURRENT LIABILITIES	**(101,111)**	(92,486)
Net liabilities	**(101,111)**	(92,486)
EQUITY		
Share capital	**97**	97
Reserves	**(87,893)**	(92,583)
Treasury shares	**(13,315)**	—
Total deficit in equity	**(101,111)**	(92,486)

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38. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Capital reserve RMB'000	Share option/ RSU reserve RMB'000	Exchange fluctuation reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2023	**225,064**	**118,707**	**(54,307)**	**(1,362,455)**	**(1,072,991)**
Loss for the year	**—**	**—**	**—**	**(2,586)**	**(2,586)**
Recognition of share-based payments	**—**	**17,054**	**—**	**—**	**17,054**
Transfer of share-based payments reserve upon exercise of share awards	**262,789**	**(87,859)**	**—**	**—**	**174,930**
Exchange differences related to foreign operations	**—**	**—**	**(36,381)**	**—**	**(36,381)**
Issue of shares	**240,265**	**—**	**—**	**—**	**240,265**
Share issue expenses	**(12,175)**	**—**	**—**	**—**	**(12,175)**
Automatic conversion of convertible redeemable preferred shares upon the Global Offering	**599,301**	**—**	**—**	**—**	**599,301**
At 31 December 2023 and 1 January 2024	1,315,244	47,902	(90,688)	(1,365,041)	(92,583)
Loss for the year	—	—	—	(7,460)	(7,460)
Transfer of share-based payments reserve upon exercise of share awards	64,285	(47,329)	—	—	16,956
Recognition of share-based payments	—	2,151	—	—	2,151
Cancellation of treasury shares	(718)	—	—	—	(718)
Exchange differences related to foreign operations	—	—	(6,239)	—	(6,239)
At 31 December 2024	1,378,811	2,724	(96,927)	(1,372,501)	(87,893)

39. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2025.