*This announcement contains forward-looking statements that involve risks and uncertainties. All statements other than statements of historical fact are forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors, some of which are beyond the Company's control that may cause the actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.*

**ADICON Holdings Limited**
**艾迪康控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 9860)**

# ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2023

The Board is pleased to announce the unaudited consolidated results of the Group for the six months ended June 30, 2023, together with the comparative figures for the corresponding period in 2022.

In this announcement, "**we**", "**us**" and "**our**" refer to the Company and, where the context otherwise requires, the Group. Certain amounts and percentage figures included in this announcement have been subjected to rounding adjustments. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

## KEY FINANCIAL HIGHLIGHTS

| | **For the six months ended June 30,** | |
|---|---|---|
| | **2023** | 2022 |
| | ***(RMB'000)*** | *(RMB'000)* |
| **Revenue** | **1,644,113** | 2,445,614 |
| **Gross Profit** | **717,008** | 989,070 |
| Profit for the period | **120,258** | 375,395 |
| Attributable to: | | |
| Owners of the parent | **111,807** | 380,450 |
| Non-controlling interests | **8,451** | (5,055) |
| **Earning per Share** | | |
| Basic | **0.17101** | 0.58226 |
| Diluted | **0.17101** | 0.56115 |
| **EBITDA (non-IFRS measure)** | **268,237** | 554,217 |
| **Adjusted EBITDA (non-IFRS measure)** | **331,503** | 481,629 |
| **Adjusted net profit (non-IFRS measure)** | **183,149** | 310,495 |

# MANAGEMENT DISCUSSION AND ANALYSIS

## Business Review

We are one of the top three ICL service providers in China in terms of total revenues during the years ended December 31, 2020, 2021 and 2023, according to Frost & Sullivan. As of June 30, 2023, we offered comprehensive and best-in-class testing services primarily to hospitals and health check centers through an integrated national network of 33 self-operated ICLs, strategically located to provide testing services across 30 provinces and municipalities. The high quality of our services is backed by our strong performance in terms of international accreditation and comprehensive testing menu. As of June 30, 2023, 18 of our ICLs were accredited with the ISO15189 certification, a recognition of our ability to provide customers with the quality assurance that comes with this international standard. We are committed to providing patients and the general public with 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.

For the six months ended June 30, 2023, we recorded total revenues of RMB1,644.1 million, a decline of 32.8% as compared to the same period in 2022. Our testing volume in the first half of 2023 declined primarily because demand for COVID-19 tests reduced since easing of the zero-COVID policy in late 2022. However, demand for our base testing services rebounded with the lifting of COVID-19 restrictions, which boosted our non-COVID revenue growth.

As a market leader in providing ICL services in China, the success of our operations is underpinned by our industry-leading ICLs, robust logistics capabilities, dedicated sales force, advanced IT infrastructure and strong research and development capabilities, which we believe constitute a solid combination of formidable entry barriers over other market participants:

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

- *Robust logistics capabilities.* We operate a cold-chain logistics network covering more than 19,000 customers across 30 provinces and municipalities and over 1,600 cities and counties in China as of June 30, 2023. We deployed more than 750 vehicles and over 1,300 personnel to provide sample logistics services as of the same date. Our logistics capabilities ensure speedy transportation of our samples and timely reporting of testing results.

- *Dedicated sales force.* Our sales and marketing activities further fuel our business growth. As of June 30, 2023, we had a highly trained and educated sales and marketing team of over 1,500 personnel nationwide, over 200 of whom specialize in promoting esoteric testing services. Our sales and marketing team regularly interacts with medical institutions, physicians and key opinion leaders to promote our services, which enables us to align our research and development and marketing priorities with market demand.

- *Advanced IT infrastructure.* Our IT infrastructure is crucial to ensuring swift processing and secure storage of data, as well as effective customer management across our national ICL network. Our proprietary and industry-leading LIS helps us attain tremendous operational efficiencies and enables us to achieve consistent, structured, and standardized operating results and superior customer service. In addition, we developed and launched our proprietary logistics IT system, AiLogistics (艾物流), which digitalizes and automates the sample requisition process through mobile digital technologies and AI recognition technologies.

- *Strong research and development capabilities.* We have a dedicated research and development team led by industry veterans with over 10 years of industry experience and expertise. Our research and development team consists of Ph.D. and master's degree holders specializing in molecular biology, genetics and bio-engineering, toxicology, pathology and other related areas, and are devoted to developing new testing methodologies and improving existing testing processes to enhance cost efficiency. We also proactively collaborate with reputable medical research institutions, universities and hospitals to develop new testing methods and technologies.

**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 2016, the National Health and Family Planning Commission issued the Notice on Printing and Distributing the Guiding Principles for the Setup Plan of Medical Institutions (2016-2020) (《關於印發醫療機構設置規劃指導原則 (2016-2020年)的通知》), encouraging private medical institution development and accelerating the formation of a diversified medical institution pattern, so that private hospitals have gradually gained the same position as public hospitals in applying for designated institutions of medical insurance and scientific research and teaching. In addition, by providing service-oriented care with lengthier patient visits and an increased emphasis on preventative care, private hospitals have gradually gained public trust and being perceived more favourably, which in turn encouraged further growth of private hospitals.

***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.

- 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 emphasising 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 boost 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 evidenced-based treatment interventions and deliver superior therapeutic outcomes.

***Increasing outsourcing demand from hospitals***

With increased cost control pressures resulting from healthcare reforms, hospitals have been further incentivized to outsource their clinical testing to ICLs. In addition, the National Healthcare Security Administration has implemented regulations to control healthcare costs, such as Technical Specifications on National Healthcare Security DRGs Grouping and Payment (《國家醫療保障DRG分組與付費技術規範》). Cost control pressures in both public and private hospitals will drive collaboration with ICLs who are able to provide comprehensive and high-quality testing services at lower costs.

***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.

## Future Development and Outlook

The successful listing of the Company on the Main Board of the Stock Exchange provided further opportunities for our future growth and development. To achieve our mission and vision, we adopt proactive development strategies, including but not limited to the following:

***Further strengthening our testing capabilities and portfolio to drive future growth***

We plan to further strengthen our routine testing capabilities through extending our routine test portfolios and enhancing cost efficiency through the introduction of new testing technologies. In addition, we believe that our comprehensive esoteric testing services have been crucial to maintaining our leading position in the ICL market. In the past three years, the Company has achieved significant sales growth through new esoteric testing products and expanded its existing market opportunities. The volume of esoteric testing products will be one of our key driving forces of development. The Group will continue to support the development of key technology platforms for next-generation sequencing, flow cytometry and mass spectrometry, and focus on five major disease lines including infections and hepatitis, maternity and pediatrics, blood disorders, reproductive genetics and tumors.

***Enhancing the breadth and depth of our laboratory network by strategically penetrating untapped markets***

We intend to further expand our service coverage by opening new ICLs to serve Class III hospitals that are willing to outsource clinical testing services as they face immense cost-cutting pressures.

Since 2019, the Company has launched 13 new ICLs. The Group has gradually increased its production capacity and its expanding national network has enhanced the speed of its market response. Going forward, we intend to focus on its network expansion and co-construction opportunities as a key development driver. Our goal is to efficiently and scientifically deploy our network to consolidate large ICLs, secondary ICLs and jointly-developed projects, among others. We view large ICLs as key strategic bases that allow us to accumulate resources, facilitate our scientific ventures and enhance our regional production capacity. Joint construction projects will allow us to further penetrate prefecture-level cities and fulfill the needs of our customers.

***Continuing to develop new testing methods and apply innovative technologies***

Continuous innovation in testing technology is the engine of momentum in the development of the ICL industry. We intend to enhance our operating efficiency and offer a broader spectrum of testing items through introducing advanced testing technologies and new testing methods. We will continue to capture the latest technological developments in the market and transform pioneering technologies into diagnostic applications. We plan to further invest in research and development into areas such as mass spectrometry, metagenomics and technologies for early cancer screening. In addition, we plan to fully capitalize on our strong research and development capabilities and leverage our industry resources and collaborations with in vitro diagnostic companies on reagents to advance diagnostic equipment and enrich testing modality. We also plan to invest in our proprietary AI technology to further enhance our test capabilities, including optimizing the data input process, delivering more precise pathological analysis for more accurate testing results and increasing the capacity and bandwidth of pathology tests. The construction of new technology platforms is inseparable from multi-faceted planning and the need for equipment and talent. One of our core strategies is to continue devoting resources toward improving our clinical services, academic knowledge and research and development capabilities.

***Further optimizing IT infrastructure and automating our laboratory processes and logistics***

Development trends in the healthcare industry and our strategies are centered upon digital transformation. We believe our investments in LIS system upgrades, pathological AI reading, and technological innovations in generative AI will allow us to improve production efficiency. At the same time, we are also of the view that data management, digitalized office systems and private cloud development, among others, provide a secure base for our continuous efforts in business development.

We intend to further optimize and increase the level of automation in our laboratory processes. We will continue to closely monitor the efficiency of our ICLs through various benchmarks and assessments. We will adopt advanced automation systems and implement optimized standards for processes in ICLs to further enhance the cost-efficiency of our operation. We will also further optimize the capacity utilization rate of each subsidiary and project group, improve TAT service capabilities, and reduce costs and increase efficiency by expanding our cooperative ventures with upstream diagnostic service providers.

In line with our philosophy of providing quality services, 18 ICLs within our network have obtained the ISO15189 certification. Our next stage of strategic development requires us to continue this commitment to quality, strictly implement quality assurance standards, regularly assess our work, and continuously monitor various indicators to enhance our reporting quality and strengthen our control of the production process. We also intend to optimize quality control and the performance and accuracy of our inspection services by increasing investments in automation, robotics and network devices.

***Selectively pursuing strategic investment and alliances, and other emerging growth opportunities***

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

In addition, we plan to capture opportunities driven by strong demand from biopharmaceutical companies and CROs in China in relation to clinical studies. We aim to become a central ICL in China for global clinical trials conducted by international and domestic biopharmaceutical companies and CROs. We currently have a facility in Shanghai accredited by the College of American Pathologists as the primary ICL servicing our biopharmaceutical and CRO clients. We believe that our current facilities and testing services will be able to cater to the growing testing demand from this sector and will continue to target it for future growth. At present, we work with partners such as Guardant Health, a leading precision oncology company, to bring a world-class product portfolio to pharmaceutical companies and CRO customers in China. The CRO business will become another driving force for our future development, allowing us to closely follow the pace of accelerated innovations in biotechnology and grasp opportunities for growth.

The current market environment coexists with opportunities and risks, and the market has great potential and benefits from a number of policies, such as medical insurance control and hospital upgrading policies to promote the rapid growth of the testing market, among others. Driven by these favorable policies, the total market size and penetration rate of the ICL industry are expected to increase rapidly. We believe that through our quality operations and continuous investment in technology and academic knowledge, we will facilitate the fulfillment of national goals on medical reform, reduce expenses and increase income for hospitals and medical institutions, bring more accurate and timely testing to patients, and create value for society.

**Financial Review**

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

*Revenue*

Our revenue for the six months ended June 30, 2023 amounted to RMB1,644.1 million, representing a decrease of 32.8% as compared with RMB2,445.6 million for the six months ended June 30, 2022, primarily due to significant decrease in demand for COVID-19 tests since easing of the zero-COVID policy. However, with the lifting of COVID-19 restrictions, demand for our base testing services rebounded and boosted our non-COVID revenue growth.

*Cost of Sales*

Our cost of sales for the six months ended June 30, 2023 amounted to RMB927.1 million, representing a decrease of 36.3% as compared with RMB1,456.5 million for the six months ended June 30, 2022. This was in line with changes in our revenue as our costs in connection with administering COVID-19 tests decreased in parallel with COVID-19 testing volume.

*Gross Profit and Gross Profit Margin*

Based on the factors described above, the gross profit of our Group was RMB717.0 million for the six months ended June 30, 2023, as compared with RMB989.1 million for the six months ended June 30, 2022.

Gross profit margin is calculated as gross profit divided by revenue. The overall gross profit margin of our Group was 43.6% for the six months ended June 30, 2023, compared with 40.4% for the six months ended June 30, 2022. The increase in gross profit margin was primarily due to the reduction in raw material costs from the prior year and the cost control optimization measures we adopted in the first half of 2023.

*Selling and Marketing Expenses*

Our selling and marketing expenses for the six months ended June 30, 2023 amounted to RMB233.7 million, representing a decrease of 20.7% as compared with RMB294.7 million for the six months ended June 30, 2022. This was primarily due to decreases of RMB33.9 million in staff costs and RMB23.1 million in marketing expenses in connection with our COVID-19 testing business.

*Administrative Expenses*

Administrative expenses primarily consisted of (i) staff costs in relation to the administrative personnel, (ii) office expenses, including rental, depreciation and amortization, and (iii) consulting and professional service fees.

Our administrative expenses remained stable at RMB136.6 million for the six months ended June 30, 2023, as compared with RMB139.0 million for the six months ended June 30, 2022.

*Research and Development Expenses*

Research and development expenses primarily consisted of (i) staff costs in relation to the research and development personnel, (ii) laboratory expenses, including rental, depreciation and amortization, and (iii) reagent and consumables cost used in the research and development processes.

Our research and development expenses for the six months ended June 30, 2023 amounted to RMB69.1 million, representing a decrease of 13.6% as compared with RMB80.0 million for the six months ended June 30, 2022. This was primarily due to a decrease of RMB12.3 million in costs for reagents and consumables purchased for research and development efforts.

*Other Expenses*

Other expenses primarily consisted of net of reversal on inventories, bank charges, foreign exchange losses or gains, net, losses on disposal of property and equipment and other intangible assets and losses on disposal of items of right-of-use assets.

Our other expenses for the six months ended June 30, 2023 amounted to RMB66.6 million, representing a decrease of 42.0% as compared with RMB114.9 million for the six months ended June 30, 2022. This was primarily because we made provisions for expected credit loss of RMB47.1 million.

*Listing Expenses*

During the six months ended June 30, 2023, our Company incurred listing expenses of RMB59.0 million in connection with the Global Offering.

*Other Income and Gains*

Other income and gains primarily consisted of (i) discretionary government grants income, including various one-off government grants to support employment, innovation and technology efforts, (ii) bank interest income, (iii) gains on contingent consideration, and (iv) gains on derivative financial instruments.

Our other income and gains for the six months ended June 30, 2023 amounted to RMB34.0 million, representing an increase of 188.1% as compared with RMB11.8 million for the six months ended June 30, 2022. This was primarily due to (i) an additional RMB15.3 million in fair value gain on put option over non-controlling interests under valuation adjustment mechanism relating to our acquisitions of Shangrao Adicon and Jiangxi Jince, (ii) an increase of RMB4.5 million in bank interest income; and (iii) an increase of RMB1.7 million in government grants, primarily consist of employment and enterprise supporting grants and high-tech enterprise grants.

*Finance Costs*

Finance costs primarily consisted of (i) interest expenses on bank borrowings, lease liabilities and loans from shareholders, and (ii) transaction costs for derivative financial instruments.

Our finance costs for the six months ended June 30, 2023 amounted to RMB45.9 million, representing an increase of 383.2% as compared with RMB9.5 million for the six months ended June 30, 2022, primarily due to an increase of RMB36.1 million in interest from bank borrowings.

*Income Tax Expenses*

Income tax expenses consisted of current income tax and deferred income tax.

Our income tax expenses for the six months ended June 30, 2023 amounted to RMB31.5 million, representing a decrease of 48.4% as compared with RMB61.0 million for the six months ended June 30, 2022, in line with the decrease in our profit before tax adjusting for non-taxable fair value gains and losses and share-based payment expenses for the corresponding period in 2023.

*Profit for the Period*

As a result of the foregoing, our profit for the period decreased by 68.0% from RMB375.4 million for the six months ended June 30, 2022 to RMB120.3 million for the corresponding period in 2023.

*Non-IFRS Measures*

To supplement our consolidated financial statements, which are presented in accordance with IFRS, we also use non-IFRS measures, namely EBITDA (non-IFRS measure), adjusted EBITDA (non-IFRS measure), and adjusted net profit (non-IFRS measure) as additional financial measures, which are not required by or presented in accordance with IFRS. We believe that such non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of certain items. We exclude share-based compensation expenses, listing expenses and fair value gains on convertible redeemable preferred shares at FVTPL when presenting non-IFRS measures. Share-based compensation expenses are non-cash in nature and do not result in cash outflow, and the adjustment has been consistently made for the six months ended June 30, 2022 and 2023. We also excluded listing expenses with respect to the Global Offering. In addition, we account for the convertible preferred shares as financial liabilities at fair value through profit or loss. The convertible preferred shares automatically converted into ordinary shares upon completion of the Global Offering, and no further loss or gain on fair value changes will be recognized going forward. The reconciling item is a non-cash and non-operating item, and does not result in cashflow impacts.

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

We define EBITDA (non-IFRS measure) as profit before tax plus depreciation and amortization expenses and finance costs, minus bank interest income. We define adjusted EBITDA (non-IFRS measure) as EBITDA (non-IFRS measure) for the period adjusted by adding back share-based compensation expenses, listing expenses and fair value gain on convertible redeemable preferred shares at FVTPL.

| | For the six months ended June 30, | |
|---|---|---|
| | **2023** | 2022 |
| | ***(RMB'000)*** | *(RMB'000)* |
| **Profit before tax** | **151,731** | 436,387 |
| *Add:* | | |
| Depreciation | **75,515** | 100,494 |
| Amortization | **3,119** | 2,344 |
| Finance costs | **45,853** | 9,504 |
| *Less:* | | |
| Bank interest income | **7,981** | 3,512 |
| **EBITDA (non-IFRS measure)** | **268,237** | 554,217 |
| *Add:* | | |
| Share-based compensation expenses | **15,776** | 10,026 |
| Listing expenses | **58,965** | 11,683 |
| Fair value gain on convertible redeemable preferred shares at fair value through profit or loss ("**FVTPL**") | **(11,475)** | (85,297) |
| **Adjusted EBITDA (non-IFRS measure)** | **331,503** | 481,629 |

We define adjusted net profit (non-IFRS measure) as profit for the period adjusted by adding back net of tax, share-based compensation expenses, listing expenses and fair value gain on convertible redeemable preferred shares at FVTPL.

| | For the six months ended June 30, | |
|---|---|---|
| | **2023** | 2022 |
| | ***(RMB'000)*** | *(RMB'000)* |
| **Profit for the period** | **120,258** | 375,395 |
| *Add:* | | |
| Share-based compensation expenses | **15,776** | 10,026 |
| Listing expenses | **58,590** | 10,371 |
| Fair value gain on convertible redeemable preferred shares at FVTPL | **(11,475)** | (85,297) |
| **Adjusted net profit (non-IFRS measure)** | **183,149** | 310,495 |

We define (i) non-IFRS adjusted basic earnings per Share as profit attributable to ordinary equity holders of the parent adding share-based compensation expenses, listing expenses and fair value gain on convertible redeemable preferred shares at FVTPL divided by weighted average number of ordinary shares for the purpose of calculating basic earnings per Share; and (ii) non-IFRS adjusted diluted earnings per Share as profit attributable to ordinary equity holders of the parent adding share-based compensation expenses, listing expenses and fair value gain on convertible redeemable preferred shares at FVTPL divided by weighted average number of ordinary shares for the purpose of calculating diluted earnings per Share.

| | Six months ended June 30 | |
|---|---|---|
| | **2023** | 2022 |
| | ***(Unaudited)*** | *(Unaudited)* |
| | ***(RMB'000)*** | *(RMB'000)* |
| **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Expressed in RMB per share)** | | |
| Basic earnings per share | **0.17101** | 0.58226 |
| Diluted earnings per share | **0.14206** | 0.41797 |
| **Adjusted basic earnings per share (non-IFRS measure)** | **0.26721** | 0.48293 |
| **Adjusted diluted earnings per share (non-IFRS measure)** | **0.24736** | 0.44685 |

***Selected Items from the Unaudited Consolidated Statement of Financial Position***

*Current Assets/Liabilities*

Our total current assets decreased to RMB3,752.0 million as of June 30, 2023 from RMB3,895.0 million as of December 31, 2022, and our total current liabilities decreased to RMB2,034.4 million as of June 30, 2023 from RMB2,418.4 million as of December 31, 2022.

*Inventories*

Inventories consisted of reagents, finished goods and consumables. Finished goods refer to equipment and instruments our Company sells to the customers.

Our inventories as of June 30, 2023 amounted to RMB152.0 million, representing a decrease of 33.7% as compared with RMB229.4 million as of December 31, 2022 primarily due to our decline in purchases of reagents and consumables for administering COVID-19 tests.

*Trade and Bills Receivables*

Our trade and bill receivables as of June 30, 2023 amounted to RMB1,785.3 million, representing a decrease of 3.9% as compared with RMB1,856.8 million as of December 31, 2022. This was primarily due to enhanced measures taken by the Company to improve recoverability of its trade receivables.

*Prepayments, Deposits and Other Receivables*

Prepayments, deposits and other receivables primarily consisted of (i) prepayments, (ii) deposits, (iii) value-added tax, and (iv) advance lease payments for short-term leases.

Our prepayments, deposits and other receivables as of June 30, 2023 amounted to RMB137.4 million, representing a decrease of 2.3% as compared with RMB140.7 million as of December 31, 2022, primarily due to a decrease in deferred listing expenses of RMB12.7 million, which was partially offset by (i) an increase of RMB4.9 million in advanced payments by our hospital clients; and (ii) an increase of RMB4.1 million in recoverable value-added tax from our cooperation with Guardant Health (NASDAQ: GH), a leading precision oncology company.

*Trade and Bills Payables*

Our trade and bills payables as of June 30, 2023 amounted to RMB882.4 million, representing a decrease of 17.0% as compared with RMB1,062.5 million as of December 31, 2022 in line with changes in our cost of sales.

*Financial Assets at FVPTL*

Our non-current financial assets at FVPTL consist of interest rate cap contracts with certain financial institutions, in order to manage the interest rate risks on a loan facility. Our non-current financial assets at FVPTL amounted to RMB8.4 million as of June 30, 2023, representing an increase of 3.7% as compared with RMB8.1 million as of December 31, 2022. This was primarily due to the recording of RMB29,000 (unaudited) in fair value gain.

Our current financial assets at FVPTL amounted to RMB50.6 million as of June 30, 2023, as compared with nil as of December 31, 2022. This was primarily due to the entry by the Group into an investment in a segregated portfolio account.

*Other Payables and Accruals*

Other payables mainly included payables for purchase of property, plant and equipment, deposits and other tax payables, which were trade in nature, non-interest bearing and repayable on demand. Accruals mainly include accrued operating expenses, professional services fees and utilities expenses.

Our other payables and accruals as of June 30, 2023 amounted to RMB885.7 million, representing a decrease of 10.1% as compared with RMB985.1 million as of December 31, 2022, primarily due to decreases of (i) RMB80.4 million in payroll payables, mainly comprising employee bonuses and social insurance paid when due, and (ii) RMB44.1 million in accruals, which mainly consist of fees for professional consultants and service providers we engaged for sample collection and transportation, information intake and on-site management. Such decreases were partially offset by an increase in accrued listing expenses of RMB23.9 million.

*Contract Liabilities*

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

Our contract liabilities as of June 30, 2023 amounted to RMB26.0 million, representing an increase of 23.2% as compared with RMB21.1 million as of December 31, 2022, primarily due to the increase in advances received from customers in line with our business expansion.

***Liquidity and Capital Resources***

During the six months ended June 30, 2023, our Group funded cash requirements principally from cash generated from the operating activities. As of June 30, 2023, we had cash and cash equivalents of RMB1,644.3 million, representing an increase of 69.4% as compared with RMB970.4 million as of June 30, 2022. This increase was primarily due to our working capital management and the net proceeds we received from the Global Offering.

***Indebtedness***

During the six months ended June 30, 2023, 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 six months ended June 30, 2023 were loans with effective annual interest rates ranging from 3.50% to 7.42% as of June 30, 2023.

***Contingent Liabilities***

As of June 30, 2023, 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.

### *Capital Expenditures*

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

Our capital expenditures for the six months ended June 30, 2023 amounted to RMB75.6 million, representing a decrease of 30.2% as compared with RMB108.3 million for the six months ended June 30, 2022, in line with the decrease in our cost of sales.

### *Capital Commitments*

Capital commitments primarily constituted our purchase of property and equipment for the construction, expansion and enhancement of our facilities. The following table sets forth our capital expenditures as of the date indicated:

| | **As of** | |
|---|---|---|
| | **June 30, 2023** ***(RMB'000)*** | December 31, 2022 *(RMB'000)* |
| Contracted, but not provided for acquisition of property and equipment | **13,963** | 15,418 |
| **Total** | **13,963** | 15,418 |

### *Financial Ratios*

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

| | **As of** | |
|---|---|---|
| | **June 30, 2023** | December 31, 2022 |
| **Liquidity ratios** | | |
| Current ratio (1) | **1.84** | 1.61 |
| Quick ratio (2) | **1.77** | 1.52 |
| **Capital adequacy ratios** | | |
| Gearing ratio (3) | **0.78** | 1.86 |

*Note:*

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

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

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

### *Charges on Assets*

As of June 30, 2023, the Group had charged the shares of certain offshore subsidiaries as security for its bank loans.

### *Future Plans for Material Investments*

As of the date of this announcement, the Group does not have any concrete committed plans for material investments and capital assets in 2023.

### *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 six months ended June 30, 2023, we did not make any material acquisitions, significant investments or disposals of subsidiaries, associates and joint ventures.

### *Employees and Remuneration*

As of June 30, 2023, we had a total of 5,917 employees (as of June 30, 2022: 5,659). For the six months ended June 30, 2023, we incurred total remuneration costs of RMB575.8 million (for the six months ended June 30, 2022: RMB506.7 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 the our business operations.

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Notes | Six months ended 30 June 2023 (Unaudited) RMB'000 | Six months ended 30 June 2022 (Unaudited) RMB'000 |
|---|---|---|---|
| **REVENUE** | 4 | **1,644,113** | 2,445,614 |
| Cost of sales | | **(927,105)** | (1,456,544) |
| **Gross profit** | | **717,008** | 989,070 |
| Other income and gains | | **34,007** | 11,757 |
| Selling and marketing expenses | | **(233,654)** | (294,669) |
| Administrative expenses | | **(136,648)** | (138,994) |
| Research and development costs | | **(69,051)** | (79,985) |
| Other expenses | | **(66,588)** | (114,902) |
| Listing expenses | | **(58,965)** | (11,683) |
| Finance costs | | **(45,853)** | (9,504) |
| Fair value gains on financial liabilities at FVTPL | | **11,475** | 85,297 |
| **PROFIT BEFORE TAX** | 5 | **151,731** | 436,387 |
| Income tax expense | 6 | **(31,473)** | (60,992) |
| **PROFIT FOR THE PERIOD** | | **120,258** | 375,395 |
| Attributable to: | | | |
| Owners of the parent | | **111,807** | 380,450 |
| Non-controlling interests | | **8,451** | (5,055) |
| | | **120,258** | 375,395 |

| | Notes | Six months ended 30 June **2023** ***(Unaudited)*** ***RMB'000*** | 2022 *(Unaudited)* *RMB'000* |
|---|---|---|---|
| **OTHER COMPREHENSIVE INCOME** | | | |
| Other comprehensive loss that may be reclassified to profit or loss in subsequent periods: | | | |
| Exchange differences on translation of the financial statement of the subsidiaries | | **(12,636)** | (15,818) |
| 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 | | **(45,689)** | (12,346) |
| OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX | | **(58,325)** | (28,164) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD | | **61,933** | 347,231 |
| Attributable to: | | | |
| Owners of the parent | | **53,482** | 352,286 |
| Non-controlling interests | | **8,451** | (5,055) |
| | | **61,933** | 347,231 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Expressed in RMB per share)** | | | |
| Basic | 8 | **0.17101** | 0.58226 |
| Diluted | 8 | **0.14206** | 0.41797 |

## UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Notes | **30 June 2023** *(Unaudited)* *RMB'000* | 31 December 2022 *(Audited)* *RMB'000* |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property and equipment | 9 | **408,004** | 375,428 |
| Right-of-use assets | | **195,404** | 218,853 |
| Goodwill | | **79,802** | 79,802 |
| Other intangible assets | | **142,872** | 143,709 |
| Deferred tax assets | | **149,744** | 118,403 |
| Prepayments, deposits and other receivables | 11 | **17,854** | 12,839 |
| Amounts due from related parties | | **2,099** | 2,123 |
| Financial assets at fair value through profit or loss | 12 | **8,438** | 8,104 |
| **Total non-current assets** | | **1,004,217** | 959,261 |
| **CURRENT ASSETS** | | | |
| Inventories | | **152,036** | 229,413 |
| Trade and bills receivables | 10 | **1,785,259** | 1,856,847 |
| Prepayments, deposits and other receivables | 11 | **119,525** | 127,860 |
| Financial assets at fair value through profit or loss | 12 | **50,581** | — |
| Amounts due from related parties | | **319** | 227 |
| Cash and bank balances | | **1,644,262** | 1,680,625 |
| **Total current assets** | | **3,751,982** | 3,894,972 |
| **CURRENT LIABILITIES** | | | |
| Trade and bills payables | 13 | **882,374** | 1,062,452 |
| Other payables and accruals | 14 | **885,696** | 985,104 |
| Contract liabilities | | **25,957** | 21,060 |
| Interest-bearing bank borrowings | | **79,551** | 112,792 |
| Profit tax payable | | **88,226** | 124,553 |
| Amounts due to related parties | | **24,087** | 61,071 |
| Lease liabilities | | **48,521** | 51,400 |
| **Total current liabilities** | | **2,034,412** | 2,418,432 |
| **NET CURRENT ASSETS** | | **1,717,570** | 1,476,540 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **2,721,787** | 2,435,801 |

| | Notes | **30 June 2023** *(Unaudited)* ***RMB'000*** | 31 December 2022 *(Audited)* *RMB'000* |
|---|---|---|---|
| **NON-CURRENT LIABILITIES** | | | |
| Interest-bearing bank borrowings | | **1,061,134** | 1,023,329 |
| Lease liabilities | | **158,180** | 182,455 |
| Deferred tax liabilities | | **30,969** | 28,502 |
| Convertible redeemable preferred shares | | **—** | 589,179 |
| **Total non-current liabilities** | | **1,250,283** | 1,823,465 |
| **NET ASSETS** | | **1,471,504** | 612,336 |
| **EQUITY** | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | 15 | **96** | 86 |
| Reserves | | **1,365,252** | 510,738 |
| | | **1,365,348** | 510,824 |
| Non-controlling interests | | **106,156** | 101,512 |
| **Total equity** | | **1,471,504** | 612,336 |

## NOTES TO THE INTERIM CONSOLIDATED FINANCIAL INFORMATION

### 1. CORPORATE INFORMATION

ADICON Holdings Limited ("the Company") is a limited liability company incorporated in the Cayman Islands on 20 March 2008 and its shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 30 June 2023. Its registered office is located at Third Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands.

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

### 2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with IAS 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised International Financial Reporting Standards ("IFRSs") for the first time for the current period's financial information.

| | |
|---|---|
| IFRS 17 | *Insurance Contracts* |
| Amendments to IFRS 17 | *Insurance Contracts* |
| Amendment to IFRS 17 | *Initial Application of IFRS 17 and IFRS 9 – Comparative Information* |
| Amendments to IAS 1 and IFRS Practice Statement 2 | *Disclosure of Accounting Policies* |
| Amendments to IAS 8 | *Definition of Accounting Estimates* |
| Amendments to IAS 12 | *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* |
| Amendments to IAS 12 | *International Tax Reform – Pillar Two Model Rules* |

The nature and impact of the new and revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

(b) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases that occurred on or after 1 January 2022, if any.

The adoption of amendments to IAS 12 did not have any impact on the basic and diluted earnings per share attributable to ordinary equity holders of the parent, other comprehensive income and the interim condensed consolidated statements of cash flows for the six months ended 30 June 2023 and 2022.

(d) Amendments to IAS 12 International Tax Reform – Pillar Two Model Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

The adoption of the new and revised standards had no significant financial effect on the Group's interim condensed consolidated financial information.

## 3. OPERATING SEGMENT INFORMATION

*Information about geographical areas*

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*.

*Information about major customers*

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

## 4. REVENUE

An analysis of revenue is as follows:

(i) Disaggregated revenue information

| | Six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | ***(Unaudited)*** | *(Unaudited)* |
| **Revenue from contracts with customers** | | |
| Medical diagnostic services | **1,644,113** | 2,445,614 |
| **Timing of revenue recognition** | | |
| Goods transferred at a point in time | **1,635,428** | 2,427,969 |
| Services transferred over time | **8,685** | 17,645 |
| Total Revenue from contracts with customers | **1,644,113** | 2,445,614 |

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

| | Six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | ***(Unaudited)*** | *(Unaudited)* |
| Revenue recognized that was included in the contract liabilities balance at the beginning of period: | **21,060** | 20,683 |

(ii) Performance obligations

*Testing services for R&D projects and others*

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

## 5. PROFIT BEFORE TAX

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

| | Six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | ***(Unaudited)*** | *(Unaudited)* |
| Cost of services provided | **811,593** | 1,319,617 |
| Cost of inventories sold | **115,512** | 136,927 |
| Depreciation of property and equipment | **45,374** | 72,702 |
| Depreciation of right-of-use assets | **30,141** | 27,792 |
| Amortisation of other intangible assets* | **3,119** | 2,344 |
| Fair value gains on convertible redeemable preferred shares | **(11,475)** | (85,297) |
| Fair value gains on derivative financial instruments | **(29)** | — |
| Fair value gains on put option over non-controlling interests | **(15,305)** | — |
| Research and development costs | **69,051** | 79,985 |
| Auditors' remuneration | **3,719** | 3,675 |
| Listing expenses | **58,965** | 11,683 |
| Employee benefit expense: | **505,920** | 575,823 |
| Share awards | **15,776** | 10,026 |
| Salaries and other benefits | **386,372** | 469,234 |
| Pension scheme contributions, social welfare and other welfare | **103,772** | 96,563 |
| Lease payments not included in the measurement of lease liabilities | **8,485** | 6,249 |
| Bank interest income | **(7,981)** | (3,512) |
| Finance cost | **45,853** | 9,504 |
| Foreign exchange losses, net | **993** | 2,697 |
| Losses on disposal of items of property and equipment and other intangible assets | **2,408** | 315 |
| Gain on disposal of items of right-of-use asset, net | **—** | (2) |
| Impairment losses, net of reversal: | **60,456** | 109,919 |
| Financial assets under expected credit losses ("ECL") model | **47,068** | 109,919 |
| Inventories | **13,388** | — |

* The amortisation of other intangible assets for the period is 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.

## 6. INCOME TAX

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

**Cayman Islands**

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

**Hong Kong**

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

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

**Mainland China**

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

| **Entity** | **Notes** | **Six months ended 30 June 2023 and 2022** |
|---|---|---|
| 杭州艾迪康醫學檢驗中心有限公司<br>Adicon (Hangzhou) Clinical Laboratories Co., Ltd. ("Hangzhou Adicon") | 1 | 15% |
| 合肥艾迪康醫學檢驗實驗室有限公司<br>Adicon (Hefei) Clinical Laboratories Co., Ltd. ("Hefei Adicon") | 2 | 15% |
| 南昌艾迪康醫學檢驗實驗室有限公司<br>Adicon (Nanchang) Clinical Laboratories Co., Ltd. ("Nanchang Adicon") | 2 | 15% |
| 上海錦測醫學檢驗所有限公司<br>Shanghai Jince Clinical Laboratories Co., Ltd. ("Shanghai Adicon") | 3 | 15% |
| 武漢艾迪康醫學檢驗所有限公司<br>Adicon (Wuhan) Clinical Laboratories Co., Ltd. ("Wuhan Adicon") | 3 | 15% |
| 濟南艾迪康醫學檢驗中心有限公司<br>Adicon (Jinan) Clinical Laboratories Co., Ltd. ("Jinan Adicon") | 4 | 15% |
| 北京艾迪康醫學檢驗實驗室有限公司<br>Adicon (Beijing) Clinical Laboratories Co., Ltd. ("Beijing Adicon") | 4 | 15% |
| 福州艾迪康醫學檢驗所有限公司<br>Adicon (Fuzhou) Clinical Laboratories Co., Ltd. ("Fuzhou Adicon") | 4 | 15% |
| 南京艾迪康醫學檢驗所有限公司<br>Adicon (Nanjing) Clinical Laboratories Co., Ltd. ("Nanjing Adicon") | 4 | 15% |
| 成都艾迪康醫學檢測實驗室有限公司<br>Adicon (Chengdu) Clinical Laboratories Co., Ltd. ("Chengdu Adicon") | 5 | 15% |
| 西安艾迪康醫學檢驗實驗室有限公司<br>Adicon (Xi'an) Clinical Laboratories Co., Ltd. ("Xi'an Adicon") | 5 | 15% |
| 重慶艾迪康醫學檢驗實驗室有限公司<br>Adicon (Chongqing) Clinical Laboratories Co., Ltd. ("Chongqing Adicon") | 5 | 15% |
| 雲南艾迪康醫學檢驗所有限公司<br>Adicon (Yunnan) Clinical Laboratories Co., Ltd. ("Yunnan Adicon") | 5 | 15% |
| 貴州艾迪康醫學檢驗中心有限公司<br>Guizhou Adicon Clinical Laboratories Center Co., Ltd. ("Guizhou Adicon") | 5 | 15% |
| 南寧艾迪康醫學檢驗實驗室有限公司<br>Adicon (Nanning) Clinical Laboratories Co., Ltd. ("Nanning Adicon") | 6 | 20% |
| 衢州艾迪康醫學檢驗實驗室有限公司<br>Quzhou Adicon Clinical Laboratories Co., Ltd. ("Quzhou Adicon") | 6 | 20% |

Notes:

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

(2) In 2022, Hefei Adicon and Nanchang Adicon were accredited as HNTEs and were entitled to a preferential income tax rate of 15% for a period of three years from 2022 to 2025.

(3) In 2021, Shanghai Adicon and Wuhan Adicon were accredited as HNTEs and were entitled to a preferential income tax rate of 15% for a period of three years from 2021 to 2024.

(4) In 2020, Beijing Adicon, Jinan Adicon, Fuzhou Adicon and Nanjing Adicon were accredited as HNTEs and were entitled to a preferential income tax rate of 15% for a period of three years from 2020 to 2023.

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

(6) Nanning Adicon and Quzhou Adicon are qualified as small-scaled minimal profit enterprises during 2022 and 2023. Pursuant to Caishui [2019] circular No.13, the first RMB1,000,000 of assessable profits of these subsidiaries may be calculated as 25% and be taxed at the preferential EIT rate of 20%. The assessable profits between RMB1,000,000 and RMB3,000,000 may be calculated as 50% and be taxed at the preferential EIT rate of 20%.

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

| | **Six months ended 30 June** | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | ***(Unaudited)*** | *(Unaudited)* |
| Current income tax | **61,508** | 89,043 |
| Deferred income tax | **(30,035)** | (28,051) |
| Total tax charge for the period | **31,473** | 60,992 |

## 7. DIVIDENDS

No dividend has been paid or declared by the Company during the six months ended 30 June 2023.

## 8. 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 period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 653,787,020 (2022: 653,402,129) in issue during the period, as adjusted to reflect the rights issue during the period.

The calculation of the diluted earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible redeemable preferred shares for the six months ended 30 June 2022. As the convertible redeemable preferred shares have automatically converted into ordinary shares upon the Global Offering, it has no impact on the diluted earnings per share for the six months ended 30 June 2023. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period end 30 June 2023, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares during the periods.

The calculation of basic earnings per share is based on:

| | **Six months ended 30 June** | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | ***(Unaudited)*** | *(Unaudited)* |
| Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:(RMB'000) | **111,807** | 380,450 |
| Less: Fair value gains on financial liabilities at FVTPL | **11,475** | 85,297 |
| | **100,332** | 295,153 |
| Ordinary shares ('000) | | |
| Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation | **653,787** | 653,402 |
| Earnings per share (RMB per share) | **0.17101** | 0.58226 |
| Effect of dilution – weighted average number of ordinary shares: | | |
| Convertible redeemable preferred shares | **52,472** | 52,762 |
| Weighted average number of ordinary shares in issue during the period used in the dilutive earnings per share calculation | **706,259** | 706,164 |
| Diluted earnings per share (RMB per share) | **0.14206** | 0.41797 |

## 9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired assets at a cost of RMB80,713,000 (30 June 2022: RMB115,279,000).

Assets with a net book value of RMB2,763,000 were disposed of by the Group during the six months ended 30 June 2023 (30 June 2022: RMB1,301,000), resulting in a net loss on disposal of RMB2,408,000 (30 June 2022: RMB315,000).

## 10. TRADE AND BILLS RECEIVABLES

| | **30 June 2023** *RMB'000* *(Unaudited)* | 31 December 2022 *RMB'000* *(Audited)* |
|---|---|---|
| Trade receivables | **2,013,131** | 2,043,901 |
| Bills receivable | **8,550** | 3,253 |
| | **2,021,681** | 2,047,154 |
| Allowance for expected credit losses | **(236,422)** | (190,307) |
| | **1,785,259** | 1,856,847 |

Note:

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

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

An ageing analysis of the trade and bills receivables as at the end of each of the reporting period, based on the billing date, and net of allowance for expected credit losses, is as follows:

| | **30 June 2023** *RMB'000* *(Unaudited)* | 31 December 2022 *RMB'000* *(Audited)* |
|---|---|---|
| 1 month to 6 months | **1,156,400** | 1,147,332 |
| 6 months to 1 year | **439,745** | 580,841 |
| 1 year to 2 years | **177,584** | 119,950 |
| 2 years to 3 years | **11,115** | 8,543 |
| 3 years to 4 years | **415** | 181 |
| | **1,785,259** | 1,856,847 |

The movements in the allowance for expected credit losses of trade receivables are as follows:

| | **30 June 2023** *RMB'000* *(Unaudited)* | 31 December 2022 *RMB'000* *(Audited)* |
|---|---|---|
| At beginning of period/year | **190,307** | 75,075 |
| Acquisition of a subsidiary | **—** | 4,640 |
| Impairment losses, net | **47,275** | 111,510 |
| Write-off | **(1,160)** | (918) |
| At end of period/year | **236,422** | 190,307 |

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

| | | **As at 30 June 2023** | |
|---|---|---|---|
| | **Amount** *RMB'000* | **Expected loss rate** *%* | **Impairment** *RMB'000* *(Unaudited)* |
| 1 month to 6 months | **1,183,426** | | **35,576** |
| 6 months to 1 year | **488,423** | | **48,678** |
| Subtotal-within 1 year | **1,671,849** | **5.04** | **84,254** |
| 1 year to 2 years | **270,680** | **34.39** | **93,096** |
| 2 years to 3 years | **57,399** | **80.64** | **46,284** |
| 3 years to 4 years | **9,872** | **95.80** | **9,457** |
| 4 years to 5 years | **2,345** | **100.00** | **2,345** |
| Over 5 years | **986** | **100.00** | **986** |
| | **2,013,131** | | **236,422** |

| | As at 31 December 2022 | | |
|---|---|---|---|
| | Amount | Expected loss rate | Impairment |
| | *RMB'000* | *%* | *RMB'000* *(Audited)* |
| 1 month to 6 months | 1,423,358 | | 59,076 |
| 6 months to 1 year | 376,255 | | 15,603 |
| Subtotal-within 1 year | 1,799,613 | 4.15 | 74,679 |
| 1 year to 2 years | 196,608 | 38.99 | 76,658 |
| 2 years to 3 years | 38,161 | 77.61 | 29,618 |
| 3 years to 4 years | 7,090 | 97.64 | 6,923 |
| 4 years to 5 years | 1,846 | 100.00 | 1,846 |
| Over 5 years | 583 | 100.00 | 583 |
| | 2,043,901 | | 190,307 |

## 11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | Notes | **30 June 2023** ***RMB'000*** ***(Unaudited)*** | 31 December 2022 *RMB'000* *(Audited)* |
|---|---|---|---|
| Deposits | | **25,809** | 20,920 |
| – current | | **7,596** | 7,515 |
| – non-current | (a) | **18,213** | 13,405 |
| Advanced payment for investment | (c) | **18,200** | 18,200 |
| Advance lease payments for short-term leases | | **11,682** | 10,610 |
| Prepayments | (b) | **53,139** | 54,613 |
| Value-added tax recoverable | | **18,404** | 14,300 |
| Deferred listing expenses | | **—** | 12,682 |
| Others | | **10,504** | 9,940 |
| Provision of impairment | | **(359)** | (566) |
| | | **137,379** | 140,699 |

Notes:

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

(b) The amount represents prepayments for equipment, reagents and consumables.

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

Analysed into:

| | **30 June 2023** | 31 December 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | ***(Unaudited)*** | *(Audited)* |
| Current portion | **119,525** | 127,860 |
| Non-current portion | **17,854** | 12,839 |
| | **137,379** | 140,699 |

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

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

## 12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | Notes | **30 June 2023** ***RMB'000*** ***(Unaudited)*** | 31 December 2022 *RMB'000* *(Audited)* |
|---|---|---|---|
| Non-current | | | |
| Derivatives - interest rate cap contracts | (a) | **8,438** | 8,104 |
| Current | | | |
| Investment in segregated portfolio | (b) | **50,581** | — |

Notes:

(a) In October 2022, the Group entered into interest rate cap contracts with certain financial institutions in order to manage interest risk on the five-year loan facility amounted to USD150,000,000 with variable interest rate. These interest rate cap contracts are assessed as derivative financial instruments and therefore are initially recognised as financial assets at FVTPL. The Group recorded RMB29,000 (unaudited) fair value gain during the six months ended 30 June 2023.

(b) In June 2023, the Group entered into an investment in a segregated portfolio account. It was measured at fair value through profit or loss. The fair value of the investment amounted to RMB50,581,000 (unaudited) as at 30 June 2023.

## 13. TRADE AND BILLS PAYABLES

| | **30 June 2023** ***RMB'000*** ***(Unaudited)*** | 31 December 2022 *RMB'000* *(Audited)* |
|---|---|---|
| Trade and bills payables | **882,374** | 1,062,452 |

An ageing analysis of the trade and bill payables as at the end of each of the reporting periods, based on the invoice date, is as follows:

| | **30 June 2023** ***RMB'000*** ***(Unaudited)*** | 31 December 2022 *RMB'000* *(Audited)* |
|---|---|---|
| Within 1 year | **790,831** | 1,010,329 |
| 1 year to 2 years | **82,677** | 50,484 |
| 2 years to 3 years | **7,568** | 379 |
| Over 3 years | **1,298** | 1,260 |
| | **882,374** | 1,062,452 |

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

## 14. OTHER PAYABLES AND ACCRUALS

| | Notes | **30 June 2023** **RMB'000** ***(Unaudited)*** | 31 December 2022 *RMB'000* *(Audited)* |
|---|---|---|---|
| Payroll payables | | **357,902** | 438,351 |
| Accruals | | **128,098** | 172,162 |
| Accrued listing expenses | | **34,924** | 11,011 |
| Other payables | | **94,157** | 83,978 |
| Advance payments received for subscription of share options | (a) | **113,982** | 97,036 |
| Payables arising from acquisitions | (b) | **99,306** | 132,682 |
| Amount due to non-controlling shareholders | (c) | **57,327** | 49,884 |
| | | **885,696** | 985,104 |

Notes:

(a) The Group received RMB22,351,000 in 2022 and RMB15,697,000 (unaudited) during the six months ended 30 June 2023 from certain domestic senior management and mid-level management of the Group for subscribing vested shares under the share option scheme. As at 30 June 2023 these vested share options are yet to be legally registered and the subscription received from these individuals are recorded as advance payments.

(b) In connection with the acquisition of Shangrao Adicon Clinical Laboratory Co., Ltd. ("Shangrao Adicon") and Jiangxi Jince BioTech Co., Ltd ("Jiangxi Jince"), the Group acquired 61% equity interests in Shangrao Adicon and Jiangxi Jince during 2021 at a total consideration of RMB45,726,000 in cash, which has been fully paid by 30 June 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 condition precedents in the relevant share purchase agreements. The Group estimated that the present value of the put option's strike price over the non-controlling interests in Shangrao Adicon and Jiangxi Jince amounted to RMB42,160,000 (unaudited) as at 30 June 2023, with the debit entry on recognizing the put option as a debit to equity and the subsequent changes recognized in profit or loss.

In connection with the acquisition of Henan Adicon, the Group acquired 51% equity interests in Henan Adicon during 2022 at a total consideration of RMB88,916,000 in cash, of which RMB62,241,000 had been paid and RMB26,675,000 recognized as contingent consideration. The fair value of the contingent consideration is RMB13,337,000 (unaudited) as of 30 June 2023 and the subsequent fair value changes was recognized in profit or loss. The Group is also obligated to purchase 19% equity interests in Henan Adicon from minority shareholders upon satisfaction of certain condition precedents in the relevant share purchase agreements. The Group estimated that the present value of the put option's strike price over the non-controlling interests in Henan Adicon amounted to RMB43,809,000 (unaudited) as at 30 June 2023, with the debit entry on recognizing the put option as a debit to equity and the subsequent changes recognized in profit or loss.

(c) Pursuant to the share purchase agreement entered between the Group and the then shareholders of Henan Adicon, the collection of revenue from COVID-19 testing services earned by Henan Adicon during 2021 shall be repaid to the then shareholders. The balance amounted to RMB57,327,000 (unaudited) represents the revenue collected by the Group on behalf of the then shareholders as at 30 June 2023.

## 15. SHARE CAPITAL

| | **30 June 2023** *RMB'000* | 31 December 2022 *RMB'000* |
|---|---|---|
| | ***(Unaudited)*** | *(Audited)* |
| Issued and fully paid: | | |
| 723,452,282 (2022: 653,402,129) ordinary shares | **96** | 86 |

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

| | **Number of shares in issue** | **Share capital** |
|---|---|---|
| At 31 December 2021 and 1 January 2022 | 653,402,129 | 86 |
| At 31 December 2022 and 1 January 2023 | 653,402,129 | 86 |
| Shares issued upon the Global Offering (Note) | 17,288,500 | 2 |
| Automatic conversion of convertible preferred shares upon the Global Offering (Note 15) | 52,761,653 | 8 |
| At 30 June 2023 | 723,452,282 | 96 |

Note: On 30 June 2023, the Company issued a total of 17,288,500 ordinary shares of US$0.00002 each at the price of HK$12.32 per share by means of Global Offering.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### Compliance with the Corporate Governance Code

The Company has adopted the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules and regularly reviews its compliance with the Corporate Governance Code.

The Company was listed on June 30, 2023. To the best knowledge of the Directors, the Company has complied with all applicable code provisions of the Corporate Governance Code from the Listing Date and up to the date of this announcement.

### Compliance with the Model Code

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules. Having made specific enquiries of the Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code from the Listing Date and up to the date of this announcement.

The Company's senior management, who are likely to be in possession of inside information of the Company, are also subject to the Model Code for securities transactions. During the period from the Listing Date and up to the date of this announcement, we did not detect any incident of non-compliance with the Model Code by the Company's senior management.

### Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any member of the Group has purchased, sold or redeemed any of the listed securities of the Company from the Listing Date and up to the date of this announcement.

### Audit Committee and Review of Financial Statements

The Group's unaudited consolidated interim financial statements for the six months ended June 30, 2023 have been reviewed by the Company's independent auditor, Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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.

The Audit Committee has jointly reviewed with the Company's senior management and independent auditor the unaudited consolidated interim financial information of the Group for the six months ended June 30, 2023. The Audit Committee has also discussed the accounting policies and practices adopted by the Company and internal control measures with senior management. The Audit Committee does not have any disagreement with the accounting treatment adopted by the Company.

## Use of Proceeds

### *The Global Offering*

The total net proceeds (after deduction of underwriting commissions and related costs and expenses) from the Global Offering amounted to RMB188.5 million.

### *The Over-allotment Option*

On July 26, 2023, the Company issued a total of 3,902,500 ordinary shares with a nominal value of US$0.00002 each at the price of HK$12.32 per share. The Company received additional net proceeds of RMB42.4 million (after deducting the underwriting commissions and other estimated expenses payable by the Company).

### *Utilization breakdown and timeline*

The net proceeds raised from the Global Offering and the Over-allotment Option will be used in the manner as previously disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus. Since the Company was listed on June 30, 2023, the net proceeds have not been utilized as of June 30, 2023. The Company has no plans to deviate from the use of proceeds and the business strategies disclosed in the Prospectus. Details of the use of proceeds are set forth as below:

| Description | Total percentage amount | Intended use of proceeds | Utilized amount as of June 30, 2023 | Unutilized amount as of June 30, 2023 | Expected timeline for utilizing for the unutilized net proceeds |
|---|---|---|---|---|---|
| | | *(RMB in millions)* | *(RMB in millions)* | *(RMB in millions)* | |
| Strengthening our routine and esoteric testing capabilities | 15.0% | 34.6 | — | 34.6 | December 31, 2024 |
| Network expansion through establishing new laboratories, partnership investments and development of new channels | 25.0% | 57.7 | — | 57.7 | 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 | — | 57.7 | December 31, 2024 |
| Upgrade and expansion of our existing laboratories | 15.0% | 34.6 | — | 34.6 | December 31, 2024 |
| Investment in operating infrastructure including logistics facilities, artificial intelligence technologies and IT infrastructure | 10.0% | 23.1 | — | 23.1 | December 31, 2024 |
| Working capital and general corporate purpose | 10.0% | 23.1 | — | 23.1 | December 31, 2024 |
| **Total** | 100.0% | 230.9 | — | 230.9 | |

**Events after the six months ended June 30, 2023**

Save for the Over-allotment Option, the Directors are not aware of any significant events requiring disclosure that took place subsequent to June 30, 2023 and up to the date of this announcement.

**Interim Dividends**

The Board does not recommend the payment of interim dividends for the six months ended June 30, 2023.

**Publication of Interim Results Announcement and Interim Report**

This announcement is published on the websites of the Stock Exchange (**www.hkexnews.hk**) and the Company (**www.adicon.com.cn**).

The interim report for the six months ended June 30, 2023 containing all the information required by Appendix 16 to the Listing Rules will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company by the end of September 2023.

## DEFINITIONS

| | |
|---|---|
| "associate(s)" | has the meaning ascribed to it under the Listing Rules |
| "AI" | artificial intelligence |
| "Audit Committee" | the audit committee of the Board |
| "Board" | the board of directors of our Company |
| "China" or "the PRC" | the People's Republic of China, but for the purpose of this announcement and for geographical reference only and except where the context requires, references in this announcement to "China" and the "PRC" do not include Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| "Corporate Governance Code" | the Corporate Governance Code as set out in Appendix 14 to the Listing Rules |
| "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 |
| "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)" | the director(s) of our Company |
| "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 |
| "HK$" or "Hong Kong 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 |
| "IT" | information technology |
| "LIS" | laboratory information system |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time |
| "Listing Date" | June 30, 2023 |
| "Model Code" | the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules |
| "Over-allotment Option" | the over-allotment option granted by the Company to the international underwriters of the Global Offering, details of which are described in the announcement of the Company dated July 23, 2023 |
| "Prospectus" | the prospectus issued by the Company on June 19, 2023 |
| "Renminbi" or "RMB" | Renminbi, the lawful currency of China |
| "Share(s)" | ordinary share(s) in the share capital of our 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 |
| "subsidiary(ies)" | has the meaning ascribed to it in section 15 of the Companies Ordinance |
| "%" | per cent |

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

Hong Kong, August 23, 2023

*As of the date of this announcement, the Board comprises Mr. GAO Song as executive Director; Ms. YANG Ling, Mr. LIN Jixun, Ms. FENG Janine Junyuan and Ms. LIM Kooi June as non-executive Directors; and Mr. MI Brian Zihou, Mr. YEH Richard and Mr. ZHANG Wei as independent non-executive Directors.*