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 ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2023

The Board is pleased to announce the audited consolidated results of the Group for the year ended December 31, 2023, together with the comparative figures for the corresponding period in 2022.

In this announcement, "we", "us", "our" and "ADICON" 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 year ended December 31,	
	2023	2022
	(RMB'000)	*(RMB'000)*
Revenue	**3,297,828**	4,860,613
Gross Profit	**1,434,107**	1,896,165
Profit for the year	**262,322**	684,884
Attributable to:		
Owners of the parent	**234,885**	680,793
Non-controlling interests	**27,437**	4,091
Earnings per Share		
Basic	**0.34**	1.04
Diluted	**0.31**	0.96

CHAIRWOMAN'S STATEMENT

2023 was a landmark year for ADICON - We celebrated our 20th anniversary, and it was also our first year since our initial public offering. In this challenging year, we not only demonstrated extraordinary resilience, but also achieved remarkable results. On behalf of our Company's management, I would like to express my heartfelt gratitude and profound respect to all our supportive Shareholders, customers and employees.

Our Performance

After the COVID-19 pandemic, the entire ICL industry is striving to break free from reliance on COVID-19-related businesses and to achieve rapid growth. In 2023, our overall operational capabilities reached a new height. Despite our total revenue in 2023 decreased by approximately 32.2% compared to 2022 due to a significant decrease in demand for our COVID-19-related services, the decline rate was much lower than the industry average. Excluding the impact of COVID-19-related businesses, the revenue from our regular business increased by more than 15.0% in 2023 compared to 2022. Specifically, the revenue from our esoteric tests, which we have been focusing on, significantly increased by more than 40.0% in 2023 compared to 2022. Further, our technical services also achieved very positive development. Furthermore, compared to 2019, our total revenue increased by more than 90.0%, and the number of customers increased by more than 40.0%, demonstrating our steady growth momentum and wide market recognition. In terms of financial indicators, our gross profit margin continue to maintain at a industry-leading levels, thanks to our continuous focus on cost control, ongoing improvement in operational efficiency and strategic investments in high-growth potential businesses. Additionally, our healthy gearing ratio and ample cash reserves provide solid financial support for our ongoing development and prudent management when facing potential risks in the future.

This year, ADICON's laboratory capacity development made significant progress. In terms of quality construction, 20 out of our 36 ICLs nationwide obtained ISO 15189 accreditation, maintaining a leading position in the ICL industry. In terms of technical capacity enhancement, following the establishment of our Quality Spectrum Technology Center last year, we have subsequently established six technology centers, which, leveraging our strong R&D capabilities and interdisciplinary cooperation networks, conducted cutting-edge research in molecular pathology, bioinformatics analysis and other advanced technologies, providing scientific basis for precise diagnosis and treatment of various diseases such as genetic diseases and cancer. Moreover, our cooperation with Guardant Health (NASDAQ: GH), a leading global liquid biopsy companion diagnostics company, which has attracted significant attention from the capital markets and the industry, has successfully debuted in China, with products formally launched domestically in September 2023, and sample testing begun in December 2023. In addition, we are actively exploring a direct-to-consumer business model with a view to opening new growth opportunities for our Company.

2023 was also the initial year of ADICON's comprehensive digital upgrades. Our new laboratory information system (LIS) was successfully launched in Jinan, significantly enhancing the review and generation efficiency of certain reports by nearly 10 times, realizing a transition from manual recording to automated processing. In addition, artificial intelligent (AI) technology has also been extensively integrated into our pathology slide analysis.

These digital upgrades have brought about significant changes in our business operations, management and efficiency. In addition, taking social responsibility with practical actions, we are committed to the compliant discharge of waste and strict monitoring, with a target of reducing 1% to 3% emission every year. This commitment not only reflects our dedication to environmental protection, but also lays a solid foundation for our sustainable development.

Outlook

Looking forward, we are confident in the continued development of our Company. The rollout of new policies in the PRC such as centralized procurement, healthcare payment reforms and tiered diagnosis and treatment is expected to further increase the outsourcing rate of medical insurance, fostering substantial growth in the ICL industry. Further, as industry regulations in the PRC become more standardized and specialized, industry leaders with economies of scale are expected to gain more market resources. We are committed to implementing our strategy of penetrating into lower-tier markets, and tapping into markets that have not yet been fully developed. To support this strategy and strengthen our competitive advantage, we continue to focus on developing new testing methods and actively applying innovative technologies. This not only enhances our service quality and efficiency, but also provides our customers with more diversified choices. We also prioritize on advancing intelligent management and decision-making, particularly through extensive integrations of AI technology. By integrating AI technology into our daily operations and decision-making processes, we can more accurately predict market trends and optimize resource allocation, thereby improving our overall operational efficiency and responsiveness to market changes. Furthermore, we selectively seek strategic investments and alliances, and explore other emerging growth opportunities, with a view to maintaining and strengthening our leading position in this competitive industry.

As we enter our third decade, we firmly believe that continuous innovation, unwavering commitment to quality, and ongoing optimization of customer service will be crucial for addressing future challenges and seizing opportunities. We will continue to invest in technological innovation, expand our business scope and strengthen strategic alliances with global partners to adapt to evolving market demands.

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 28, 2024

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

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 36 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, 20 of our laboratories were accredited by ISO15189, which enabled us to provide customers with the quality assurance that comes with this rigorous international standard. Our testing portfolio consists of over 4,000 medical diagnostic tests, including over 1,700 routine tests and over 2,300 esoteric tests. 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 end of 2022 saw the lifting of COVID-19-related restrictions in China, which caused significant disruption to the healthcare services sector until the first few months of 2023. Although the impact of the COVID-19 pandemic gradually diminished with a stronger year-over-year recovery in the latter part of the first quarter and the second quarter of 2023, a weaker-than-expected recovery in the macroeconomy and consumer sentiment dampened growth in the second half of 2023. Hence, while we see year-on-year improvements in our base business growth in 2023, the broader macroeconomic conditions continue to provide headwinds. For the year ended December 31, 2023, our Group recorded a revenue of RMB3,297.8 million, representing a decrease of 32.2% as compared to the corresponding period of 2022. Our Group's profit for the year decreased by 61.7% to RMB262.3 million for the year ended December 31, 2023.

Despite these challenges, we remain committed to expanding our service offerings, improving efficiency and broadening and deepening our network coverage. We are optimistic that our investments and our achievements in 2023 position us well when broader conditions improve. In particular, we achieved significant progress in several aspects in 2023:

- Since 2018, we have significantly expanded our testing portfolio, increasing from approximately 1,800 to over 4,000 by the end of 2023. Our network of self-operated ICLs across China also grew from 33 at the end of 2022 to 36 at the end of 2023. These expansions reflected not only our commitment to enhancing our technologies and services, but also our deep understanding of and response to customer demands.

- As we focus on developing our esoteric testing areas, including blood, tumors, infections, maternity and pediatrics, and reproduction, we recorded a revenue increase of more than 40% across all esoteric testing categories in 2023. Our technical services also achieved strong growth, with a year-on-year revenue increase of more than 50% in 2023. These demonstrate our continuous improvements in market competitiveness and influence.

- In terms of technology and systems, we completed the development of a new LIS system in 2023, and achieved comprehensive upgrades of other systems including major data platform, order management system (OMS), report platform, pathology information system, and AiLogistics (艾物流) system. We are committed to constructing a new generation of digitalized testing platform to improve efficiency and service quality.

- In response to medical fee control initiative of the PRC government, we actively explored multi-model operation strategies, including outsourcing bidding by private hospitals or medical groups, cooperation and co-construction, collective procurement, and demand based equipment deployment, thereby achieving wider market coverage and more efficient resource utilization.

- Three of our subsidiaries were newly recognized as national high and new technology enterprises, bringing our total to 12 subsidiaries with this recognition as of December 31, 2023. This recognition underscores not only our technological and innovative capabilities but also our potential for long-term development. In addition, our Company was included in the Hang Seng Composite Index, Southbound Trading, and MSCI Index in 2023, in recognition of our comprehensive capability and market performance.

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.

- 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 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.

New technological developments in the biopharmaceutical sector, big data processing, and AI continue to bring benefits to the large leading diagnostic testing providers

Biopharmaceutical R&D is accelerating at a rapid pace with new targets, treatment modalities and disease models being discovered. This has also led to an accelerated development of the diagnostic technologies and tools to support both the R&D efforts, but also clinical trial development, enrollment, and subsequent diagnosis, treatment monitoring and disease progression/recurrence monitoring. Diagnostics are playing an increasingly crucial role as testing technologies continue to evolve. Traditional technologies such as polymerase chain reaction (PCR) and next-generation sequencing (NGS) are undergoing constant upgrades, while the application of emerging technologies such as mass spectrometry, flow cytometry and multi-omics panels are leading the industry's development. As early adopters of new technologies, ICL companies can provide more competitive diagnostic products for research and clinical use, thereby supporting biopharma and healthcare services customers, and ultimately providing patients with more targeted and specific diagnosis and treatment options.

The convergence of big data and artificial intelligence is poised to revolutionize the clinical testing industry. Big data enables the aggregation and analysis of vast amounts of patient information, including genomic data, electronic health records, and other patient data, to help identify patterns, predict disease risk, and personalize treatment plans, enabling clinicians to make more informed decisions and leading to better patient outcomes. In the ICL space, this can improve the accuracy and reliability of diagnostic detection by enhancing quality control in laboratories, increasing the reliability and consistency of test results. Big data analytics can detect and track disease outbreaks, monitor population health and identify trends. We have made significant investments over the years to upgrade our laboratory information systems and data management capabilities, and we continue to leverage big data sets and AI tools to improve the accuracy and efficiency of our accessioning, reporting, and logistics operations. We believe that the ICL sector will be at the forefront of the digitization of healthcare and will be a key developer and beneficiary of the coming technological advances in healthcare services.

Focus on the lower-tier markets, helping to solve the uneven resource and geographic provision of healthcare services

The distribution of medical resources across China's regions remains uneven, with resources concentrated in certain provinces and cities. The development of medical institutions is unbalanced, with overcrowded tertiary hospitals providing an outsized share of China's medical services. ICLs are uniquely positioned to enable lower tier hospitals to provide a broader range of diagnostic testing services than these hospitals are able to provide themselves. ICLs, with their broad and specialized testing menus and economies of scale, are able to support county and township-level healthcare facilities by providing high-quality medical testing as comprehensive as that offered by tertiary hospitals. This approach contributes significantly to improving the level of medical diagnosis and treatment at the grassroots level, as well as service capacity, and helps to address the problem of uneven and inadequate distribution of medical resources.

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, 2023 amounted to RMB3,297.8 million, representing a decrease of approximately 32.2% as compared with RMB4,860.6 million for the year ended December 31, 2022. This decrease was primarily due to a significant decrease in demand for our COVID-19-related services. However, with the lifting of COVID-19 restrictions, demand for our non-COVID-19 testing services rebounded.

Cost of Sales

Our cost of sales for the year ended December 31, 2023 amounted to RMB1,863.7 million, representing a decrease of approximately 37.1% as compared with RMB2,964.4 million for the year ended December 31, 2022. This decrease was generally in line with the decrease 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 RMB1,434.1 million for the year ended December 31, 2023, as compared with RMB1,896.2 million for the year ended December 31, 2022.

Gross profit margin is calculated as gross profit divided by revenue. The overall gross profit margin of our Group was 43.5% for the year ended December 31, 2023, compared with 39.0% for the year ended December 31, 2022. The increase in gross profit margin was primarily due to (i) the reduction in raw material costs as compared to 2022; (ii) the implementation of various cost control optimization measures during 2023; and (iii) the increasing mix shift towards increased contribution of higher margin esoteric tests.

Selling and Marketing Expenses

Our selling and marketing expenses for the year ended December 31, 2023 amounted to RMB485.2 million, representing a decrease of approximately 12.3% as compared with RMB553.3 million for the year ended December 31, 2022. This decrease was primarily due to a decrease of RMB66.0 million in staff costs due to lower year-end bonus and outsourcing service fees we incurred in relation to COVID-19 related business.

Administrative Expenses

Our administrative expenses for the year ended December 31, 2023 amounted to RMB271.0 million, representing a decrease of approximately 4.0% as compared with RMB282.3 million for the year ended December 31, 2022. This decrease was primarily due to cost reduction efforts, but was countered by the establishment of new subsidiaries and ICLs in 2023, resulting in an increase in the corresponding office expenses, staff costs and other consulting and professional service fees.

R&D Expenses

Our R&D expenses for the year ended December 31, 2023 amounted to RMB143.5 million, representing a decrease of approximately 11.8% as compared with RMB162.7 million for the year ended December 31, 2022. This decrease was primarily due to a decrease of RMB12.8 million in costs for reagents and consumables purchased for R&D purposes as part of overall cost control efforts.

Other Expenses

Our other expenses for the year ended December 31, 2023 amounted to RMB99.6 million, representing a decrease of approximately 22.4% as compared with RMB128.4 million for the year ended December 31, 2022. This decrease was primarily because of the reduction in the provisions of ECL in 2023 over 2022. Such decrease was partially offset by an increase of RMB14.6 million in impairment losses, net of reversal on inventories due to excess COVID-19-related materials in 2023.

Listing Expenses

During the year ended December 31, 2023, our Company incurred listing expenses of RMB72.2 million in connection with the Global Offering.

Other Income and Gains

Our other income and gains for the year ended December 31, 2023 amounted to RMB61.6 million, representing an increase of approximately 21.3% as compared with RMB50.8 million for the year ended December 31, 2022. This increase was primarily due to (i) an increase of RMB11.3 million in bank interest income; and (ii) an increase of RMB4.1 million in government grants, primarily consisting of employment and enterprise supporting grants and high-tech enterprise grants.

Finance Costs

Our finance costs for the year ended December 31, 2023 amounted to RMB86.3 million, representing an increase of approximately 12.4% as compared with RMB76.8 million for the year ended December 31, 2022. This increase was primarily due to the increase in interest expenses on our offshore USD-denominated bank borrowings.

Income Tax Expenses

Our income tax expenses for the year ended December 31, 2023 amounted to RMB87.1 million, representing a decrease of approximately 36.0% as compared with RMB135.9 million for the year ended December 31, 2022. This decrease was generally in line with the decrease in our profit before tax, as adjusted by non-taxable fair value gains and losses and share-based payment expenses in 2023.

Profit for the Year

As a result of the foregoing, our profit for the year decreased by approximately 61.7% from RMB684.9 million for the year ended December 31, 2022 to 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 RMB3,303.4 million as of December 31, 2023 from RMB3,895.0 million as of December 31, 2022, and our total current liabilities decreased to RMB1,757.0 million as of December 31, 2023 from RMB2,418.4 million as of December 31, 2022.

Inventories

Our inventories as of December 31, 2023 amounted to RMB176.6 million, representing a decrease of approximately 23.0% as compared with RMB229.4 million as of December 31, 2022. This decrease was primarily due to a decrease in our purchases of reagents and consumables as a result of the reduced demand for our COVID-19-related services.

Trade and Bills Receivables

Our trade and bills receivables as of December 31, 2023 amounted to RMB1,515.4 million, representing a decrease of approximately 18.4% as compared with RMB1,856.8 million as of December 31, 2022. This decrease was primarily due to enhanced measures taken by our Company to improve recoverability of our trade receivables.

Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables as of December 31, 2023 amounted to RMB201.1 million, representing an increase of approximately 42.9% as compared with RMB140.7 million as of December 31, 2022. This increase was primarily due to the subscription amounts of RMB90.1 million receivable from our executive Director, senior management and employees under the 2019 Incentive Plans for the purposes of exercising the share options and RSUs granted to them. Such increase was partially offset by (i) a decrease of RMB12.7 million in deferred listing expenses; and (ii) a decrease of RMB10.7 million prepayments for reagents and consumables as a result of the reduced demand for our COVID-19-related services.

Trade and Bills Payables

Our trade and bills payables as of December 31, 2023 amounted to RMB742.1 million, representing a decrease of approximately 30.2% as compared with RMB1,062.5 million as of December 31, 2022. This decrease was generally in line with the decrease in our cost of sales.

Financial Assets at FVPTL

Our non-current financial assets at FVPTL amounted to RMB1.5 million as of December 31, 2023, representing a decrease of approximately 81.1% as compared with RMB8.1 million as of December 31, 2022. This decrease was primarily due to the unwinding of portion of interest rate cap contracts with independent third party financial institutions due to a paydown of the underlying USD-denominated offshore bank borrowings during 2023.

Our current financial assets at FVPTL amounted to RMB50.8 million as of December 31, 2023, as compared with nil as of December 31, 2022. This change was primarily due to our investment in wealth management products purchased from an independent third party financial institution during 2023.

Other Payables and Accruals

Our other payables and accruals as of December 31, 2023 amounted to RMB755.5 million, representing a decrease of approximately 23.3% as compared with RMB985.1 million as of December 31, 2022. This decrease primarily due to (i) a decrease of RMB124.4 million in payroll payables, mainly comprising employee bonuses and social insurance paid when due; (ii) a decrease of RMB75.0 million in advance payments received from certain domestic employees for subscribing vested Shares under the 2019 Incentive Plans as a result of exercise; (iii) a decrease of RMB33.4 million in payables relating to our acquisitions of Shangrao Adicon and Jiangxi Jince; and (iv) a decrease of RMB31.1 million in accruals, mainly consisting 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 RMB18.6 million.

Contract Liabilities

Our contract liabilities as of December 31, 2023 amounted to RMB34.7 million, representing an increase of approximately 64.6% as compared with RMB21.1 million as of December 31, 2022. This increase was primarily due to the increase in advances received from customers as we expanded our business.

Pledged deposits

Our current pledged deposits amounted to RMB412.6 million as of December 31, 2023 and our non-current pledged deposits amounted to RMB300.0 million as of December 31, 2023, as compared with nil as of December 2022. These pledged deposits were primarily used to secure a loan of RMB600.0 million with a commercial bank, enabling us to refinance the majority of our existing USD-denominated offshore bank borrowings. None of these deposits are either past due or impaired. These pledged deposits will be released upon the repayment of the relevant loans.

Liquidity and Capital Resources

During the year ended December 31, 2023, our Group funded cash requirements principally from cash generated from the operating activities and the net proceeds received from the Global Offering. As of December 31, 2023, we had cash and cash equivalents of RMB959.4 million, representing a decrease of approximately 42.9% as compared with RMB1,680.6 million as of December 31, 2022. This decrease was primarily due to the RMB670.0 million of pledged deposits utilized to refinance our USD-denominated offshore bank borrowings into lower interest bearing instruments. Inclusive of our pledged deposits, our total cash requirements was RMB1,672.0 million as of December 31, 2023.

Indebtedness

During the year ended December 31, 2023, we incurred new RMB-denominated bank borrowings to refinance the majority of our existing USD-denominated offshore bank borrowings, which resulted in an overall reduction in our interest-bearing bank borrowings from RMB1,136.1 million as of December 31, 2022 to RMB887.5 million as of December 31, 2023. All of the interest-bearing bank borrowings during the year ended December 31, 2023 were loans with effective annual interest rates ranging from 2.85% to 7.67% as of December 31, 2023. Our net cash position (equals cash and cash equivalents plus pledged deposits and net of interest-bearing bank borrowing) increased by 44.1% from RMB544.5 million as of December 31, 2022 to RMB784.5 million as of December 31, 2023.

Contingent Liabilities

As of December 31, 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 relationships.

Our capital expenditures for the year ended December 31, 2023 amounted to RMB165.4 million, representing a decrease of approximately 44.4% as compared with RMB297.4 million for the year ended December 31, 2022. This decrease was primarily due to (i) a decrease in our purchases of property and equipment as a result of the reduced demand for our COVID-19-related services; and (ii) a decrease in our purchases of non-recurring intangible assets from Guardant Health (NASDAQ: GH) in relation to our partnership agreement with them.

Capital Commitments

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

	As of December 31,	
	2023	2022
	(RMB'000)	*(RMB'000)*
Contracted, but not provided for acquisition of property and equipment	**14,546**	15,418

Financial Ratios

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

	As of December 31,	
	2023	2022
Liquidity ratios		
Current ratio (1)	**1.88**	1.61
Quick ratio (2)	**1.78**	1.52
Capital adequacy ratio		
Gearing ratio (3)	**0.49**	1.86

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, 2023, the Group had no charges on assets.

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 2024.

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, 2023, we did not make any material acquisitions, significant investments or disposals of subsidiaries, associates and joint ventures.

Employees and Remuneration

As of December 31, 2023, we had a total of 5,713 employees (as of December 31, 2022: 6,128 employees). For the year ended December 31, 2023, we incurred total remuneration costs of RMB975.4 million (for the year ended December 31, 2022: RMB1,206.7 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 our business operations.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the year ended December 31, 2023 (*RMB'000*)	2022 (*RMB'000*)
REVENUE	4	**3,297,828**	4,860,613
Cost of sales		**(1,863,721)**	(2,964,448)
Gross profit		**1,434,107**	1,896,165
Other income and gains		**61,609**	50,811
Selling and marketing expenses		**(485,155)**	(553,272)
Administrative expenses		**(271,015)**	(282,262)
Research and development costs		**(143,522)**	(162,746)
Other expenses		**(99,622)**	(128,440)
Listing expenses		**(72,189)**	(9,664)
Finance costs		**(86,316)**	(76,824)
Fair value gains on financial liabilities at fair value through profit or loss		**11,475**	87,044
PROFIT BEFORE TAX	5	**349,372**	820,812
Income tax expense	6	**(87,050)**	(135,928)
PROFIT FOR THE YEAR		**262,322**	684,884
Attributable to:			
Owners of the parent		**234,885**	680,793
Non-controlling interests		**27,437**	4,091
		262,322	684,884

	Notes	For the year ended December 31, 2023 (RMB'000)	2022 (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		**(7,768)**	(26,179)
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		**(36,381)**	(54,254)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX		**(44,149)**	(80,433)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**218,173**	604,451
Attributable to:			
Owners of the parent		**190,736**	600,360
Non-controlling interests		**27,437**	4,091
		218,173	604,451
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (Expressed in RMB per share)			
Basic	8	**0.34**	1.04
Diluted	8	**0.31**	0.96

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As of December 31,** **2023** ***(RMB'000)***	2022 *(RMB'000)*
NON-CURRENT ASSETS			
Property and equipment	9	**410,987**	375,428
Right-of-use assets		**187,390**	218,853
Goodwill		**79,802**	79,802
Other intangible assets		**151,416**	143,709
Deferred tax assets		**103,971**	118,403
Prepayments, deposits and other receivables	11	**12,575**	12,839
Amounts due from related parties		**2,474**	2,123
Financial assets at fair value through profit or loss	12	**1,535**	8,104
Pledged deposits		**300,000**	—
Total non-current assets		**1,250,150**	959,261
CURRENT ASSETS			
Inventories		**176,593**	229,413
Trade and bills receivables	10	**1,515,434**	1,856,847
Prepayments, deposits and other receivables	11	**188,474**	127,860
Financial assets at fair value through profit or loss	12	**50,837**	—
Amounts due from related parties		**25**	227
Pledged deposits		**412,602**	—
Cash and cash equivalents		**959,423**	1,680,625
Total current assets		**3,303,388**	3,894,972
CURRENT LIABILITIES			
Trade and bills payables	13	**742,108**	1,062,452
Other payables and accruals	14	**755,527**	985,104
Contract liabilities		**34,664**	21,060
Interest-bearing bank borrowings		**95,870**	112,792
Profit tax payable		**77,790**	124,553
Amounts due to related parties		**1,858**	61,071
Lease liabilities		**49,201**	51,400
Total current liabilities		**1,757,018**	2,418,432
NET CURRENT ASSETS		**1,546,370**	1,476,540
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,796,520**	2,435,801

	Notes	As of December 31, **2023** ***(RMB'000)***	2022 *(RMB'000)*
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings		**791,647**	1,023,329
Lease liabilities		**153,117**	182,455
Deferred tax liabilities		**23,166**	28,502
Convertible redeemable preferred shares		**—**	589,179
Total non-current liabilities		**967,930**	1,823,465
NET ASSETS		**1,828,590**	612,336
EQUITY			
Equity attributable to owners of the parent			
Share capital	15	**97**	86
Reserves		**1,707,974**	510,738
		1,708,071	510,824
Non-controlling interests		**120,519**	101,512
Total equity		**1,828,590**	612,336

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

ADICON Holdings Limited (the "**Company**") is a limited liability company incorporated in the Cayman Islands on 20 March 2008. Its registered office address is the 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 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**").

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (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 and convertible redeemable preferred shares 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 2023. 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 new and revised IFRSs for the first time for the current year's financial statements.

IFRS 17	*Insurance Contracts*
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 the 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 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's 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. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(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 adoption of amendments to IAS 12 did not have any material impact on the basic and diluted earnings per share attributable to ordinary equity holders of the parent, other comprehensive income and the consolidated statements of cash flows for the years ended 31 December 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. 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.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (3)
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback* (1)
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "**2020 Amendments**") (1)
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "**2022 Amendments**") (1)
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*(1)
Amendments to IAS 21	*Lack of Exchangeability*(2)

Notes:

(1) Effective for annual periods beginning on or after 1 January 2024

(2) Effective for annual periods beginning on or after 1 January 2025

(3) No mandatory effective date yet determined but available for adoption

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

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 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. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

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 amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

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. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

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.

3. 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*.

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.

4. REVENUE

An analysis of revenue is as follows:

Disaggregated revenue information

	For the year ended 31 December	
	2023	2022
	(RMB'000)	*(RMB'000)*
Revenue from contracts with customers		
Medical diagnostic services	**3,297,828**	4,860,613
Timing of revenue recognition		
Goods transferred at a point in time	**3,272,740**	4,833,099
Services transferred over time	**25,088**	27,514
Total revenue from contracts with customers	**3,297,828**	4,860,613

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:

	For the year ended 31 December	
	2023	2022
	(RMB'000)	*(RMB'000)*
Revenue recognised that was included in the contract liabilities balance at the beginning of year:	**21,060**	20,683

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.

5. PROFIT BEFORE TAX

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

	For the year ended 31 December	
	2023	2022
	(RMB'000)	*(RMB'000)*
Cost of services provided	**1,692,871**	2,570,710
Cost of inventories sold	**170,850**	393,738
Depreciation of property and equipment	**99,397**	129,402
Depreciation of right-of-use assets	**59,552**	59,163
Amortisation of other intangible assets*	**8,490**	4,853
Fair value gains on convertible redeemable preferred shares	**(11,475)**	(87,044)
Fair value gains on contingent consideration	**—**	(13,337)
Fair value gains on put option over non-controlling interests	**(15,305)**	—
Fair value losses/(gains) on derivative financial instruments	**6,165**	(7,826)
Fair value gains on wealth management products	**(1,252)**	—
Research and development costs	**143,522**	162,746
Auditors' remuneration	**8,095**	7,192
Listing expenses excluding auditors' remuneration	**67,315**	9,664
Employee benefit expense (including directors' remuneration):	**975,366**	1,206,731
Share awards	**17,054**	15,049
Salaries and other benefits	**775,757**	973,201
Pension scheme contributions, social welfare and other welfare	**182,555**	218,481
Lease payments not included in the measurement of lease liabilities	**17,105**	13,387
Bank interest income	**(20,160)**	(8,874)
Finance costs	**86,316**	76,824
Foreign exchange losses, net	**8,198**	6,743
Losses on disposal of items of property and equipment and other intangible assets	**3,767**	1,758
Gains on disposal of items of right-of-use assets, net	**—**	(6)
Impairment losses, net of reversal:	**73,840**	113,074
– Financial assets under the ECLs model	**57,864**	111,653
– Inventories	**15,976**	1,421

* 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.

6. 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 subsidiary which operates in Hong Kong is 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 unless those subject to tax concession set out below:

Entity	*Notes*	**2023**	2022
杭州艾迪康醫學檢驗中心有限公司 Adicon (Hangzhou) Clinical Laboratories Co., Ltd. ("Hangzhou Adicon")	(1)	15%	15%
上海錦測醫學檢驗所有限公司 Shanghai Jince Clinical Laboratories Co., Ltd. ("Shanghai Adicon")	(1)	15%	15%
武漢艾迪康醫學檢驗所有限公司 Adicon (Wuhan) Clinical Laboratories Co., Ltd. ("Wuhan Adicon")	(1)	15%	15%
合肥艾迪康醫學檢驗實驗室有限公司 Adicon (Hefei) Clinical Laboratories Co., Ltd. ("Hefei Adicon")	(2)	15%	15%
南昌艾迪康醫學檢驗實驗室有限公司 Adicon (Nanchang) Clinical Laboratories Co., Ltd. ("Nanchang Adicon")	(2)	15%	15%
濟南艾迪康醫學檢驗中心有限公司 Adicon (Jinan) Clinical Laboratories Co., Ltd. ("Jinan Adicon")	(3)	15%	15%
北京艾迪康醫學檢驗實驗室有限公司 Adicon (Beijing) Clinical Laboratories Co., Ltd. ("Beijing Adicon")	(3)	15%	15%

Entity	*Notes*	**2023**	2022
福州艾迪康醫學檢驗所有限公司 Adicon (Fuzhou) Clinical Laboratories Co., Ltd. ("Fuzhou Adicon")	(3)	15%	15%
南京艾迪康醫學檢驗所有限公司 Adicon (Nanjing) Clinical Laboratories Co., Ltd. ("Nanjing Adicon")	(3)	15%	15%
河南艾迪康醫學檢驗實驗室有限公司 Henan Adicon Clinical Laboratories Co., Ltd. ("Henan Adicon")	(4)	15%	25%
天津艾迪康醫學檢驗實驗室有限公司 Adicon (Tianjin) Clinical Laboratories Co., Ltd. ("Tianjin Adicon")	(4)	15%	25%
成都艾迪康醫學檢測實驗室有限公司 Adicon (Chengdu) Clinical Laboratories Co., Ltd. ("Chengdu Adicon")	(5)	15%	15%
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")	(5)	15%	15%
重慶艾迪康醫學檢驗實驗室有限公司 Adicon (Chongqing) Clinical Laboratories Co., Ltd. ("Chongqing Adicon")	(5)	15%	15%
雲南艾迪康醫學檢驗所有限公司 Adicon (Yunnan) Clinical Laboratories Co., Ltd. ("Yunnan Adicon")	(5)	15%	15%
貴州艾迪康醫學檢驗中心有限公司 Guizhou Adicon Clinical Laboratories Center Co., Ltd. ("Guizhou Adicon")	(5)/(6)	20%	15%
南寧艾迪康醫學檢驗實驗室有限公司 Adicon (Nanning) Clinical Laboratories Co., Ltd. ("Nanning Adicon")	(6)	20%	20%
衢州艾迪康醫學檢驗實驗室有限公司 Quzhou Adicon Clinical Laboratories Co., Ltd. ("Quzhou Adicon")	(6)	20%	20%
臨沂艾迪康醫學檢驗實驗室有限公司 Linyi Adicon Clinical Laboratories Co., Ltd. ("Linyi Adicon")	(6)	20%	25%
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")	(6)	20%	25%
溫州艾迪康醫學檢驗實驗室有限公司 Wenzhou Adicon Clinical Laboratories Co., Ltd. ("Wenzhou Adicon")	(6)	20%	25%
三明艾迪康醫學檢驗所有限公司 Adicon (Sanming) Clinical Laboratories Co., Ltd. ("Sanming Adicon")	(6)	20%	25%
紹興艾迪康醫學檢驗實驗室有限公司 Shaoxing Adicon Clinical Laboratories Co., Ltd. ("Shaoxing Adicon")	(6)	20%	N/A
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")	(6)	20%	N/A
杭州艾易檢科技有限公司 Hangzhou Aiyijian Technology Co., Ltd. ("Hangzhou Aiyijian")	(7)	0%	0%

Notes:

(1) In 2021, Hangzhou Adicon, Shanghai Adicon and Wuhan Adicon were accredited as a High and New Technology Enterprise ("**HNTE**") and were entitled to the preferential income tax rate of 15% for a period of three years from 2021 to 2023.

(2) In 2019, Hefei Adicon and Nanchang Adicon were accredited as HNTEs and were entitled to the preferential income tax rate of 15% for a period of three years from 2019 to 2022. Hefei Adicon and Nanchang Adicon subsequently renewed their HNTE qualifications in 2022 and were entitled to the preferential tax rate of 15% from 2022 to 2024.

(3) In 2020, Beijing Adicon, Jinan Adicon, Fuzhou Adicon, and Nanjing Adicon were accredited as HNTEs and were entitled to the preferential income tax rate of 15% for a period of three years from 2020 to 2023. Beijing Adicon subsequently renewed its HNTE qualification in 2023 and was entitled to the preferential tax rate of 15% from 2023 to 2025. Jinan Adicon, Fuzhou Adicon and Nanjing Adicon renewed their HNTE qualifications in 2023 and were entitled to the preferential tax rate of 15% from 2023 to 2025.

(4) In 2023, Henan Adicon and Tianjin Adicon were accredited as an HNTE and was entitled to the preferential income tax rate of 15% for a period of three years from 2023 to 2025.

(5) Under the policies for the Grand Western Development Program, the Group's subsidiaries incorporated in Western China (Chengdu Adicon, Xi'an Adicon, Chongqing Adicon, Yunnan Adicon and Guizhou Adicon) were subject to corporate tax at 15% in 2022 and 2023. 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 applicable during 2018 to 2030.

(6) Nanning Adicon and Quzhou Adicon were qualified as small-scaled minimal profit enterprises during 2022 and 2023. Guizhou Adicon, Linyi Adicon, Shijiazhuang Adicon, Wenzhou Adicon, Sanming Adicon, Shaoxing Adicon and Ouhai Adicon were qualified as small-scaled minimal profit enterprises during 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 RMB 3,000,000 may be calculated as 50% and be taxed at the preferential EIT rate of 20%.

(7) Hangzhou Aiyijian was qualified as an integrated circuit ("**IC**") manufacturer or an entity engaged in a project encouraged by the State Council during 2022 and 2023. Pursuant to Guo Fa [2020] No.8, enterprises engaged in IC design, equipping, packaging and testing, and software enterprises that are encouraged by the State Council are exempted from EIT for the first two years, starting from the first profitable year. The companies shall also receive a 50% deduction in EIT from the third to fifth years.

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

	For the year ended 31 December	
	2023	2022
	(RMB'000)	*(RMB'000)*
Current income tax	**77,954**	175,122
Deferred income tax	**9,096**	(39,194)
Total tax charge for the year	**87,050**	135,928

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

	For the year ended 31 December	
	2023	2022
	(RMB'000)	*(RMB'000)*
Profit before tax	**349,372**	820,812
Tax at the statutory tax rate (25%)	**87,343**	205,203
Lower tax rates for specific provinces or enacted by local authority	**(28,586)**	(71,350)
Effect on opening deferred tax assets or liabilities resulting from change in applicable tax rate	**(7,759)**	(7,212)
Additional deductible allowance for qualified research and development costs	**(17,217)**	(18,403)
Expenses not deductible for tax	**6,621**	1,777
Tax losses utilised from previous years	**(225)**	(6,723)
Tax losses not recognised	**51,371**	28,489
Effect of withholding tax at 5% (2022: 10%) on the distributable profits of the Group's PRC subsidiaries	**(4,498)**	4,147
Tax charge at the Group's effective rate	**87,050**	135,928

7. DIVIDENDS

No dividend has been paid or declared by the Company for the year ended 31 December 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 year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 690,606,994 (2022: 653,402,129) in issue 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 in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	For the year ended 31 December	
	2023	2022
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation *(RMB'000)*	**234,885**	680,793
Less: Fair value gains on financial liabilities at FVTPL	**11,475**	—
	223,410	680,793
Ordinary shares *('000)*		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**690,607**	653,402
Earnings per share *(RMB per share)*	**0.34**	1.04
Effect of dilution – weighted average number of ordinary shares:		
Convertible redeemable preferred shares	**26,019**	52,762
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**716,626**	706,164
Diluted earnings per share *(RMB per share)*	**0.31**	0.96

9. PROPERTY AND EQUIPMENT

	Office and electronic equipment *(RMB'000)*	**Laboratory equipment** *(RMB'000)*	**Motor vehicles** *(RMB'000)*	**Leasehold improvements** *(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

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

10. TRADE AND BILLS RECEIVABLES

	As at 31 December **2023** ***(RMB'000)***	2022 *(RMB'000)*
Trade receivables	**1,751,633**	2,043,901
Bills receivable	**6,174**	3,253
	1,757,807	2,047,154
Allowance for expected credit losses	**(242,373)**	(190,307)
	1,515,434	1,856,847

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:

	As at 31 December	
	2023	2022
	(RMB'000)	*(RMB'000)*
1 month to 6 months	**1,074,252**	1,367,546
6 months to 1 year	**259,156**	360,641
Subtotal - within 1 year	**1,333,408**	1,728,187
1 year to 2 years	**157,116**	119,950
2 years to 3 years	**24,177**	8,543
Over 3 years	**733**	167
	1,515,434	1,856,847

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

	As at 31 December	
	2023	2022
	(RMB'000)	*(RMB'000)*
At beginning of year	**190,307**	75,075
Acquisition of a subsidiary	**—**	4,640
Impairment losses	**58,120**	111,510
Amount written off as uncollectible	**(6,054)**	(918)
At end of year	**242,373**	190,307

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 2023		
	Amount	**Expected loss rate**	**Impairment**
	(RMB'000)	***%***	***(RMB'000)***
1 month to 6 months	**1,099,652**		**25,400**
6 months to 1 year	**301,788**		**42,632**
Subtotal - within 1 year	**1,401,440**	**4.85**	**68,032**
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**
	1,757,807		**242,373**

	As at 31 December 2022		
	Amount *(RMB'000)*	Expected loss rate *%*	Impairment *(RMB'000)*
1 month to 6 months	1,426,611		59,076
6 months to 1 year	376,255		15,603
Subtotal - within 1 year	1,802,866	4.14	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
	2,047,154		190,307

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	**As at 31 December** **2023** ***(RMB'000)***	2022 *(RMB'000)*
Deposits		**20,277**	20,920
– current		**7,397**	7,515
– non-current	(1)	**12,880**	13,405
Prepayments	(2)	**43,877**	54,613
Advanced payment for investment	(3)	**18,200**	18,200
Advance lease payments for short-term leases		**6,325**	10,610
Subscription receivable for exercising share options	(4)	**90,105**	—
Value-added tax recoverable		**18,625**	14,300
Deferred listing expenses		**—**	12,682
Others		**3,945**	9,940
Provision for impairment		**(305)**	(566)
		201,049	140,699

Notes:

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

(2) The amount represents prepayments for reagents and consumables.

(3) As at 31 December 2023, the balance amounting to approximately RMB18,200,000 represents an advance payment for the proposed acquisition of two Independent Clinical Laboratories ("**ICLs**") 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 within twelve months.

(4) As at 31 December 2023, the balance amounting to approximately RMB90,105,000 represents the subscription receivables due from executive directors, senior management and employees under share incentive plans to settle the share options and RSUs being exercised. The amount is not yet received by the Company due to the restrictions from the Sale and Payment of Foreign Exchange Regulations. The receivables have been classified as current as the senior management of the Company has the flexibility to settle the balance at any time.

Analysed into:

	As at 31 December	
	2023	2022
	(RMB'000)	*(RMB'000)*
Current portion	**188,474**	127,860
Non-current portion - Deposits	**12,575**	12,839
	201,049	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 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.

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

		As at 31 December	
	Notes	**2023**	2022
		(RMB'000)	*(RMB'000)*
Non-current			
Derivatives - interest rate cap contracts	(1)	**1,535**	8,104
Current			
Wealth management products	(2)	**50,837**	—

Notes:

(1) 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 amounting 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 fair value through profit or loss. During the year ended 31 December 2023, the Group recorded RMB6,165,000 fair value loss (2022: RMB7,826,000 fair value gain).

(2) 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.

13. 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:

	As at 31 December	
	2023	2022
	(RMB'000)	*(RMB'000)*
Within 1 year	**667,679**	1,010,329
1 to 2 years	**65,836**	50,484
2 to 3 years	**7,016**	379
Over 3 years	**1,577**	1,260
	742,108	1,062,452

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

14. OTHER PAYABLES AND ACCRUALS

		As at 31 December	
	Notes	**2023**	2022
		(RMB'000)	*(RMB'000)*
Payroll payables		**313,959**	438,351
Accruals		**141,104**	172,162
Accrued listing expenses		**29,596**	11,011
Deferred revenue		**1,822**	—
Other payables		**90,554**	83,978
Advance payments received for subscription of share options	(1)	**22,059**	97,036
Payables arising from acquisitions	(2)	**99,306**	132,682
Amounts due to non-controlling shareholders	(3)	**57,127**	49,884
		755,527	985,104

Notes:

(1) The Company and its subsidiaries received RMB6,001,000 (2022: RMB26,526,000) in 2023 from certain domestic senior management and mid-level management of the Group for subscribing vested shares under the Employee Incentive Schemes. At 31 December 2023, these vested share options are legally registered. But due to the restrictions from the Sale and Payment of Foreign Exchange Regulations, the subscription received from these domestic individuals cannot freely transferred to the Company. Thus the payments are still recorded as advance payments.

(2) 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 31 December 2023 (2022: RMB18,071,000 unpaid). 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 as at 31 December 2023 (2022: RMB57,465,000), 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 2023 (2022: 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 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 2023 (2022: 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.

(3) 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 RMB57,127,000 (2022: RMB49,884,000) represents the revenue collected by the Group on behalf of the then shareholders as at 31 December 2023.

15. SHARE CAPITAL

	As at 31 December	
	2023	2022
	(RMB'000)	*(RMB'000)*
Issued and fully paid:		
727,354,791 (2022: 653,402,129) ordinary shares	**97**	86

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

	Notes	**Number of shares in issue**	**Share capital** *(RMB'000)*
At 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	(1)	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	(2)	3,902,509	1
At 31 December 2023		727,354,791	97

Notes:

(1) 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.

(2) 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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Compliance with the CG Code

The Company has adopted the code provisions of the CG Code and regularly reviews its compliance with the CG Code. 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 Company was listed on June 30, 2023. The Board considers that during the period from the Listing Date to December 31, 2023, the Company has applied the principles and complied with the code provisions set out in the CG Code.

Compliance with the Model Code

The Company has adopted the Model Code as its code of conduct regarding dealing in the securities of the Company by the Director 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 period from the Listing Date to December 31, 2023. In addition, no incident of non-compliance of the Model Code by the senior management of the Group was noted during the period from the Listing Date to December 31, 2023.

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.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any member of the Group purchased, redeemed or sold any of the Company's listed securities from the Listing Date to December 31, 2023.

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.

The Audit Committee reviewed the consolidated financial statements of the Group for the year ended December 31, 2023 in conjunction with the Company's external auditor, Ernst & Young. Based on this review and discussions with the Company's senior management, the Audit Committee was satisfied that the consolidated financial statements of the Group were prepared in accordance with applicable accounting standards and fairly present the Group's financial position and results for the year ended December 31, 2023. The Audit Committee has also discussed the accounting policies, standards, requirement and practices adopted by the Company and reviewed the effectiveness of risk management and internal control measures of the Group with senior management. The Audit Committee does not have any disagreement with the accounting treatment adopted by the Company.

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 year ended December 31, 2023 as set out in this announcement 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 announcement.

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 will be used in the manner as disclosed in the section headed "Future Plans and Use of Proceeds" of the Prospectus. The Company has no plans to deviate from the use of proceeds and the business strategies disclosed in the Prospectus.

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

Description	Total percentage amount	Intended use of proceeds *(RMB in millions)*	Utilized amount as of December 31, 2023 *(RMB in millions)*	Unutilized amount as of December 31, 2023 *(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	15.0	December 31, 2024
Network expansion through establishing new laboratories, partnership investments and development of new channels	25.0%	57.7	13.4	44.3	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	43.4	December 31, 2024
Upgrade and expansion of our existing laboratories	15.0%	34.6	13.1	21.5	December 31, 2024
Investment in operating infrastructure including logistics facilities, artificial intelligence technologies and IT infrastructure	10.0%	23.1	10.8	12.3	December 31, 2024
Working capital and general corporate purpose	10.0%	23.1	7.4	15.7	December 31, 2024
Total	100.0%	230.9	78.6	152.3	

Events after the Year Ended December 31, 2023

On March 28, 2024, the Board adopted the 2024 Incentive Plan. The awards 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 Board will entrust an independent third party as trustee of the 2024 Incentive Plan 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. This 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 plan was not required to be approved by the Shareholders.

Save as disclosed above, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to December 31, 2023 and up to the date of this announcement.

Final Dividends

The Board did not recommend the payment of any final dividend for the year ended December 31, 2023.

Annual General Meeting

The Annual General Meeting will be held on May 31, 2024. A circular (including notice convening the Annual General Meeting) will be published and dispatched (if requested) to the Shareholders in the manner required by the Listing Rules in due course.

Closure of Register of Members for the Annual General Meeting

The Company's register of members will be closed from Tuesday, May 28, 2024 to Friday, May 31, 2024, 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 27, 2024.

Publication of Annual Results Announcement and Annual Report

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

The annual report for the year ended December 31, 2023 containing all the information required by the Listing Rules will be published on the websites of the Stock Exchange and the Company and dispatched to the Shareholders (if requested) in due course.

DEFINITIONS

"AI"	artificial intelligence
"Annual General Meeting"	the annual general meeting of the Company proposed to be held on May 31, 2024
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors
"China" or "the PRC"	the People's Republic of China, and for the purposes of this announcement only, except where the context requires otherwise, references to China or the PRC exclude Taiwan and the special administrative regions of Hong Kong and Macau
"CG Code"	the Corporate Governance Code as set out in Appendix C1 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", "we", "us", "our" or "ADICON"	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
"Director(s)"	the director(s) of our Company
"ECL"	expected credit loss
"FVTPL"	fair value through profit or loss

"Global Offering"	the global offering of Shares by the Company, including the exercise of the Over-allotment Option, as 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
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"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 C3 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
"RMB"	Renminbi, the lawful currency of China
"RSU"	restricted share units
"R&D"	research and development
"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

"2019 Incentive Plans"	the senior executive incentive plan of our Company and the senior management incentive plan of our Company adopted and approved on July 9, 2019, as amend from time to time
"2024 Incentive Plan"	the 2014 incentive plan of the Company adopted and approved on March 28, 2024, as amend from time to time
"%"	per cent.

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

Hong Kong, March 28, 2024

As at 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.