云康
YUNKANG

Yunkang Group Limited
云康集团有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2325

2022
Annual Report

In-Depth Services ▪ Lean Operations

CONTENTS

"2021 Negative List"	Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Edition) (外商投資準入特別管理措施 (負面清單) (2021年版)) jointly issued by the National Development and Reform Commission and the Ministry of Commerce
"2022 RSU Scheme"	the 2022 restricted share unit scheme adopted by the Company on November 23, 2022
"AGM"	the annual general meeting of the Company to be held at 10:30 a.m. on Wednesday, June 28, 2023 at No.9 Yayingshi Road, Science City, Huangpu District, Guangzhou, PRC or any adjournment thereof
"Articles of Association"	the amended and restated articles of association of our Company adopted on April 20, 2022 and effective on May 18, 2022
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors of the Company
"Business Day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"CDC"	Chinese Center for Disease Control and Prevention (中國疾病預防控制中心)
"Chengdu Daan"	Chengdu Gaoxin Daan Medical Laboratory Co., Ltd. (成都高新達安醫學檢驗有限公司), a limited liability company established in the PRC on June 10, 2009 and a wholly-owned subsidiary of Yunkang Industry
"China" or "PRC"	the People's Republic of China and, except where the context requires, references in this annual report to the PRC or China exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Companies Act"	the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

Definitions and Glossary of Technical Terms

"Company" or "Yunkang"	Yunkang Group Limited (云康集团有限公司), a company incorporated under the laws of the Cayman Islands with limited liability on July 20, 2018
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules
"Consolidated Affiliated Entities"	the entities we control through the Contractual Arrangements, being Yunkang Industry, subsidiaries of Yunkang Industry and Guangzhou Clinic
"Contractual Arrangements"	the series of contractual arrangements entered into by, among others, WFOE, the Registered Shareholders and Yunkang Industry
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules, unless the context requires otherwise, refers to Mr. Zhang Yong, YK Development, Daan International, Guangzhou Daan Gene, Da An Gene, Huizekx Limited, Mouduans Limited, Tongfuzc Limited, WJJR Investment Limited, Jin Jun Ying Limited and Source Capital RW Limited
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Da An Gene"	Daan Gene Co., Ltd. (廣州達安基因股份有限公司), a company limited by shares established in the PRC whose shares are listed on the SME Board of the Shenzhen Stock Exchange (Stock Code: 002030.sz) and a Registered Shareholder
"Da An Gene Group"	Da An Gene and its subsidiaries
"Daan International"	Daan International Holdings Limited (達安國際集團有限公司), a company incorporated in Hong Kong with limited liability on September 2, 2008, a subsidiary of Da An Gene and one of our Controlling Shareholders
"Director(s)"	director(s) of the Company
"FVOCI"	fair value through comprehensive income
"FVTPL"	fair value through profit or loss

"Gaoxin Yangguang"	Tianjin Gaoxin Yangguang Investment Co., Ltd. (天津高新陽光投資有限公司), previously known as Beijing Gaoxin Yangguang Investment Co., Ltd. (北京高新陽光投資有限公司), a limited liability company established in the PRC on December 14, 2007 and wholly-owned by Mr. Zhang Yong, a Registered Shareholder
"Global Offering"	the offer for subscription of Shares as described in the Prospectus
"Group"	our Company, all of our subsidiaries and the Consolidated Affiliated Entities
"Guangzhou Anjianxin"	Guangzhou Anjianxin Medical and Health Industry Equity Investment Fund (Limited Partnership) (廣州安健信醫療健康產業股權投資基金(有限合夥)), a limited partnership established in the PRC on December 2, 2014 and a Registered Shareholder
"Guangzhou Clinic"	Guangzhou Yunkang Clinic Co., Ltd. (廣州雲康門診有限公司), a limited liability company established in the PRC on January 29, 2019 ultimately controlled by WFOE and Yunkang Industry
"Guangzhou Daan"	Guangzhou Daan Clinical Laboratory Center Co. Ltd. (廣州達安臨床檢驗中心有限公司), a limited liability company established in the PRC on February 28, 2006 held by Yunkang Industry and CDB Development Fund as to 95.28% and 4.72%, respectively, as of the Latest Practicable Date
"Guangzhou Daan Gene"	Guangzhou Daan Gene Technology Co., Ltd. (廣州市達安基因科技有限公司), a limited liability company established in the PRC on May 6, 2009 and a wholly-owned subsidiary of Da An Gene
"Guangzhou Huigang"	Guangzhou Huigang Investment Partnership (Limited Partnership) (廣州匯港投資合夥企業(有限合夥)), a limited partnership established in the PRC on May 14, 2015 and a Registered Shareholder, which is wholly-owned as to 50% and 50% by Foshan City Guangchen Enterprise Management Center (佛山市廣宸企業管理中心) and Foshan City Gangshen Enterprise Management Center (佛山市港深企業管理中心) respectively as of the Latest Practicable Date
"Guangzhou Yunkang"	Guangzhou Yunkang Biological Technology Co., Ltd. (廣州雲康生物科技有限公司), a limited liability company established in the PRC on May 5, 2014 and a wholly-owned subsidiary of our Company
"Heyuan Rongwei"	Beijing Heyuan Rongwei Equity Investment Center (Limited Partnership) (北京合源融微股權投資中心(有限合夥)), a limited partnership established in the PRC on April 20, 2015 and a Registered Shareholder
"HK$", "HKD" or "Hong Kong Dollars"	Hong Kong dollars respectively, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC

"Latest Practicable Date"	April 19, 2023, being the latest practicable date for the purpose of ascertaining certain information contained in this annual report prior to its publication
"Listing Date"	May 18, 2022, the date on which dealings in our Shares first commenced on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM. For avoidance of doubt, the Main Board excludes the GEM
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"Mouduanshan"	Zhuhai Hengqin Mouduanshan Enterprise Management Center (Limited Partnership) ((珠海橫琴謀斷山企業管理中心(有限合夥)), previously known as Zhuhai Hengqin Mouduanshan Investment Center (Limited Partnership) ((珠海橫琴謀斷山投資中心(有限合夥)), a limited partnership established in the PRC on June 5, 2015 and a Registered Shareholder
"Nomination Committee"	the nomination committee of the Board
"Non-competition Undertaking"	the non-competition undertaking dated September 3, 2021 entered into between the Company and Da An Gene
"PCR"	polymerase chain reaction
"Prospectus"	the prospectus of the Company dated May 5, 2022
"R&D"	research and development
"Registered Shareholder(s)"	the registered shareholder(s) of Yunkang Industry as defined in the Prospectus
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	Renminbi yuan, the lawful currency of the PRC
"Reporting Period"	the year ended December 31, 2022

"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Shanghai Daan"	Shanghai Daan Medical Laboratory Co., Ltd. (上海達安醫學檢驗所有限公司), a limited liability company established in the PRC on July 28, 2006 and a wholly-owned subsidiary of our Group
"Share(s)"	ordinary share(s) in the share capital of the Company with nominal value of US$0.000002 each
"Shareholder(s)"	shareholder(s) of the Company
"SPDB Guangzhou Wuyang Branch"	Guangzhou Wuyang Branch of Shanghai Pudong Development Bank Co., Ltd.
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Tongfu Zhongchuang"	Shenzhen Tongfu Zhongchuang Investment Management Co., Ltd. (深圳同福中創投資管理有限公司), a limited liability company established in the PRC on May 18, 2015 and a Registered Shareholder
"USD" or "US$"	United States dollars, the lawful currency of the United States
"WFOE" or "Yunkang Technology"	Guangzhou Yunkang Health Technology Co., Ltd. (廣州雲康健康科技有限公司), a limited liability company established in the PRC on July 10, 2019 and a wholly-owned subsidiary of our Company
"YK Development"	YK Development Limited, a limited liability company duly incorporated in the the British Virgin Islands on July 12, 2018 and one of our Company's Controlling Shareholders
"Yujiang Anjin"	Yujiang Anjin Venture Capital Center (Limited Partnership) (余江安進創業投資中心(有限合夥)), currently known as Guangzhou Jinan Investment Center (Limited Partnership) (廣州進安投資中心(有限合夥)), a limited partnership established in the PRC on September 15, 2014 and a Registered Shareholder

"Yunkang Industry"	Yunkang Health Industry Investment Co., Ltd. (雲康健康產業投資股份有限公司), previously known as Gaoxin Da An Health Industry Investment Co., Ltd. (高新達安健康產業投資有限公司), a limited liability company established in the PRC on May 28, 2008 controlled by us through the Contractual Arrangements
"Yunkang Lingnan"	Yunkang Lingnan (Guangzhou) Medical Health Technology Development Co., Ltd. (藝康嶺楠(廣州)醫療健康科技發展有限公司), a limited liability company established in the PRC on September 19, 2019 and a wholly-owned subsidiary of Yunkang Industry
"we", "us" or "our"	the Company or the Group, as the context requires
"%"	percentage

BOARD OF DIRECTORS

Executive Director:

Mr. Zhang Yong *(Chairman of the Board and Chief Executive Officer)*

Non-Executive Directors:

Ms. Huang Luo *(appointed on August 11, 2022)*
Dr. Guo Yunzhao
Dr. Wang Ruihua *(appointed on July 11, 2022)*
Mr. Zhou Xinyu *(resigned on August 11, 2022)*
Mr. Zhou Weiqun *(resigned on July 11, 2022)*

Independent Non-Executive Directors:

Mr. Yu Shiyou
Mr. Yang Hongwei
Mr. Xie Shaohua

AUDIT COMMITTEE

Mr. Xie Shaohua *(Chairman)*
Dr. Guo Yunzhao
Mr. Yu Shiyou

REMUNERATION COMMITTEE

Mr. Yu Shiyou *(Chairman)*
Mr. Zhang Yong
Mr. Xie Shaohua

NOMINATION COMMITTEE

Mr. Zhang Yong *(Chairman)*
Mr. Yu Shiyou
Mr. Xie Shaohua

JOINT COMPANY SECRETARIES

Mr. Lin Yingjia
Ms. Chan Lok Yee

AUTHORIZED REPRESENTATIVES

Mr. Zhang Yong
Ms. Chan Lok Yee

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No.6 Lizhishan Road
Science City
Huangpu District
Guangzhou, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1901, 19/F, Lee Garden One
33 Hysan Avenue, Causeway Bay
Hong Kong

HONG KONG LEGAL ADVISER

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

Corporate Information

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
PO Box 1093
Boundary Hall
Cricket Square
Grand Cayman, KY1-1102
Cayman Islands

HONG KONG SHARE REGISTRAR

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

STOCK CODE

2325

COMPANY WEBSITE

http://www.yunkanghealth.com

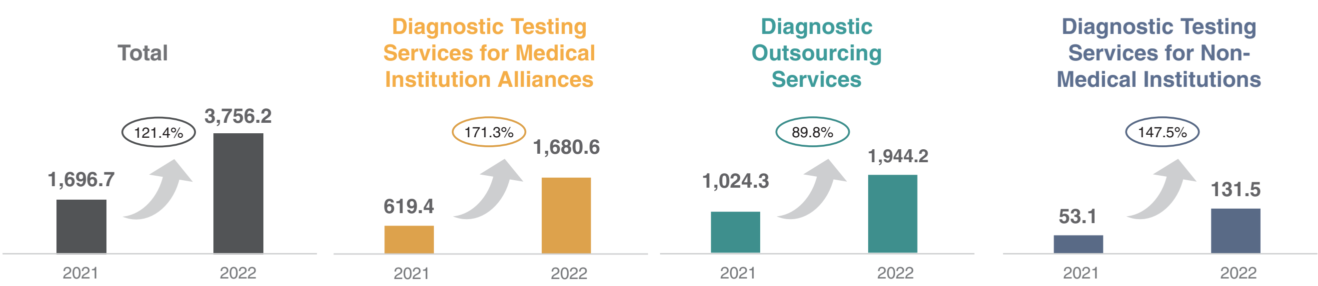
Financial Highlights

Financial Highlights

	For the year ended December 31,		
	2022 RMB'000	2021 RMB'000	Change
Revenue	**3,756,201**	1,696,740	121.4%
Recognized at a point in time:			
– Diagnostic outsourcing services	**1,944,173**	1,024,274	89.8%
– Diagnostic testing services for medical institution alliances	**1,680,559**	619,356	171.3%
– Diagnostic testing services for non-medical institutions	**131,469**	53,110	147.5%
Cost of revenue	**(2,448,471)**	(797,603)	207.0%
Gross profit	**1,307,730**	899,137	45.4%
Profit before income tax	**443,424**	451,220	(1.7)%
Profit for the year	**373,949**	381,893	(2.1)%
Profit attributable to owners of the Company	**377,309**	380,932	(1.0)%

	For the year ended December 31,		
	2022 RMB	2021 RMB	Change
Earnings per share for profit attributable to the owners of the Company			
Basic	**0.66**	0.76	(13.2)%
Diluted	**0.66**	0.76	(13.2)%

Revenue by business line (RMB million)



During the Reporting Period, our Group achieved a revenue of RMB3,756.2 million, representing an increase of 121.4% compared to the same period in 2021. This increase was primarily attributable to the rapid, continuous and healthy development of the Group's business operations during the Reporting Period driven by the promotion of healthcare policy in the PRC and the Group's professional medical diagnostic capabilities, outstanding capabilities of standardization and the innovative business model of providing diagnostic testing services for medical institution alliances.

During the Reporting Period, the revenue generated from diagnostic outsourcing services reached RMB1,944.2 million, representing an increase of 89.8% compared to the same period in 2021. Based on the customer-oriented service concept and in order to respond to customer demands more quickly and efficiently, the Group established nearly 10 provincial comprehensive laboratories and regional rapid-response laboratories during the Reporting Period. Meanwhile, as a professional medical diagnostic and testing service institution, the Group continuously improves its diagnostic and testing capabilities and develops competitive products to provide customers with more accurate medical solutions. During the Reporting Period, our business portfolio in key areas including infectious diseases and blood diseases maintained stable growth, while the scale of income from outsourcing services further expanded.

During the Reporting Period, the revenue generated from diagnostic testing services for medical institution alliances reached RMB1,680.6 million, representing an increase of 171.3% compared to the same period in 2021. After years of effort, the Group's diagnostic testing services for medical institution alliances have achieved scalable and rapid growth, which was mainly reflected in: (i) the increase in the number of on-site diagnostic centers from 275 as of December 31, 2021 to 398 as of December 31, 2022, providing over 840 medical institutions with the diagnostic testing services for medical institution alliances and helping medical institutions enhance diagnostic testing capabilities at all levels in the medical institution alliances and improve the efficiency of diagnostic testing services as a whole; and (ii) the expansion of capabilities and service scope of on-site diagnostic centers after the initial construction and operations, resulting in a rapid growth of the average revenue of the unit on-site diagnostic centers from RMB2.2 million for the year ended December 31, 2021 to RMB4.2 million for the year ended December 31, 2022. As a significant business portfolio of the Group, diagnostic testing services for medical institution alliances constituted an increasing proportion of the Group's total revenue, which increased from 36.5% for the year ended December 31, 2021 to 44.7% for the year ended December 31, 2022.

Diagnostic testing services for non-medical institutions are mainly provided through our outpatient clinics, serving individual customers of general public and employees of our non-medical institution customers. Due to the significant increase in demands for COVID-19 testing by individual customers and non-medical institution customers under the impact of the COVID-19 pandemic, the diagnostic testing services for non-medical institutions recorded revenue of RMB131.5 million during the Reporting Period, representing an increase of 147.5% as compared with the same period of 2021.

During the Reporting Period, the Group recorded a profit of RMB373.9 million, representing a decrease of 2.1% compared to the same period of 2021. During the Reporting Period, the Group recorded a slight decrease in profit as compared to 2021, primarily due to the significant decrease in the average unit price of COVID-19 testing as a result of changes in pricing policies of the government. Meanwhile, the demand for COVID-19 testing has dropped significantly since the adjustments to the policies in relation to the prevention and control on COVID-19 pandemic by the end of 2022. The Company has made provisions for the impairment of relevant inventories and equipment based on actual changes in the pandemic and market conditions. Based on the overall continuous and healthy development of the Company's three major business lines, the overall profit of the Group basically remained the same as that of the previous year.

Focusing on the annual goal of "deepening the in-depth service system, building an efficient operation system and achieving high-quality growth" in 2022, the Group has made steady progress in service network expansion, operational efficiency improvement and lean management, and achieved high-quality growth. In particular, in the field of diagnostic testing services for medical institution alliances, the Group has formed a set of medical institution alliances construction and operation support solutions featuring the advantages of "professionalism, standardization and intelligence", which effectively enhanced the diagnostic capabilities and service efficiency of medical institution alliances while continuing to bring positive impact to the Group's profitability.

Dear shareholders, partners and employees,

In 2022, the 20th National Congress of the Community Party of China was held successfully, stressing that ensuring the people's health should be taken as a strategic priority in the development and the people's health should be always the focus. Recently, the General Office of the CPC Central Committee and the General Office of the State Council also published the "Opinions on Further Improving the Medical and Health Service System", which aims to propose the establishment of a high-quality and efficient medical and health service system with Chinese characteristics in an all-round way, offering comprehensive and full-cycle healthcare services to the general public.

As a comprehensive and professional medical operation service provider in China, Yunkang is committed to promoting the expansion and regional balanced distribution of high-quality medical resources, driving the equity and accessibility of the medical and health services, and improving the supply of high-quality medical services. In 2022, guided by the business principle of "in-depth services and lean operations", Yunkang constantly placed emphasis on "in-depth services" with a theme of "deepening the in-depth service system, building an efficient operation system and achieving high-quality growth" and concentrated on substantial development. With the goal of providing professional, accurate, efficient and convenient medical and health services, Yunkang is committed to make its contributions in advancing the integration of medical and health service systems, promoting hierarchical diagnosis and treatment and enhancing the capability and quality of medical services.

DEEPENING "IN-DEPTH SERVICES"

Upholding the operation philosophy of "in-depth services", Yunkang has to make efforts to optimize the in-depth service management system by further clarifying who are target customers of the in-depth services and where they are. In 2022, by further sorting out its customers, clearly taking the three major categories of leading hospital customers as focus and leveraging their advantages in labor division, Yunkang worked with customers to jointly improve accessibility to the regional medical services, and strengthen public health services and primary medical services. The customers of Yunkang's major businesses mainly include:

1. **Specialty alliances and telemedicine collaboration networks centered on high-level hospitals:**

   It is clearly set out in the "Action Plan for Promoting the High-Quality Development of Public Hospitals" implemented by the National Health Commission that during the "14th Five-Year Plan" period, the construction of national medical centers, national regional medical centers and provincial regional medical centers should be promoted by focusing on serious diseases and platform specialties, and meanwhile it's necessary to strengthen the construction of featured specialties, platform specialties and weak specialties to improve the diagnosis and treatment levels with the development of specialties. Responding to the policy requirements and the development trend of medical services, Yunkang put its emphasis on the high-level hospitals first and helped them extend their service coverage to more regions and promote the specialty alliances and telemedicine collaboration networks for clinical key specialties by offering multi-level, multi-dimensional and collaborative services of "medical, industry, research and service", for the purpose of facilitating to build the clinical disease diagnosis and treatment capabilities and improving the homogenization of regional specialty medical services.

2. **Urban medical institution alliances focusing on municipal and district-level leading hospitals:**

To speed up the construction of the integrated medical and health service system, the nation requires establishment of medical institution alliances consisting of municipal hospitals, district-level hospitals, community health service institutions and others in a city's grid layout, for the purpose of giving play to the leading role of municipal hospitals and the hospitals that represent the highest medical level in a region and forming a scientifically orderly medical landscape and systematically continuous diagnosis and treatment landscape. This is not only the nation's requirements for municipal and district-level leading hospitals, but also an important opportunity for Yunkang, as a medical operation service provider, to center on the collaboration and sharing of regional medical resources, give play to its professional advantage in labor division, facilitate leading hospitals to offer high-quality services and build an integrated service network for urban medical institution alliances. Yunkang has accumulated rich standardized and process-oriented service operation experience from its in-depth participation in the construction of urban medical institution alliances featuring medical group model. With sufficient case experience and potential capabilities, Yunkang has been in a good position to build urban medical institution alliances which are functionally complementary, continuously collaborative and operating efficiently. Yunkang is confident and determined to focus on leading municipal and district-level hospitals and help them in the establishment of a regional well-functioning urban medical and health service network with its featured in-depth services during the further construction of the high-quality and efficient medical and health service system with Chinese characteristics.

3. **County-level medical alliances emphasizing on county-level leading hospitals**

In order to deepen the construction of medical institution alliances, improve the capabilities of primary medical institutions and achieve the medical reform target of "treatment of severe diseases in the county", the General Office of State Council took "deeply promoting the construction of compact county-level medical alliances and institutional mechanism reform" as a priority for its work in 2022. At the same time, many provinces including Guangdong province have rolled out implementation rules for the construction of compact county-level medical alliances. Adhering to the beautiful vision of "healthy communities, healthy families" for many years, Yunkang has accumulated rich experience and possesses various standardized application instruments in terms of cooperating with leading county-level hospitals, strengthening primary medical service capabilities, promoting the examination in primary hospitals and diagnosis by upper-level hospitals and mutual recognition of examination and testing results. In 2022, based on the value proposition of county-level medical alliances, Yunkang once again integrated a series of technology and service-based solutions for county-level medical alliances to meet the individualized demands of customers, accumulating valuable practical experience and forming a powerful support for constantly promoting the medical and health county-village integrated management and even helping construction of primary medical and health systems including gridded primary disease prevention and control network.

ADHERING TO "LEAN OPERATIONS"

If "in-depth services" is to extend Yunkang's technical products, professional resources and technical services as well as operational capabilities to the place nearest to customers, "lean operations" is to focus on the three major operational goals of "quality, cost and efficiency", constantly optimize and innovate the organizational models and operation processes, establish a system of goals, tasks and responsibilities, and insist on doing the right thing and doing things right, so as to truly provide customers with professional, accurate, efficient and convenient medical and health services. In 2022, Yunkang focused on lean operations from the marketing side to the production side, built a full-process lean management and service system from front-end to back-end, and formed a self-driven and externally-driven efficient operation system by placing management on the value creation process and establishing mechanisms, rules and processes, which enhanced the overall passing capacity of the process, so as to better support the "customer-centric" in-depth service system of Yunkang.

1. **Taking products as key points to do a good job in the overall management of customers:**

   Products and medical alliance solutions are the core values that Yunkang provides to customers and are an important part of in-depth service marketing. In practice, Yunkang insists on constantly improving the definition of our products, continuously asks what our products are, what they should be, and what they really are, and seeks the answer in the business practice of serving customers. In terms of the form of product solutions, Yunkang continues to optimize its product structure and modularizes important components to facilitate the rapid realization of the product portfolio and the transfer of product capabilities to the front line of business.

   At the same time, after three years of hard work in the fight against the COVID-19, Yunkang's marketing team has reinforced its organizational resilience and accumulated experience in fighting big battles. Facing the opportunity of significant business recovery after deregulation of the pandemic, Yunkang will continue to focus on in-depth service marketing, smoothen the lean operation processes from customer development to product innovation and R&D, fully release the customer resources and operating experiences accumulated during the pandemic, continuously improve our technical capabilities, give play to the penetration of our products, enrich full-scenario solutions, thereby achieving lean operations.

2. **Boosting a lean management in laboratories with the "7S" project as the starting point:**

   The core concept of lean management is "full participation and continuous improvement". The "full participation" emphasizes the initiative of people, while the "continuous improvement" requires the establishment and continuous optimization of standards to identify and resolve problems according to the standards. In order to strengthen the concept of lean management on the production side, in 2022, Yunkang launched the "7S" lean operation project for laboratories, which mainly includes the 7S management system for self-built laboratories and the construction of the management system for medical alliance projects. The 7S management system for self-built laboratories includes seven parts: sorting, rectification, sweeping, cleaning, safety, saving and quality, with an aim to start from the standards and regulations for on-site management and achieve the goal of "everyone participates for continuous improvement". The implementation standards and benchmark specialty departments for 7S management for self-built laboratories have been established and are being promoted across the board currently. The management system for on-site diagnosis center of medical alliance projects involves clinical testing labs and pathology labs in leading hospitals, with the content including the operation manuals for on-site diagnosis center and the work evaluation mechanism for the customer-centric on-site teams. With the implementation and promotion of the lean management project for labs, Yunkang's lab operation team and other back-office supporting teams can build good professionalism through continuous improvement actions and gradually develop into a well-trained staff team with continuous growth potential.

LOOKING FORWARD

2023 is a critical year for the government's "14th Five-Year Plan". It is the first year of deregulation of the pandemic after three years of arduous efforts to fight against it. We are confident in the long-term growth of China's economy and the continuous improvement of residents' consumption level. We are also confident in the future development of the third-party medical testing industry with low-penetration and high-growth potential.

2023 is the first year for Yunkang to open a new chapter after it was listed on the Stock Exchange. In 2023, focusing on in-depth service marketing, Yunkang will refine products and medical alliance solutions. Supported by a lean operating system, Yunkang will continue to enrich the connotation of in-depth services and optimize the cost structure of the entire value chain process. We will leverage on the advantages of the industrial chain, integrate the resources of upstream and downstream suppliers to realize advantages complementation. We will seize the business opportunities arising from the establishment of high-quality and efficient medical and health service system as well as the coordination and integration of medical treatment and prevention, deepening the standardization of products and medical alliance solutions based on customer needs and value propositions to promote the Group's lean management by taking advantages of the 7S project. At the same time, we will explore the effective management model of laboratories in on-site diagnosis center of medical alliance and establish an end-to-end digital operation platform based on sample streams.

As a leading medical operation service provider in China, we will continue to create value for our customers, expand our business scale, promote the balanced distribution of medical resources across the country, and support the implementation of the Healthy China strategy in the long run.

Here, on behalf of all my colleagues in the Company, I would like to express my sincere gratitude to all Shareholders, medical institutions, suppliers and other partners for their trust and support. We will seize the huge potential of third-party medical testing market and create long-term value with vigorous growth for our customers, patients, employees and Shareholders.

Yunkang Group Limited
Zhang Yong
Chairman, executive Director and chief executive officer

Management Discussion and Analysis

BUSINESS OVERVIEW

In 2022, under the impact of the COVID-19 pandemic, the overall community's demand for public health has surged, along with a periodic rebound in medical demands. The local governments became more willing to invest in health care, and the local finance departments raised higher requirements for the efficiency of medical input and output. 2022 was the second year of the "14th Five-year Plan" of China, and the government put forward a series of policies to promote the upgrade of medical service demands and biotechnological innovation. Driven by the multiple favorable factors, the big health industry, especially the third-party testing sector with a great emphasis on quality, cost and efficiency, is bound to embrace promising development opportunities.

In 2022, driven by the medical insurance policy of DRG/DIP (i.e. the payment based on the Diagnosis Related Groups/Diagnosis Intervention Packet), the payment method reform was promoted nationwide. Hospitals at all levels would pay more attention to cost control, and their medical technology departments such as the examination department and pathology department would also put as much emphasis on it, which further stimulated the increase of the hospitals' demand for testing outsourcing. Therefore, the third-party testing institutions with advantages in scale and technology have opportunities to quickly seize the market and then greatly improve the industry market penetration.

In 2022, the government further promoted the four models for the construction of medical institution alliances, namely urban medical groups, county-level medical alliances, specialist alliances as well as telemedicine collaboration networks: (i) in terms of public health protection, to facilitate "the combination of prevention and treatment", to promote the deep cooperation between medical institutions and professional public health institutions, and to improve the grid-based network for public prevention and control, to enhance the testing capability of medical institutions and laboratories; and (ii) in terms of strengthening public health support and protection, to accelerate the establishment of the system of tiered diagnosis and treatment, to reinforce the grid layout and management of urban medical groups, to accelerate the comprehensive medical reform in counties, to boost the compact establishment of county-level medical alliances and to promote the joint development of specialist alliances and telemedicine collaboration networks. With the support of a series of policies and upon further implementation of the subsequent policies and measures, the third-party testing institutions will further integrate their technical capabilities and services into the construction of system of tiered diagnosis and treatment in an all-round way.

In addition, the 14th Five-year Plan has elevated the "actively responding to the population aging" to a national strategy. According to the National Health Commission, the total number of elderly people aged 60 or above may exceed 300 million, and its proportion of the total population may exceed 20% during the 14th Five-year Plan period, which will bring China to a moderate aging stage. As the aging intensifies, the number of patients with chronic diseases and cancers will continue to increase in China, the public's health awareness and their demands for health services will continue to grow, and China's medical service market will continue to expand as well.

At the technical level, the booming biotechnologies are extending the bioeconomy to many other sectors, making the development and application of biotechnologies more revolutionary. With the development of new general technologies such as ultramicroscopic morphology, quantitative PCR, fluorescence in situ hybridization, flow cytometry, flow fluorescence, Next Generation Sequencing ("**NGS**"), digital PCR, remote artificial intelligence ("**AI**") pathology and mass spectrometry, and the deepening application of AI technology, the technologies in the industry will be updated at a faster pace in the future. They will be more widely applied in areas such as infectious diseases, reproductive health, genetic diseases, clinical immunity, solid tumors, blood diseases, cardiovascular and cerebrovascular diseases. The development of medical big data platform is still in its infancy, bringing momentum to the medical, medical technology and pharmaceutical innovations. The further application of artificial intelligence in the testing and diagnostic fields has improved the work efficiency and increased accuracy and stability of the results. The innovative development of the industry may also be affected by the update and iteration arising from the technological innovation. For enterprises with market, technologies, talents, industry experience, innovative R&D capabilities and forward-looking vision, they are more likely to reap the digital development dividend if they iterate, launch and promote their new technologies and new products quickly with technological and model innovations.

Driven by the above-mentioned favorable policies, social and technological factors, China's third-party diagnostic testing service market is growing fast.

Business Review

We are a comprehensive and professional medical operation service provider in China, which is committed to focusing on the health needs of customers, providing competitive solutions and services, and creating a happy life for the public. The Group has gradually become a leading medical operation platform through professional medical diagnosis services, strong standardization capabilities, and innovative business model of diagnostic testing services for medical institution alliances. The Group's service portfolio mainly includes diagnostic outsourcing services, diagnostic testing services for medical institution alliances and diagnostic testing services for non-medical institutions.

During the Reporting Period, the Group's revenue reached RMB3,756.2 million, representing a year-on-year increase of 121.4%, and the overall gross profit margin was 34.8%. The Group's service portfolio maintained high-speed growth, among which the diagnostic testing services for medical institution alliances increased by 171.3% year-on-year, the diagnostic outsourcing services increased by 89.8% year-on-year and the diagnostic testing services for non-medical institutions increased by 147.5% year-on-year.

Built on the diagnostic expertise and the established healthcare services network, the Group's service portfolio mainly includes the following:

- *Diagnostic testing services for medical institution alliances*

  We offer diagnostic testing services for medical institution alliances. The first key step of these services is to assist in the establishment of an on-site diagnostic center at the leading hospitals. Through the on-site diagnostic centers, medical institutions have the opportunity to build up their diagnostic capacities in a more efficient way as the test samples collected at the medical institutions do not need to be delivered to the other testing service institutions for testing. Instead, the medical institutions can complete the testing at these diagnostic centers on-site. Relying on our services, member hospitals can offer standardized diagnostic testing services to patients, and, with the diagnostic and testing reports we issue, better understand the characteristics and conditions of the patients and direct the patients to the most suitable medical institution within the alliances that has the most experiences in handling similar patients.

  The Group usually assists leading hospitals in relevant regions to establish on-site diagnosis centers in main areas such as infectious diseases, reproductive health, genetic diseases, clinical immunity, solid tumors, blood diseases, cardiovascular and cerebrovascular diseases and provides leading hospitals with comprehensive quality solutions including standardized construction of laboratories, construction and supporting of professional disciplines, quality management, information system of smart laboratories, medical logistics services, supply chain management, technology innovation and research transformation, so as to promote the improvement on the overall technical level and operational efficiency of regional medical institution alliances.

- *Diagnostic outsourcing services*

  The Group offers diagnostic outsourcing services to hospitals, other medical institutions and public health institutions. Hospitals need to conduct diagnostic testing on patients' test samples, which, considering the high volume of patients' test samples overall for various test types, can be time- and cost-consuming. As for other medical institutions and public health institutions, they do not have the required capabilities to conduct all diagnostic testing items themselves. For these aforementioned reasons, these institutions generally conduct certain diagnostic testing items based on their grade, size and other attributes, and consider outsourcing certain diagnostic testing items to qualified testing service institutions based on factors such as quality, cost, and efficiency.

- *Diagnostic testing services for non-medical institutions*

  The Group offers diagnostic testing services for non-medical institutions which mainly include personalized diagnostic testing, medical report consultation services and hospital referral services. Through these services, the Group provides basic consultation based on the diagnostic testing report it issued and refers those patients to the suitable hospitals for future treatment that it considers appropriate. The Group primarily provides health management services offline where it conducts basic diagnostic testing and health checkup for individual customers at its outpatient clinic or locations requested by its customers.

  Looking back to 2022, the Group deepened its service system and created a highly efficient operation system to achieve a quality growth, laying a solid foundation for its sustainable development in the future. Its performance was mainly reflected in:

1. Expanding network to guide quality medical resources to move downwards

   The Group has basically formed four models for the construction of medical institution alliances, namely urban medical institution alliances, county-level medical alliances, specialist alliances and telemedicine collaboration networks, and formulated the specific schemes of on-site diagnostic centers to create multiple iconic projects and help guide quality medical resources for sharing and to move downwards to improve the service capabilities of hospitals at all levels. During the Reporting Period, we have achieved remarkable results in construction and development of medical institution alliances by offering targeted assistance and facilitated the rapid development of the reform of medical institution alliances.

   By jointly establishing on-site diagnostic centers in leading hospitals in many regions, expanding their testing items and improving their testing capabilities, we helped such hospitals conduct standard testing services for all member hospitals of the medical institution alliances, providing grassroots hospitals and patients with convenient services, professional testing services with mutually recognized results and a wide range of testing items. As of December 31, 2022, we have established 398 on-site diagnostic centers nationwide to provide diagnostic and testing services to more than 840 medical institutions at all levels in medical institution alliances, assisting in improving the overall service efficiency of diagnostic and testing resources in medical institution alliances.

2. Promoting technical innovations to improve precision diagnostic technology

   As of the end of the Reporting Period, the Group carried out a number of domestic and international industrial cooperation, pursuing an industry position with international competitiveness.

   The Group established a joint laboratory with Roche, an international diagnostics giant. Focusing on the field of precision medicine, the parties accelerated the application cooperation and implementation in terms of innovative diagnosis and treatment technology, forward-looking R&D and clinical service models, jointly built a cutting-edge clinical laboratory with precision diagnosis as the core, explored product development, application and commercialization of the NGS solutions in the fields of precision medicine such as oncology, genetic diseases, infections, pharmacogenomics and reproductive health, and helped clinical services achieve precision prevention, precision diagnosis and precision treatment, thereby benefiting more patients in China.

   The Group has conducted in-depth cooperation with Beckman Coulter, Leica and Cepheid of Danaher Corporation. Through lean procedure management and resources sharing, the Group achieved an organic combination of products, procedures and clinical applications, accelerated the transformation of lab research results towards clinical application, built the DBS Lab, and further focused on the health screening and clinical testing in areas such as tumors, reproductive genetic diseases and infectious diseases, providing clinical patients with more convenient and high-quality customized diagnosis and treatment solutions through digital intelligent research and analysis to meet the diversified and multi-level demands for health services among general public, thereby inspiring innovation momentum in clinical diagnosis services.

The Group and the First Affiliated Hospital of Shantou University Medical College (the "**First Affiliated Hospital of Shantou University**") established a joint lab for prenatal diagnosis. With the official operation of the prenatal diagnosis lab, the strategic partnership between First Affiliated Hospital of Shantou University and Yunkang has entered a new stage. Through complementary advantages and resources sharing, both parties will further meet the higher demands from people in eastern Guangdong for prenatal diagnosis services, promote the sharing of regional high-quality prenatal diagnosis medical resources, and enable top-notch hospitals' prenatal diagnosis services to benefit more families.

In addition, the Group and Guangzhou Nanfang College have formally established the Guangzhou Nanfang College Yunkang Industry-University-Research Joint Health Technology and Public Policy Research Center to jointly undertake tasks including relevant project research, talent exchange and cultivation, and promote development of the medical and health system and the extensive health industry in virtue of major theoretical innovation, model innovation and application demonstration.

Thanks to the abovementioned external cooperation, the Group continued to develop in a healthy manner and offer competitive products and services.

3. Achieving lean operations to strengthen operation capabilities

During the Reporting Period, the Group's lab lean operation project achieved initial results. The lean operation project mainly consists of two parts: the 7S management for self-built labs and the construction of the management system for the on-site diagnosis centers of medical institution alliances. The 7S management project for self-built labs includes seven parts: sorting, rectification, sweeping, cleaning, safety, saving and quality, with an aim to start from the standards and regulations for on-site management and achieve the goal of "everyone participates for continuous improvement". The implementation standards and benchmark specialty departments for 7S management have been established and are being promoted across the board currently. The management system for the on-site diagnosis centers of medical institution alliances involves clinical testing labs and pathology labs of leading hospitals, with the content including operation manuals for on-site diagnosis centers and the work evaluation mechanism for the customer-centric on-site teams. Leveraging on lean management, we have further improved the operating efficiency of our laboratories.

4. Digitalizing the operations to establish a standardized operation system

   In terms of digitalization, the Group successively completed the layout of 10 digital operation systems such as Tengyun in 2022 to fully integrate the Group's sales management system, human resources system, training system, settlement system, general ledger system, fixed asset system, warehousing system, logistics system and customer service system, etc., which facilitated the Group's digital operation model to take initial shape. Leveraging on the planned "Jingyun – lab operation system" with "precision technology, lean management" as the target and the rollout of the "data center" module shared by all systems, the Group's digital operation will embrace a new era. Analyzing the operation big data can help us establish a standardized operation indicator system and identify fundamental issues, have an insight into the business and improve the operations, facilitating the Group to deepen its service marketing and lean operation continuously. At the same time, the Group spared no efforts to support the innovative application of digital information technologies such as 5G and AI in the medical big data analysis and clinical diagnosis and treatment, and took measures including building information platforms to continuously improve the accuracy and efficiency of the laboratory testing, and created new digital medical scenarios to facilitate the innovative development of clinical services.

5. Improving product and service quality with adherence to quality first

   Adhering to the strategic concept of "Quality is the lifeline", we are committed to providing customers with professional, precision, efficient and convenient medical and health service by actively promoting the lean management of production and operation, creating the quality culture of "everyone participates for continuous improvement", obtaining the recognitions of a number of authoritative standards at home and abroad and establishing a series of laboratory and logistics standard procedures, striving to build world-leading laboratories in line with international standards, and continuously improving the quality of products and services. As one of the first medical service companies to build medical laboratories with international standards, we have established independent medical laboratories with ISO15189 quality control system certification and CAP in South China, East China and Southwest China. As of the end of the Reporting Period, the Group had obtained various domestic and overseas quality certifications including CAP, ISO15189, ISO9001, CMA, CMMI and ISO27001, of which the Guangzhou laboratory has obtained ISO15189 certification for 12 consecutive years.

6. Practicing social responsibilities to continuously enhance the brand's influence

   The Group is committed to practicing the ESG philosophy through practical actions over the years and has been rigorously regulating its own operations and facilities. By taking measures to identify, assess, manage and mitigate environmental and social risks exposed to itself and the outside world, the Group assumes its responsibilities in respect of corporate governance and ethics, labor protection, protection of customers' rights and interests, and environmental protection.

The Group has been endeavoring to act as a bridge connecting medical institutions, medical staff, patients and scientific research groups. While pursuing economic benefits and business development, the Group have incorporated social responsibility into our business strategies, striving to operate in good faith and in compliance while also proactively fulfilling product and service liabilities to achieve joint progress and development of employees, society and the environment, thereby creating value for shareholders and all aspects of society.

In addition, the Group has been paying attention to areas of high-incidence diseases such as two-cancer screenings and chronic disease management for a long time. Through technical support and operational services, it provides health services and solutions such as disease prevention and screening, risk assessment of genetic disease and major disease, health management, health consultation, and chronic disease prevention and treatment to diverse populations.

Consistently adhering to the corporate vision of "Yunkang, create a happy life" and the corporate value of "Driving Customer Success with Integrity", the Group is committed to serving the health needs of the public by providing customers with professional, precision, efficient and convenient medical and health services, which has been highly recognized by governments at all levels in various public health emergencies and major disease screening projects.

Business Outlook and Development Strategy

Confronting the opportunities released by the industry on a large scale after the COVID-19 pandemic, the Group has taken in-depth service marketing as our main business focus, constantly expanding and intensifying the establishment of service networks of medical institution alliances, continuously improving our technical capabilities through streamlined operation of laboratories, deepening the penetration of our products by enriching our panoramic solutions and establishing standardized practices and applications, thereby achieving streamlined operation.

Our Competitive Advantages

We believe that the following strengths distinguish us from our competitors, which have contributed to our historical achievements and will drive our future growth:

1. *Expanding our services to build a customer service system with network advantages*

   Leveraging years of industry experience, we have launched a unique diagnostic and testing service model for medical institution alliances in response to China's characteristic medical system, industry pattern and unmet medical needs. Focusing on clinical needs and taking "clinical and disease" as its orientation, the Group has reinforced a "dual-wheel drive" strategy of "technology + service" by building a complete industrial chain system integrating "production, learning, research and service" in the field of medical testing and diagnosis.

The Group has basically formed four major medical institution alliances models, namely urban medical institution alliances, county-level medical alliances, specialty alliance and remote diagnosis and treatment, and improved the targeted construction plan. Through professional, standardized, integrated and modularized services, we provide customers with solutions including standardized construction of laboratories, construction and supporting of professional disciplines, quality management, information system of smart laboratories, medical logistics services, supply chain management, technology innovation and research transformation. By assisting in the establishment and operation of on-site diagnosis centers and making full use of the support of independent laboratories across the country, the Group has effectively promoted the connection of high-quality medical resources within the medical institution alliances, pushing forward the construction of standardization of primary medical quality, and radiated medical resources from leading hospitals to all levels of medical institution alliances in an all-round way, to provide convenient and authoritative medical testing services to the public, realizing win-win benefits for all parties.

2. *Reducing costs and improving efficiency through standardized and modularized services according to customer needs*

Medical testing projects and portfolios serve as the foundation of serving clinical testing. On this basis, according to the demand of clinical specialties, the Group has built a comprehensive diagnosis plan for projects and portfolios based on clinical needs, to form an organic whole and improve diagnosis efficiency and customer satisfaction.

3. *Focusing on lean operations and building an industrial eco-chain to integrate upstream and downstream resources and achieve complementary advantages*

Committed to creating supply-production-marketing integrated services for the whole industrial chain, the Group has built a customer-centric supply chain service platform. The platform, by connecting the upstream and downstream enterprises on the industrial chains and deepening their partnership in the production-education-research and supply-production-marketing integration, can integrate and allocate quality resources efficiently for cooperative medical institutions, and with the help of global partners' resources and technological advantages, it can fully empower customers in various aspects including technology, product, marketing and sales, driving the industry to advance forward.

The Group's future development strategies are as follows:

Guided by the business principle of "in-depth services and lean operations", the Group will constantly place emphasis on "in-depth services" with a theme of "deepening the in-depth service system, building an efficient operation system and achieving high-quality growth" and concentrating on connotative development. Aiming to provide professional, accurate, efficient and convenient medical and health services, the Group is committed to advancing the integration of medical and health service systems, promoting hierarchical diagnosis and treatment and enhancing the capability and quality of medical services, thereby benefiting our communities through the contributions made by Yunkang.

In terms of in-depth services, the Group will continue to deepen the specialty alliance and telemedicine collaboration networks centered on high-level hospitals, with the urban medical institution alliances focusing on municipal and district-level leading hospitals as well as the county-level medical alliances emphasizing on county-level leading hospitals.

The Group has been striving to be a pioneer and leader in the establishment of the national medical institution alliances since its establishment. Leveraging its advantages in the industry chain, experts and technical resources, the Group has accumulated years of experience in building a medical institution alliances network and platform, optimizing the medical institution alliances service model, empowering primary medical institutions and benefiting patients. In the future, the Group will continue to intensify its business network of medical institution alliances by deepening, strengthening and expanding the business on its existing basis.

The cooperation with the urban medical groups and leading hospitals of the county-level medical alliances has always been the customer strategy of the Group's business development, which has accumulated a certain amount of customer resources and built a solid customer relationship foundation. In addition, with the advantages of our technology platform and past successful cases, coupled with the deepening and implementation of digital operation platform, professional logistics platform and lean management concept, our technical strength and operational capabilities can meet the multi-level and comprehensive needs of the urban medical groups and county-level medical alliances in the field of testing and diagnosis. We expect to capitalize on our first-mover advantage to promptly integrate into the construction of the urban medical institution alliances and county-level medical alliances, with a view to bringing greater benefits to our Shareholders.

In terms of lean operations, the Group will take its products as key points to do a good job in the overall management of customers, boosting a lean management in laboratories with the "7S" project as the starting point.

We are committed to standardizing our service products and tackling the differences of serving individuals with standardized service products. Through a variety of methods such as market information, unmet medical needs, field research, scenario simulation, and introduction of new technologies, the Group can extensively explore customer needs and form solutions in various dimensions. Moreover, the contents of such solutions will be divided into relatively independent components for modularization and standardization. Products can be assembled quickly according to the actual needs of customers. In 2023, we will continue to promote this strategy, intensify and improve our customer service system through processes such as identifying needs, formulating solutions, and modularizing and standardizing solutions.

The Group plans to expand its portfolio of diagnostic capabilities, particularly in the fields of oncology, genetic diseases, infectious diseases and genetic pharmacology. In these fields, the Group intends to continue to improve diagnostic testing technology, upgrade equipment and, where appropriate, recruit additional personnel to support the expansion. By continuously expanding its capabilities, the Group is also committed to collaborating with hospitals to provide precision medical solutions to patients.

The Group plans to build an end-to-end operating platform based on sample streams. The digital operation platform is the information source of lean operations and the basic support for the construction of standards, which refers to the closed loop formed by logistics at the end of hospital receiving samples, laboratory issuing reports, and customer giving feedbacks on sample quality. In the entire closed loop, the integrity and accuracy of the data at several process nodes, such as hospital receiving samples, logistics transportation, preprocessing samples, sample testing, issuing reports, and customer's feedbacks on quality, must be guaranteed. Starting from 2023, we plan to spend 2-3 years to update and improve the digital platform of Yunkang Laboratories.

Looking forward to the future, the Group will continue to give full play to its own value, devote itself to improving the public health standards, and strive to provide more professional, efficient, accurate and convenient medical and health testing services to the medical institutions and general public.

FINANCIAL REVIEW

Overview

The financial summary set out below is extracted or calculated from the audited financial statements of the Group for the Reporting Period which were prepared in accordance with the applicable disclosure provisions of the Listing Rules, including compliance with Hong Kong Financial Reporting Standards.

Revenue

Revenue of the Group amounted to RMB3,756.2 million for Reporting Period, representing an increase of 121.4% compared to RMB1,696.7 million for the year ended December 31, 2021. Such increase was primarily attributable to the rapid growth of the Group's diagnostic testing services during the Reporting Period which was driven by the promotion of health care policy in mainland China and our professional medical diagnostic capabilities, outstanding capabilities of standardization and innovative business models.

The Group's revenue for the years indicated is generated from three sectors as demonstrated below:

	For the year ended December 31,		
	2022 **RMB'000**	2021 RMB'000	Change
Recognized at a point in time:			
Diagnostic outsourcing services	**1,944,173**	1,024,274	89.8%
Diagnostic testing services for medical institution alliances	**1,680,559**	619,356	171.3%
Diagnostic testing services for non-medical institutions	**131,469**	53,110	147.5%
	3,756,201	1,696,740	121.4%

Diagnostic Outsourcing Services

Revenue generated from diagnostic outsourcing services increased by 89.8% from RMB1,024.3 million for the year ended December 31, 2021 to RMB1,944.2 million for the year ended December 31, 2022. As a professional medical diagnostic and testing service institution, the Group continuously improves its diagnostic and testing capabilities and develops competitive products to provide customers with more accurate medical solutions. During the Reporting Period, our business portfolio in key areas including infectious diseases and blood diseases maintained stable growth, while the scale of income from outsourcing services further expanded.

Diagnostic Testing Services for Medical Institution Alliances

Revenue generated from diagnostic testing services for medical institution alliances increased by 171.3% from RMB619.4 million for the year ended December 31, 2021 to RMB1,680.6 million for the year ended December 31, 2022. The increase was primarily due to (i) the increased number of on-site diagnostic centers from 275 as of December 31, 2021 to 398 as of December 31, 2022, serving more than 840 medical institutions in medical institution alliances in terms of diagnostic and testing services, assisting in improving the diagnostic and testing capabilities of medical institutions at all levels in medical institution alliances, and enhancing the overall efficiency of diagnostic and testing resources; and (ii) the further improved services capability and expanded service scope of the on-site diagnostic centers after the preliminary construction and operation, resulting in a rapid growth of the average revenue of the unit on-site diagnostic centers. For the year ended December 31, 2022, the annual average revenue of the on-site diagnostic centers was RMB4.2 million (2021: RMB2.2 million). As a crucial business of the Group, diagnostic testing services for medical institution alliances are constituting an increasing proportion of the Group's total revenue which increased from 36.5% for the year ended December 31, 2021 to 44.7% for the year ended December 31, 2022.

Diagnostic Testing Services for Non-Medical Institutions

Diagnostic testing services for non-medical institutions are mainly provided through our outpatient clinics, serving individual customers who are general public and employees of our non-medical institution customers. During the Reporting Period, revenue generated from diagnostic testing services for non-medical institutions increased by 147.5% from RMB53.1 million for the year ended December 31, 2021 to RMB131.5 million for the year ended December 31, 2022, primarily due to the significant increase in demand for COVID-19 tests by individual customers and non-medical institution customers under the impact of COVID-19 epidemic.

Cost of Revenue

The Group's cost of revenue consists of (i) cost of reagent and pharmaceuticals consumed; (ii) staff costs; (iii) depreciation expenses, which primarily include depreciation of property, plant and equipment and right-of-use assets; (iv) subcontracting charges and labour outsourcing service fees paid; (v) impairment of equipment, leasehold improvements and inventories and (vi) other costs, which are directly attributable to the generation of revenue.

The Group's cost of revenue increased by 207.0% from RMB797.6 million for the year ended December 31, 2021 to RMB2,448.5 million for the year ended December 31, 2022, primarily attributable to an increase in reagents and consumables costs, staff cost and subcontracting charges in line with our increased testing volume and the impairment of equipment and leasehold improvements and inventories relating to COVID-19 testing.

Gross Profit and Gross Profit Margin

As a result of the aforementioned factors, the Group's gross profit increased by 45.4% from RMB899.1 million for the year ended December 31, 2021 to RMB1,307.7 million for the year ended December 31, 2022. The Group's overall gross profit margin decreased from 53.0% for the year ended December 31, 2021 to 34.8% for the year ended December 31 2022, primarily due to the significant decrease in average unit price of COVID-19 test as a result of changes in government pricing policies during the Reporting Period, and provisions of RMB38.9 million and RMB273.4 million for impairment of related inventories and equipment respectively made by the Group due to the changes in pandemic situation and market conditions.

Other Income

The Group's other income increased by 154.8% to RMB20.0 million for year ended December 31, 2022, as compared to RMB7.9 million for year ended December 31, 2021. The increase was mainly due to the increase in government grants received.

The government grants mainly include those grants from the local government in recognition of the research and development projects of the Group. There are no unfulfilled conditions or other contingencies attached to these grants.

Selling Expenses

The Group's selling expenses increased by 14.2% from RMB273.3 million for the year ended December 31, 2021 to RMB312.0 million for the year ended December 31, 2022, primarily due to the increase of the Group's labor outsourcing and staff costs for sales function for the year ended December 31, 2022. Selling expenses as a proportion of total revenue decreased from 16.1% for the year ended December 31, 2021 to 8.3% for the year ended December 31, 2022, due to the increase in the revenue of the Group.

Administrative Expenses

The Group's administrative expenses increased by 154.3% from RMB152.1 million for the year ended December 31, 2021 to RMB386.7 million for the year ended December 31, 2022, primarily due to the increase of staff cost, depreciation charges of property and equipment, as well as consultancy and professional service fees as a result of the rapid growth of the Group's business.

The Group's R&D expenses increased by 115.6% from RMB43.9 million for year ended December 31, 2021 to RMB94.7 million for year ended December 31, 2022, mainly due to the increased investments in on-going and newly kick-off R&D projects.

Impairment Losses on Financial Assets

The Group's impairment losses on financial assets were mainly provisions for trade receivables. For the year ended December 31, 2022, the Group's impairment losses on financial assets were approximately RMB187.6 million, representing an increase of 713.2% from RMB23.1 million for the year ended December 31, 2021, mainly due to the significant increase of trade receivables balance and the increase of expected credit loss rates. During the Reporting Period, the number of customers and total transaction amounts have been increased significantly. As a result, the settlement period of trade receivables were longer than prior years due to the significant increase of transaction amounts which involved longer internal administrative procedures of customers for bill payment. In addition, the Group has adjusted the expected credit loss rates, which were based on the historical loss rates and adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Finance Costs

The Group's finance costs increased from RMB17.2 million for the year ended December 31, 2021 to RMB20.3 million for the year ended December 31, 2022, primarily due to the increase in interest expense on interest-bearing borrowings.

Profit before Tax

As of result of the aforementioned factors, the Group recorded profit before tax of RMB443.4 million for the year ended December 31, 2022, compared to RMB451.2 million for the year ended December 31, 2021. This was mainly attributable to the decrease in gross profit margin despite the increase in business scale and the increase in impairment losses on financial assets due to the prolonged credit period.

Income Tax Expenses

The Group's income tax expenses decreased from RMB78.7 million for the year ended December 31, 2021 to RMB69.5 million for the year ended December 31, 2022, primarily due to the increase in super deduction on R&D expenses.

Property and Equipment

The Group's property and equipment consist of property and buildings, medical equipment, vehicles, furniture and office equipment, leasehold improvements, construction in progress, and right-of-use assets.

The Group's property and equipment decreased from RMB485.2 million as at December 31, 2021 to RMB420.6 million as at December 31, 2022, primarily due to the provision for asset impairment of the COVID-19 testing project assets affected by the adjustments of the government's epidemic prevention policy and the decline of COVID-19 testing demand in late 2022.

Financial Assets Measured at Fair Value

The Group's financial assets measured at fair value comprise financial assets designated at FVOCI and financial assets designated at FVTPL. As at December 31, 2022, the balance of FVTPL was RMB802.8 million, representing an increase of RMB744.6 million compared to December 31, 2021, which is attributable to investments in several private funds and a private company during the Reporting Period. As at December 31, 2022, there are FVOCI of RMB84.3 million, representing a decrease of RMB25.7 million. The fair value loss of the investment mainly resulted from the deviations in performance expectation of the investee companies influenced by the fluctuations in market condition.

Inventories

The Group's inventories primarily consist of reagents and pharmaceuticals.

The Group's inventories decreased from RMB41.7 million as at December 31, 2021 to RMB41.3 million as at December 31, 2022, which was attributable to the increase in our reagents and consumables in line with our business growth, while offset by the impairment of RMB38.9 million with the decline of COVID-19 testing demand which started from December 2022.

Trade and Other Receivables and Prepayments

The Group's trade and other receivables and prepayments increased from RMB886.9 million as at December 31, 2021 to RMB2,566.6 million as at December 31, 2022, primarily due to increase in revenue mainly as a result of increased orders of services received during the period. The Group's credit period with customers is generally within 180 days. In line with industry practice, the settlement period of certain customers including public hospitals and Chinese Center for Disease Control and Prevention (中國疾病預防控制中心), which involves long-period internal administrative procedures for bill payment, has been prolonged as a result of the COVID-19 pandemic. 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.

Trade and Other Payables

The Group's trade and other payables increased from RMB556.7 million as at December 31, 2021 to RMB1,492.1 million as at December 31, 2022, which was primarily in line with our business growth as well as longer credit terms granted by our suppliers due to our stronger bargaining power resulting from increased purchase amounts.

Capital Management

The Group's objectives in respect of managing capital are to safeguard its ability to continue as a going concern in order to provide returns for Shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Liquidity and Financial Resources

The Group's cash and cash equivalents decreased from RMB800.7 million as at December 31, 2021 to RMB787.7 million as at December 31, 2022, which was maintained at a stable level.

Net Current Assets

The Group had net current assets increased from RMB872.4 million as at December 31, 2021 to RMB2,189.0 million as at December 31, 2022.

Key Financial Ratios

The following table sets forth the key financial ratios for the periods indicated:

	For the year ended/As of December 31,	
	2022	2021
Gross profit margin[(1)]	**34.8%**	53.0%
Current ratio[(2)]	**2.11**	2.00
Quick ratio[(3)]	**2.08**	1.95
Debt to asset ratio[(4)]	**0.48**	0.41

Notes:

(1) Gross profit margin is calculated based on gross profit divided by revenue and multiplied by 100%.

(2) Current ratio is calculated based on total current assets divided by total current liabilities.

(3) Quick ratio is calculated based on total current assets less inventories divided by total current liabilities.

(4) Debt to asset ratio is calculated as total liabilities divided by total assets.

Capital Commitments

The Group's capital commitment in 2022 was mainly related to the construction on the land acquired in 2019, which amounted to RMB309.4 million as at December 31, 2022 as compared to RMB323.2 million as at December 31, 2021.

Contingent Liabilities

As at December 31, 2022, the Group did not have any material contingent liabilities, guarantee or any litigation or claim of material importance, pending or threatened against any of its member.

Foreign Exchange Risk

The Group mainly operates in China. As at December 31, 2022, except for bank deposits and FVTPL denominated in Hong Kong Dollars and US Dollars, the Group does not have any other material direct exposure to foreign exchange fluctuations. The management will continue to monitor foreign exchange risk, take prudent measures and develop hedging strategy as appropriate to reduce foreign exchange risks.

Cash Flow and Fair Value Interest Rate Risk

The Group's interest-rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

Other than interest-bearing short-term deposits, the Group has no other significant interest-bearing assets. The Board does not anticipate that there is any significant impact to interest-bearing assets resulted from the changes in interest rates because the interest rates of short-term deposits are not expected to change significantly.

Credit Risk

The Group is exposed to credit risk in relation to its trade and other receivables, amounts due from related parties and cash deposits at banks. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

Liquidity Risk

To manage the liquidity risk, the Group's policy is to regularly monitor its liquidity requirements and compliance with lending covenants, to ensure that it maintains sufficient reserve of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and long term.

Borrowings and Gearing Ratio

The Group had borrowings, including interest-bearing borrowings, of RMB691.8 million as at December 31, 2022.

As at December 31, 2022, the gearing ratio of the Group (calculated as total interest-bearing borrowings and lease liabilities divided by total equity as of the same date) increased to 31.0%, compared to 24.9% as of December 31, 2021.

Pledge of Assets

As at December 31, 2022, borrowing of approximately RMB100.4 million (December 31, 2021: nil) were secured by the Group's equipment. Details of the Group's pledge of assets as at December 31, 2022 are set out in Note 13 to the consolidated financial statements in this report.

Significant Investments

During the year ended December 31, 2022, the Company subscribed for relevant participating shares attributable to three different segregated portfolios, all of which are under the management of the same investment manager, at an aggregate amount of approximately RMB288,612,713 (namely, the "**Subscription I**", "**Subscription II**" and "**Subscription III**", together the "**Subscriptions**"). The details of the Subscriptions are as follows:

	Subscription I	**Subscription II**	**Subscription III**
Name of the fund:	Blue Ocean Fund SPC	Future Vision Fund SPC	Evergreen Alpha Fund SPC
Name of the segregated portfolio of the fund	Flagship Fund SP, a segregated portfolio of Blue Ocean Fund SPC	Value Investment Fund SP, a segregated portfolio of Future Vision Fund SPC	Ivy Fund SP, a segregated portfolio of Evergreen Alpha Fund SPC
Subscription amount	HK$102,020,860 (equivalent to approximately RMB87,421,556)	US$15,000,000 (equivalent to approximately RMB100,869,235)	US$15,000,000 (equivalent to approximately RMB100,321,922)
Investment Objective and Strategies	For each of the segregated portfolio, the investment objective is to achieve long-term growth, irrespective of market direction or volatility. The segregated portfolio will seek to achieve the investment objective by investing in cash or cash equivalents, national debt and other money market instruments.		
Fair value as of December 31, 2022	RMB91,957,000	RMB105,416,000	RMB105,409,000
Percentage to the Group's total asset as of December 31, 2022		Approximately 6.17%	

Each of Blue Ocean Fund SPC, Future Vision Fund SPC and Evergreen Alpha Fund SPC is an exempted limited liability company under the laws of the Cayman Islands. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, each of Blue Ocean Fund SPC, Future Vision Fund SPC and Evergreen Alpha Fund SPC, their respective segregated portfolio, the investment manager and their respective ultimate beneficial owners are third parties independent of and not connected with the Company or any connected persons of the Company.

The principal purpose of the Subscriptions is to make use of temporary idle cash for low risk investments with flexible redemption features. The Subscriptions provide an opportunity for the Company to enhance returns by utilizing idle cash, without adversely affecting the Group's working capital. The Company recorded a gain in fair value of the Subscriptions of approximately RMB14.2 million in the consolidated statement of comprehensive income for the year ended December 31, 2022. As of March 31, 2023, the Company has fully redeemed the Subscriptions.

For details of the Subscriptions, please refer to the Company's announcement dated March 31, 2023 with respect to discloseable transactions in relation to subscriptions and redemptions.

Save as disclosed above, the Group did not make any significant investments during the Reporting Period.

Material Acquisitions and Disposals

The Group did not make any material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

Events after the Reporting Period

Save as disclosed in the Note 21, Note 22 and Note 36 to the consolidated financial statements in this report, no important events affecting the Group occurred since December 31, 2022 and up to the Latest Practicable Date.

Future Plans for Material Investments and Capital Assets

Save as disclosed in Capital Commitments and Events after the Reporting Period, the Company did not have any future plans for material investments or capital assets as of December 31, 2022.

Employees and Remuneration

As at December 31, 2022, the Group had 2,605 employees (2021: 1,868). The total remuneration cost incurred by the Group for the year ended December 31, 2022 was RMB518.6 million (2021: RMB289.7 million), primarily because we hired more employees with the growth of our business during the Reporting Period. The remuneration package of the Group's employees includes salary and bonus, which are generally determined by their qualifications, industry experience, position and performance. The Group makes contributions to social insurance and housing provident funds as required by the PRC laws and regulations.

The Company also has adopted the 2022 RSU Scheme to attract retain and incentivize the key personnel and partners of the Company, and to promote the value of the Company by offering these individuals an opportunity to acquire the Shares and a proprietary interest in the success of the Company, thereby linking their interests with the Company's performance. For details, please refer to the Company's announcement dated November 23, 2022. During the Reporting Period, the Company did not grant any restricted share unit award under the 2022 RSU Scheme.

EXECUTIVE DIRECTOR

Mr. Zhang Yong (張勇), aged 52, joined our Group on May 28, 2008. He is the Chairman, executive Director and chief executive officer of our Company. He was appointed as our Director on July 20, 2018 and was re-designated as our executive Director and appointed as our chief executive officer on February 7, 2021. He is mainly responsible for overall management, strategic planning and decision-making of the Group.

From January 1997 to June 2002, Mr. Zhang Yong worked at the predecessor of Guosen Securities Co., Ltd. (國信證券股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002736). From January 2003 to August 2004, he served as director and general manager at Shenzhen Tongsheng Venture Capital Management Co., Ltd. (深圳市同盛創業投資管理有限公司). From December 12, 2004 to September 9, 2010, he served as director and general manager at Shenzhen Huize Venture Capital Management Co., Ltd. (深圳市匯澤創業投資管理有限公司). He was awarded "China Business Management Awards 2020" by China Enterprise United (Beijing) Human Resource Management Center (中企聯合(北京)人力資源管理中心) in November 2020.

Mr. Zhang Yong obtained a bachelor's degree in accounting from Central University of Finance and Economies (中央財經大學) in the PRC in June 1993. He obtained an executive master of business administration degree from Peking University (北京大學) in the PRC in July 2006.

NON-EXECUTIVE DIRECTORS

Ms. Huang Luo (黃珞), aged 42, was appointed as our non-executive Director on August 11, 2022. Ms. Huang is primarily responsible for overseeing the management and strategic development of the Group.

Ms. Huang has extensive experience in business management. From January 2016 to April 2021, Ms. Huang served as the general manager of Guangzhou Daan Chuanggu Enterprise Management Co., Ltd. (廣州市達安創谷企業管理有限公司), primarily responsible for its business operation and management.

Since May 2021, Ms. Huang has been serving as the general manager of Guangzhou Daan Gene. Since June 2021, Ms. Huang has been serving as the supply chain director of Da An Gene, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002030), primarily responsible for national supply chain management. In July 2022, she was appointed as the general manager and a director of Da An Gene.

In July 2003, Ms. Huang obtained her bachelor's degree in jurisprudence from Hunan Normal University (湖南師範大學). In July 2012, Ms. Huang obtained her master's degree in business administration from Sun Yat-sen University (中山大學).

Dr. Guo Yunzhao (郭雲釗), aged 56, was appointed as our Director on October 22, 2019 and was re-designated as our non-executive Director on February 7, 2021. He joined our Group on July 18, 2016 and is mainly responsible for overseeing the management and strategic development of the Group.

He served as director of finance department and director of asset management department at China National Chemical Corporation (中國化工集團公司) from April 2004 to September 2005 and subsequently a deputy general manager of China SDIC Gaoxin Industrial Investment Corp. Ltd. (中國高新投資集團公司) from September 2005. He served as the chairman and secretary of the Communist Party Committee at Zhejiang International Trust & Investment Company Ltd (中建投信託有限責任公司) from February 2010 to August 2012. He served as vice president and member of the Communist Party Committee at China Jianyin Investment Co., Ltd. (中國建銀投資有限責任公司) from August 2012 to May 2016. He has been working as the president of Guosen Investment Fund Management (Beijing) Co., Ltd. (國信國投基金管理(北京)有限公司), the predecessor of Guosen Investment Fund Management (Hainan) Co., Ltd. (國信國投基金管理(海南)有限公司), since May 2016.

Dr. Guo also holds directorship in various companies, including (i) an independent non-executive director of China Guangfa Bank (廣發銀行股份有限公司) since September 2020; (ii) a director at Woori Bank (China) Co., Ltd. (友利銀行(中國)有限公司) since December 2018; and (iii) a director at Hainan Natural Rubber Industry Group Co., Ltd. (海南天然橡膠產業集團股份有限公司) since November 2018, the shares of which are listed on Shanghai Stock Exchanges (stock code: 601118).

Dr. Guo was awarded "The Second Prize of Science and Technology Progress" by the State Science and Technology Commission of the People's Republic of China (中華人民共和國國家科學技術委員會) in December 1995 and "Special Government Allowance of State Council" by State Council of the People's Republic of China in October 2000.

Dr. Guo received his bachelor's degree in applied chemistry from Lanzhou University (蘭州大學) in the PRC in June 1989. He obtained his master's degree in business administration from Peking University in the PRC in July 2006. He received his doctoral degree in management and engineering from Northeastern University (東北大學) in the PRC in April 2013.

Dr. Wang Ruihua (王瑞華), aged 61, was appointed as our non-executive Director on July 11, 2022. Dr. Wang is primarily responsible for overseeing the management and strategic development of the Group.

Dr. Wang served as a director of MBA Education Center of Central University of Finance and Economics (中央財經大學MBA教育中心) from July 2006 to September 2019, and served as the president of Business School of Central University of Finance and Economics (中央財經大學商學院) from December 2012 to September 2019. Since September 2020, Dr. Wang has been serving as the executive president and a professor of the Central University of Finance and Economics, Greater Bay Area Research Institute (中央財經大學粵港澳大灣區(黃埔)研究院).

Dr. Wang has over 10 years of experience as director of listed companies. From April 2008 to April 2014 and from May 2015 to March 2021, Dr. Wang served as an independent director of Beijing Zhong Ke San Huan Hi-Tech Co., Ltd. (北京中科三環高技術股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000970). From March 2011 to June 2017 and since September 2019, Dr. Wang served and has been serving as an independent director of Anhui Gujing Distillery Company Limited (安徽古井貢酒股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000596). From February 2015 to May 2020, Dr. Wang served as an independent director of Harbin Gloria Pharmaceuticals Co., Ltd. (哈爾濱譽衡藥業股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002437). Since December 2019, Dr. Wang has been serving as an independent director of Bank of Beijing Co., Ltd. (北京銀行股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 601169). Since March 2020, Dr. Wang has been serving as an independent director of BCEG Environmental Remediation Co., Ltd. (北京建工環境修復股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 300958).

Dr. Wang obtained his PRC certified public accountant certificate from the Chinese Institute of Certified Public Accountants (中國註冊會計師協會) in September 1996.

In July 1983 and July 1987, Dr. Wang obtained his bachelor's and master's degrees in economics from Central Institute of Finance and Banking (中央財政金融學院) (currently known as Central University of Finance and Economics (中央財經大學)), respectively. In July 2003, Dr. Wang obtained his doctoral degree of management from Central University of Finance and Economics.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yu Shiyou (喻世友), aged 67, was appointed as our independent non-executive Director on April 1, 2022. He is primarily responsible for supervising and providing independent judgement to the Board.

Mr. Yu started to work at Lingnan (University) College of Sun Yat-sen University (中山大學嶺南(大學)學院) since June 1995 and was promoted as vice principal of Sun Yat-sen University (中山大學) in January 2009. He has been serving as the principal of Nanfang College of Sun Yat-sen University (中山大學南方學院) since February 2013. Since February 2018, Mr. Yu has been serving as the independent non-executive Director of CSSC Offshore & Marine Engineering (Group) Company Limited (中船海洋與防務裝備股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600685) and the Stock Exchange (stock code: 00317).

Mr. Yu obtained his bachelor's degree in philosophy and his master's degree in economics from Huazhong University of Science and Technology (華中理工大學) (previously known as Huazhong College of Science and Technology (華中工學院)) in the PRC in January 1982 and July 1987, respectfully.

Mr. Yang Hongwei (楊洪偉, formerly known as 楊宏偉), aged 65, was appointed as our independent non-executive Director on April 1, 2022. He is primarily responsible for supervising and providing independent judgement to the Board.

From September 2007 to November 2017, Mr. Yang served as the deputy director in the predecessor of Development Center for Medical Science & Technology of National Health Commission (國家衛生健康委醫藥衛生科技發展研究中心). Mr. Yang was recognized as a professional researcher by the original Ministry of Health of the PRC (原中華人民共和國衛生部) in December 2010.

Mr. Yang obtained his bachelor's degree in electronical & mechanical engineering from Beijing University of Civil Engineering and Architecture (北京建築大學) (previously known as Beijing College of Civil Engineering and Architecture (北京建築工程學院)) in July 1982. He obtained his master's degree in public policy and management from University of Southern California in August 1999.

Mr. Xie Shaohua (謝少華), aged 52, was appointed as our independent non-executive Director on April 1, 2022. He is primarily responsible for supervising and providing independent judgement to the Board.

From August 2007 to June 2018, Mr. Xie served as the vice general manager and chief finance officer at Sinotrans Shipping Limited (中外運航運有限公司). He has been serving as the chief finance officer at CMIC Ocean En-Tech Holding Co., Ltd. (華商國際海洋能源科技控股有限公司), the shares of which are listed on the Stock Exchange (stock code: 00206), since July 2018.

Mr. Xie is a member of The Association of Chartered Certified Accountants.

Mr. Xie obtained a bachelor's degree in economics from Central College of Finance and Economics (中央財政金融學院) (currently known as Central University of Finance and Economics (中央財經大學)) in the PRC in June 1993 and a master's degree in economics from University of International Business and Economics (對外經濟貿易大學) in the PRC in November 2003. In December 2005, he obtained a master of business administration degree from The Chinese University of Hong Kong.

SENIOR MANAGEMENT

Mr. Zhang Yong (張勇), the Chairman, executive Director and chief executive officer of our Company. Please see "– Executive Director" in this section for details of his biography.

Mr. Wang Xubo (王旭波), aged 48, was appointed as the executive vice president of our Company on February 7, 2021. He joined the Group in October 2008 and is primarily responsible for assisting the chief executive officer for the overall management, strategic planning and decision-making of the Group.

Prior to joining our Group, Mr. Wang worked at Zhongtianqin Accounting Firm (中天勤會計師事務所) from October 1997 to August 2000. From September 2000 to July 2003, he worked at Dapeng Securities Company (大鵬證券有限責任公司). From August 2003 to October 2004, he served as deputy general manager at Shenzhen Tongsheng Venture Capital Management Co., Ltd. (深圳市同盛創業投資管理有限公司) and was mainly responsible for day-to-day management and operation and external investment strategies. From November 2004 to September 2008, he served as deputy general manager at Huize Venture Capital Management Co., Ltd. (匯澤創業投資管理有限公司) and was mainly responsible for day-today management and operation and external investment strategies.

Mr. Wang obtained his bachelor's degree in accounting from Nanjing University of Science and Technology (南京理工大學) in the PRC in June 1997. He obtained his master's degree in statistics from Zhongnan University of Economics and Law (中南財經政法大學) in the PRC in December 2004. He obtained his PRC certified public accountant certificate from the Chinese Institute of Certified Public Accountants in October 2003.

Mr. Lin Yingjia (林穎嘉), aged 44, was appointed as the chief financial officer of our Company on February 7, 2021. He joined our Group in July 2009 and is primarily responsible for the overall management of financial, capital market and secretarial affairs of our Group.

Mr. Lin worked at Deloitte Touche Tohmatsu Certified Public Accountants Ltd. (Guangzhou branch) as an associate from August 2001 to June 2003 and a senior accountant from July 2003 to February 2004 and January 2005 to April 2007. He was mainly responsible for, among others, audit related engagements. He left Deloitte Touche Tohmatsu Certified Public Accountants Ltd. (Guangzhou branch) in June 2009 with his last position as audit manager.

Mr. Lin was admitted as a fellow of the Institute of Public Accountant in July 2007 by the Institute of Public Accountants, Australia (澳大利亞公共會計師協會). He obtained his PRC certified public accountant (non-practicing member) certificate in January 2010 from the Guangdong Provisional Institute of Certified Public Accountants (廣東省註冊會計師協會) and was awarded the professional designation of Certified Internal Auditor in November 2009 by The Institute of Internal Auditor (內部稽核協會).

Mr. Lin obtained a bachelor's degree in accounting from Guangdong University of Foreign Studies (廣東外語外貿大學) in the PRC in June 2001 and a master's degree in commerce from The University of Sydney in Australia in January 2005.

Mr. Hu Shanghua (胡尚華), aged 54, was appointed as the vice president of our Company on February 7, 2021. He joined our Group in March 2015 and is primarily responsible for Management of platform and systematic operation system, human resource, administration, legal supervision and brand building.

From August 2000 to February 2002, he served as the chief human resource officer at Guangdong Evergreen Group Company Limited (廣東恒興集團有限公司). From February 2006 to February 2008, Mr. Hu served as a member of evaluation expert panel of China Enterprise Human Resource Award (the "**CEHRA**") in China Enterprises Evaluation Association (中國企業評價協會, the "**CEEA**"). From August 2008 to March 2014, he rejoined Guangdong Evergreen Group Company Limited as the vice president, primarily responsible for overall planning of human resource strategy and daily operation of aquatic products processing business. From March 2014 to March 2015, he served as the vice president of China Qinfa Group Ltd. (中國秦發集團有限公司), a company primarily engaged in the procurement, storage, transportation and sales of coal, the shares of which are listed on the Stock Exchange (stock code: 00866), primarily responsible for the overall planning of human resource strategy and normal operation of the group. From October 2009 to October 2012, he served as a director of International Human Resource Management Association (國際人力資源管理協會, the "**IHRMA**") and a member of the annual evaluation expert panel of China's Best Employer Brand.

Mr. Hu was awarded Silver Award of the CEHRA and Gold Award of the CEHRA by the CEEA in November 2005 and March 2007, respectively. He was also recognized as Outstanding Manager of China by China Company Union Human Resource Management Center, IHRMA and the Evaluation Committee of China's Best Employer in October 2011 and December 2012, respectively.

Mr. Hu obtained a bachelor's degree in mathematics education from Chongqing Normal University (重慶師範學院) in the PRC in July 1993 and a bachelor's degree in industrial foreign trade from the University of Electronic Science and Technology of China (電子科技大學) in the PRC in July 1995. He obtained a master of business administration degree from the National University of Singapore in August 2000.

Mr. Wang Tieding (王鐵丁), aged 56, was appointed as the vice president of our Company on February 7, 2021. He joined our Group in June, 2011 and is mainly responsible for the business operation and management of our Company.

Prior to joining our Group, Mr. Wang worked at Guangzhou Car Co., Ltd. (廣州轎車有限公司) (previously known as Guangzhou Auto Mark Co., Ltd. (廣州標致汽車有限公司)) from July 1992 to July 1998. From July 1998 to January 2002, he served as the director of business section in the Beijing branch of Guangqi Honda Automobile Co., Ltd. (廣汽本田汽車有限公司). From March 2003 to March 2009, Mr. Wang served as the general manager of Guangzhou Jixing Auto Interior Decoration Co., Ltd. (廣州吉興汽車內飾件有限公司).

Mr. Wang obtained his bachelor's degree in automotive engineering from Tsinghua University in the PRC in July 1989. He obtained the professional certificate of Mechanical Engineer (intermediate) (機械工程師中級證書) from Guangzhou Municipal Commission of Science and Technology (廣州市科學技術委員會) (currently known as Guangzhou Municipal Science and Technology Bureau (廣州市科學技術局)) in December 1994.

Save as disclosed above, none of our Directors and senior management held any directorship in any public companies the shares of which are listed in the Stock Exchange or overseas stock markets during the three years prior to the date of this annual report.

To the best of the Board's knowledge, information and belief, save as disclosed in the annual report, our Directors and senior management do not have any relationship amongst them.

The Board presents this corporate governance report in the Group's annual report for the year ended December 31, 2022.

COMPANY'S CULTURE

The Board believes that corporate culture underpins the long-term business, economic success and sustainable growth of the Group. A strong culture enables the Company to deliver long-term sustainable performance and fulfil its role as a responsible corporate citizen. The Company is committed to developing a positive and progressive culture that is built on its purpose, vision and mission.

During 2022, the Company continued to strengthen its cultural framework by focusing on the following:

- vision: Yunkang, create a happy life

- mission: focus on the health needs of the public and strive to provide customers with professional, accurate, efficient and convenient medical and health services

- values: integrity, honesty and client-oriented

- code of conduct: the execution is of paramount importance

The Board sets and promotes corporate culture and expects and requires all employees to reinforce. All of our new employees are required to attend orientation and training programs so that they may better understand our corporate culture, structure and policies, learn relevant laws and regulations, and raise their quality awareness. In addition, from time to time, the Company will invite external experts to provide training to our management personnel to improve their relevant knowledge and management skills.

The Board have always been ensuring that the goals, values and strategies made are aligned with the corporate culture, while all Directors take the lead in promoting the development of corporate culture. Please refer to the section headed "Management Discussion and Analysis" for the achievements of the Company during the Reporting Period.

The Company is an active practitioner of the establishment of the national medical institution alliances, and firmly believes in the extremely valuable social benefits generated by the establishment of the medical institution alliances. The Company takes the leading hospitals in various regions as the business centers, and cooperates with nearby medical institutions at all levels to provide customized medical solutions for regional medical institution alliances. Meanwhile, key regional central laboratories and local rapid-response laboratories are established nationwide to create a customer-oriented service mechanism for rapid responses and comprehensive solutions. As a medical service provider, the Company fully promotes technology upgrading, expands the scope of testing, and through industrial integration and independent innovation mode, creates the integration of research, production and service, and the integration of supply, production and service, and solves customers' health needs with high-quality and competitive solutions and services.

Guided by the vision to create a happy life, the Company actively links all medical institutions, medical staff, patients and scientific research groups to achieve the common progress and development of our employees, the society and the environment. The Company has always been practicing and will continue to practice its conducting achievements in the following aspects: (1) establishing and deepening the service network of the national medical institution alliances with the focus on the health needs of numerous patients; (2) establishing an industry ecosystem and becoming a trusted strategic development partner for upstream and downstream and cooperative institutions; and (3) maintaining integrity and stimulating the potential of employees, ensuring the effectiveness of implementation and advocating the sustainable development of employees with a continuously improved the management system and incentive mechanism.

The Board considers that the corporate culture and the purpose values and strategy of the Group are aligned.

CORPORATE GOVERNANCE PRACTICES

The Company strives to achieve high corporate governance standards. The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of Shareholders and to enhance corporate value and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code as the basis of the Company's corporate governance practices since the Listing Date.

The Corporate Governance Code has been applicable to the Company with effect from the Listing Date. From the Listing Date and up to the Latest Practicable Date, the Company has complied with all applicable code provisions set out in the Corporate Governance Code except for the deviation from code provision C.2.1 of the Corporate Governance Code. Pursuant to code provision C.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Mr. Zhang Yong currently serves as the chairman of the Board and the chief executive officer of the Company. He joined the Group on May 28, 2008 and has been operating and managing the Group since then. The Directors believe that it is beneficial to the business operations and management of the Group that Mr. Zhang Yong continues to serve as both the chairman of the Board and the chief executive officer of the Company.

The Company regularly reviews its compliance with the Corporate Governance Code and the Board believes that save as disclosed above, the Company was in compliance with all applicable code provisions of the Corporate Governance Code from the Listing Date till December 31, 2022.

The Company will continue to regularly review and monitor its corporate governance practices to ensure compliance with the Corporate Governance Code, and maintain a high standard of corporate governance practices.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its securities code to regulate the dealing by the Directors in securities of the Company. Specific enquiries have been made to all Directors and the Directors have confirmed that they have complied with the Model Code from the Listing Date till December 31, 2022.

The Company's relevant employees, who are likely to be in possession of unpublished price-sensitive information ("**Inside Information**") of the Company, have also been subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company from the Listing Date till December 31, 2022.

The Company has also established a policy on Inside Information to comply with its obligations under the SFO and the Listing Rules. 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 relevant employees in advance.

BOARD OF DIRECTORS

The Board currently comprises one executive Director, three non-executive Directors and three independent non-executive Directors.

The composition of the Board is as follows:

Executive Director:

Mr. Zhang Yong *(Chairman of the Board and Chief Executive Officer)*

Non-Executive Directors:

Ms. Huang Luo *(appointed on August 11, 2022)*
Dr. Guo Yunzhao
Dr. Wang Ruihua *(appointed on July 11, 2022)*
Mr. Zhou Xinyu *(resigned on August 11, 2022)*
Mr. Zhou Weiqun *(resigned on July 11, 2022)*

Independent Non-Executive Directors:

Mr. Yu Shiyou
Mr. Yang Hongwei
Mr. Xie Shaohua

The biographical details of the Directors are set out in the section headed "Board of Directors and Senior Management" on pages 38 to 43 of this annual report.

None of the members of the Board is related (including financial, business, family or other material/relevant relations) to one another.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision C.2.1 of the Corporate Governance Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing.

The Company does not have separate chairman of the Board and chief executive officer, and Mr. Zhang Yong, the executive Director currently performs these two roles. The Board believes that vesting the roles of both chairman of the Board and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company at a time when it is appropriate by taking into account the circumstances of the Group as a whole.

BOARD MEETINGS

Code provision C.5.1 of the Corporate Governance Code stipulates that board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communication. The Board held eight meetings from the Listing Date till December 31, 2022.

Attendance record of Directors

A summary of the attendance record of the Directors at Board meetings, committee meetings and general meetings is set out in the following table below:

	Number of meeting(s) attended/number of meeting(s) held from the Listing Date till December 31, 2022				
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General Meeting**
Executive Director:					
Mr. Zhang Yong	8/8	N/A	2/2	3/3	2/2
Non-executive Directors:					
Ms. Huang Luo[Note] *(appointed on August 11, 2022)*	4/4	N/A	N/A	N/A	1/1
Dr. Guo Yunzhao	8/8	2/2	N/A	N/A	2/2
Dr. Wang Ruihua[Note] *(appointed on July 11, 2022)*	5/5	N/A	N/A	N/A	1/1
Mr. Zhou Xinyu[Note] *(resigned on August 11, 2022)*	3/4	N/A	N/A	N/A	1/1
Mr. Zhou Weiqun[Note] *(resigned on July 11, 2022)*	3/3	N/A	N/A	N/A	1/1
Independent Non-executive Directors:					
Mr. Yu Shiyou	6/8	2/2	2/2	3/3	2/2
Mr. Yang Hongwei	7/8	N/A	N/A	N/A	2/2
Mr. Xie Shaohua	8/8	2/2	2/2	3/3	2/2

Note: The Director's attendance refers to the number of meetings held during his/her tenure.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

During the period from the Listing Date to the Latest Practicable Date, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Board has received from each of the independent non-executive Directors a written annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers each of them to be independent.

Each of the independent non-executive Directors has signed a letter of appointment with the Company for an initial term of three years with effect from April 1, 2022 until terminated in accordance with the terms and conditions stated in the letter. Independent non-executive Directors are required to inform the Company if there is any change that may affect his independence.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, identifying and recommending individuals suitably qualified to become Board members, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment of Directors and succession planning for Directors and assessing the independence of independent non-executive Directors.

Code provision B.2 of the Corporate Governance Code stipulates that all directors should be subject to re-election at regular intervals. Code provision B.2.2 of the Corporate Governance Code further states that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Each of the Directors, including non-executive Directors, is appointed for a term of three years and is subject to retirement by rotation once every three years.

Pursuant to Article 16.19 of the Articles of Association, at every annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. In addition, the Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

Accordingly, Mr. Yu Shiyou and Mr. Yang Hongwei shall retire by rotation at the AGM and, being eligible, will offer themselves for re-election.

Pursuant to Article 16.2 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his/her appointment and shall then be eligible for re-election at that meeting. Dr. Wang Ruihua and Ms. Huang Luo were appointed as Directors on July 11, 2022 and August 11, 2022 respectively.

Accordingly, Dr. Wang Ruihua and Ms. Huang Luo shall retire at the AGM and, being eligible, will offer themselves for re-election pursuant to Article 16.20 of the Articles of Association.

RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

The Board should assume responsibility for leadership and control of the Company, and is collectively accountable and responsible for directing and supervising the Company's affairs.

All of the Directors have full and timely access to all relevant information as well as the advice and services of the joint company secretaries, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each Director is entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

The day-to-day management, administration and operation of the Company are delegated to the senior management. The delegated functions are periodically reviewed. Approval must be obtained from the Board before any significant transaction is entered into.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing particular aspects of the Company's affairs. Each of these committees is established with defined written terms of reference. The terms of reference of the Board committees are available for viewing on the websites of the Company and the Stock Exchange.

Audit Committee

The Listing Rules require every listed issuer to establish an audit committee comprising at least three members who must be non-executive directors only, and the majority thereof must be independent non-executive directors, at least one of whom must have appropriate professional qualifications, or accounting or related financial management expertise. The Company has established the Audit Committee and has formulated its written terms of reference in compliance with the Corporate Governance Code.

The Audit Committee comprises two independent non-executive Directors and one non-executive Director, namely Mr. Xie Shaohua, Mr. Yu Shiyou and Dr. Guo Yunzhao. Mr. Xie Shaohua, being the chairman of the committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and the risk management and internal controls system of our Group, review the financial information of our Company, consider issues relating to the external auditor and the appointment, review and approve connected transactions and to advise the Board.

The Audit Committee held two meetings from the Listing Date till December 31, 2022, during which the Audit Committee reviewed the Group's unaudited interim results and financial statements for the six months ended June 30, 2022 and approved re-appointment of PricewaterhouseCoopers as the Company's auditor for the year ended December 31, 2022.

The Group's annual results for the year ended December 31, 2022 have been reviewed by the Audit Committee and audited by the independent auditor of the Company, PricewaterhouseCoopers.

Remuneration Committee

We have established a remuneration committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The primary duties of the Remuneration Committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management and the establishment of a formal and transparent procedure for developing policy on such remuneration, and to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules. The Remuneration Committee comprises one executive Director and two independent non-executive Directors, namely Mr. Zhang Yong, Mr. Yu Shiyou and Mr. Xie Shaohua. Mr. Yu Shiyou is the chairman of the committee.

The Remuneration Committee held two meetings from the Listing Date till December 31, 2022, during which the Remuneration Committee reviewed the remuneration package for Dr. Wang Ruihua and Ms. Huang Luo. The Remuneration Committee has reviewed policy and structure for the remuneration of the Directors and senior management of the Company for the year ended December 31, 2022 and remuneration proposal of the Directors and senior management of the Company for the year ending December 31, 2023.

No material matters relating to share schemes were reviewed and/or approved by the Remuneration Committee during the year ended December 31, 2022.

Nomination Committee

We have established a nomination committee in compliance with the Corporate Governance Code. The primary duties of the Nomination Committee are to review the structure, diversity, size and composition of the Board, assess the independence of the independent non-executive Directors and to make recommendations to our Board regarding the appointment of Directors and Board succession. The Nomination Committee comprises one executive Director and two independent non-executive Directors, namely Mr. Zhang Yong, Mr. Yu Shiyou and Mr. Xie Shaohua. Mr. Zhang Yong is the chairman of the committee.

The Nomination Committee held three meetings from the Listing Date till December 31, 2022, during which the Nomination Committee reviewed and advise the Board on (i) the re-appointment of Mr. Zhou Weiqun, Mr. Zhou Xinyu and Dr. Guo Yunzhao as Directors and (ii) recommended to the Board the appointment of new Directors, Dr. Wang Ruihua and Ms. Huang Luo.

The Nomination Committee has assessed the independence of independent non-executive Directors, recommended the re-appointment of the Directors standing for re-election at the AGM and reviewed the board diversity policy and nomination policy of the Company.

The nomination policy was approved and adopted by the Board for evaluating and selecting any candidate for directorship. The Nomination Committee would consider the following criteria, including, among other things, character and integrity, qualifications (cultural and educational background, professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy (as defined below)), any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and diversity, and willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s).

The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of a new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship with a ranking of the candidates (if applicable) by order of preference based on the needs of the Company and reference check of each candidate.

DIVERSITY POLICY

Board Diversity

In order to enhance the effectiveness of our Board and to maintain the high standard of corporate governance, the Company has adopted the board diversity policy (the "**Board Diversity Policy**"). The Board Diversity Policy has been reviewed by the Board on an annual basis. All the executive and non-executive Directors possess extensive and diversified experience in management and broad industrial experience. The three independent non-executive Directors possess professional knowledge in management, finance and accountancy, respectively with broad and extensive experience in business advisory and management, respectively. A summary of the Board Diversity Policy is set out below:

Purpose

The Board Diversity Policy aims to set out sets out the objective and approach to achieve and maintain diversity of the Board and enable the Board to comply with the Corporate Governance Code.

Board Diversity Policy Statement

Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining our Company's competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board. Our Board would ensure that appropriate balance of gender diversity is achieved with reference to Shareholders' expectation and international and local recommended best practices, with the ultimate goal of bringing our Board to gender parity.

Measurable Objectives

Going forward and with a view to developing a pipeline of potential successors to our Board that may meet the targeted gender diversity ratio set out below, we will (i) make appointments based on merits with reference to board diversity as a whole; (ii) take steps to promote gender diversity at all levels of our Group by recruiting staff of different gender; and (iii) provide career development opportunities and more resources in training female staff with the aim of promoting them to the senior management or board of our Company so that we will have a pipeline of female senior management and potential successors to our Board in a few years' time. Since the Listing Date, the Company has appointed one female Director, Ms. Huang Luo. Please refer to the Company's announcement dated August 11, 2022 for details.

The Board will review the Board Diversity Policy on a regular basis to ensure its continued effectiveness. The Company has also taken, and will continue to take steps to promote gender diversity at all levels of the Company, including but not limited to the Board and senior management levels. While we recognize that gender diversity at the Board level can be further improved, the Company will keep an eye on female candidates who have extensive work experience in the medical operation service industry, to be the potential successor to the Board. Board appointments will continue to be made on a merit basis and candidates will be considered against objective criteria, with due regard for the benefits of diversity on the Board as a whole. The Board believes that such merit-based appointments will best enable the Company to serve its Shareholders and other stakeholders going forward. The Board will give adequate consideration to the Board Diversity Policy when it identifies suitably qualified candidates to become members of the Board.

The Board currently comprises of seven Directors, including one executive Director, three non-executive Directors and three independent non-executive Directors. Our Directors have a balanced mix of knowledge and skills, including in corporate and financial management, corporate operations and strategic planning, and medical services. We have three independent non-executive Directors with different industry backgrounds, representing more than one third of the members of the Board.

Diversity at Work Force

We strive to provide a platform with equal opportunities for all our employees as we value the experience and knowledge of our senior staff as well as the passion and adaptability of the younger staff. To build a healthy talent pipeline in preparing for the Group's continuous business expansion, we emphasize the importance for our new hires to be selected through robust, fair and transparent recruitment process, based on their merits and their potential. We also believe that unreasonable dismissal under any circumstances is unacceptable and is prohibited at the Group. The causes of dismissal are included but not limiting to, in our employee handbook which stipulated detail list of major offences which we regard as legitimate reason for dismissal.

Our employment profile as at December 31, 2022 is as follows:

Workforce as at December 31, 2022	No. of Headcount	Percentage of Total Headcount
By Gender		
Male	1,022	39.23%
Female	1,583	60.77%
By Age Group		
18 – 30 years old	1,822	69.94%
31 – 50 years old	763	29.29%
over 50 years old	20	0.77%

Our Company is committed to providing all the job applicants and staff with equal opportunities for employment, without tolerance of any discrimination over gender, age, ethnicity, nationality and disability. The Group recruits workforce in strict compliance with local laws and regulations. Moreover, we emphasize the protection of females' rights and interests as part of our management principle and also provide more comfortable and flexible employment arrangements and holiday benefits for our female staff.

The Board is satisfied with the gender diversity of our employees and it expects to reach the diversity at work force at a more balanced level in 2023.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for determining corporate governance policy of the Company performing the functions set out in code provisions A.2.1 of the Corporate Governance Code. Such duties have been delegated to the Audit Committee.

The Audit Committee reviewed the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, and the Company's compliance with the Corporate Governance Code, the Company's code of conduct applicable to its employees and Directors, and disclosure in its Corporate Governance Report.

The Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The joint company secretaries of the Company may from time to time and as the circumstances required, provide updated written training materials relating to the roles, functions and duties of a director of a company listed on the Stock Exchange.

BOARD INDEPENDENCE

The Company recognizes that Board independence is key to good corporate governance. The Company has in place effective mechanisms that underpin an independent Board and that independent views. The current composition of the Board, comprising more than one third of the independent non-executive Directors. The remuneration of independent non-executive Directors are subject to a regular review to maintain competitiveness and commensurate with their responsibilities and workload. The independence of each independent non-executive Director is assessed upon his/her appointment and annually.

Directors are requested to declare their direct or indirect interests, if any, in proposals or transactions to be considered by the Board at the Board meetings and abstain from voting, where appropriate. External independent professional advice is available to all Directors, including independent non-executive Directors, whenever deemed necessary. The independent non-executive Directors have consistently demonstrated strong commitment and the ability to devote sufficient time to discharge their responsibilities at the Board.

The Company has also established channels through formal and informal means whereby independent non-executive Directors can express their views in an open manner, and in a confidential manner, should circumstances requires.

DIVIDEND POLICY

The Board has the discretion to declare and distribute dividends to the Shareholders, subject to the Articles of Association and all applicable laws and regulations. In recommending or declaring the dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value. Dividends may only be declared and paid out of the profits of the Company, realized or unrealized, or from reserves of the Company lawfully available for distribution including share premium. All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. Any dividend or bonuses unclaimed after a period of six years from the date of declaration shall be forfeited and shall revert to the Company.

DIRECTORS’ RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2022.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors keep abreast of the responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

The Directors are continually provided with information relating to the developments in the legal and regulatory regime and the business and market environments to facilitate the execution of their responsibilities. Continuing briefings and professional development for the Directors were arranged by the Company and its professional advisors.

Since the Listing Date till December 31, 2022, the Directors attended trainings in the form of a seminar conducted by the legal advisor of the Company and read relevant training materials which were distributed to them. The training covered topics which include, directors' duties, the disclosure obligations under laws of Hong Kong and other applicable laws, the requirements of notifiable transactions and connected transactions etc. under the Listing Rules.

AUDITOR'S RESPONSIBILITY AND REMUNERATION

The Company appointed PricewaterhouseCoopers as the external auditor for the year ended December 31, 2022. A statement issued by PricewaterhouseCoopers about their reporting responsibilities for the financial statements is included in the Independent Auditor's Report on pages 86 to 91.

Details of the fees paid/payable in respect of the audit and non-audit services provided by PricewaterhouseCoopers for the year ended December 31, 2022 are set out in the table below:

Services rendered for the Company	**Fees paid and payable** (RMB'000)
Audit service	7,820
Non-audit service	1,160
Total	8,980

RISK MANAGEMENT AND INTERNAL CONTROLS

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

The main feature of the Group's risk management and internal control system is its ability to dynamically and effectively capture and evaluate significant emerging risks and risk changes, both quantitatively and qualitatively, and to timely manage risks by appropriate risk responses and mitigation strategies.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Group's strategic objectives and establishing and maintaining appropriate and effective risk management and internal control systems. The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Board has delegated the Audit Committee with the responsibility to oversee the risk management and internal control systems of the Group on an on-going basis and to review the effectiveness of the systems annually. The review covers all material controls, including financial, operational and compliance controls.

The Group has also established a set of internal control procedures and system and adopted corporate governance practices to facilitate the effectiveness operation of our business. The Group has adopted an information disclosure policy which sets out comprehensive guidelines in respect of handling and dissemination of inside information.

The Company is committed to excellence and continual improvement and will continue to encourage innovation while maintaining a low-risk profile. Employees are encouraged to adopt a positive approach to risk management, which further strengthens the risk-aware culture (as opposed to risk-adverse culture) of the Group. Our employee handbook which is accessible to all employees covers policies and procedures related to compensation and dismissal, recruitment and promotion, working hours, rest periods, diversity, anti-discrimination, whistleblowing, benefits and welfare, training and development, anti-corruption and code of conduct. The Company has established (i) in confidence and anonymity, a whistleblowing policy and system for employees and our business partners to address their concerns, and (ii) policies and systems that promote and support anti-corruption laws and regulations. Risk management is incorporated into the strategic and operational processes at all levels within the Group in order to minimize the impact of risk. Opportunities and risks are identified and are proactively assessed and monitored by employees on an on-going basis.

The Group has established an internal audit function to carry out the analysis and independent appraisal of the adequacy and effectiveness of the Company's risk management and internal control systems. Relevant personnel have been designated to be responsible for identifying and monitoring the Group's risks and internal control issues and reports directly to the Board of any findings and follow-up actions. Each member of the Group is required to adhere strictly to the Group's internal control procedures and report to the internal audit team of any risks or internal control measures.

The risk management and internal control systems as well as the effectiveness of the internal audit function for the Group was reviewed by the internal consultant of the Company prior to the Company's listing on the Main Board of the Stock Exchange and has been reviewed by the Audit Committee from the Listing Date till the end of the Reporting Period. The Board is of the view that the risk management and internal control systems since the Listing Date and up to the end of the Reporting Period are effective and adequate.

Going forward, the Board, to be supported by the Audit Committee as well as the management report and the internal audit findings, will continue to review the effectiveness of the risk management and internal control systems of the Group, including the financial, operational, compliance controls and risk management annually.

Arrangements are in place to facilitate employees of the Group to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Group.

JOINT COMPANY SECRETARIES

Mr. Lin Yingjia, the joint company secretary of the Company, is responsible for advising the Board on corporate governance matters and ensuring that Board policy and procedures, and applicable laws, rules and regulations are followed.

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company has also engaged Ms. Chan Lok Yee, a manager of the corporate services department of Vistra Corporate Services (HK) Limited, as the joint company secretary to assist Mr. Lin Yingjia in discharging the duties of a company secretary of the Company. Her primary contact person at the Company is Mr. Lin Yingjia, the joint company secretary of the Company.

During the year ended December 31, 2022, Ms. Chan Lok Yee has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of the relevant professional training during the year. Mr. Lin Yingjia was appointed as one of our joint company secretaries on February 7, 2021 and had taken relevant professional training before the Listing Date. Mr. Lin Yingjia will take no less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules commencing from the financial year ending December 31, 2023.

CHANGES TO DIRECTORS' INFORMATION

Save as disclosed in the section headed "Board of Directors and senior management" in this annual report, there was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

SHAREHOLDERS' RIGHTS

Convening of Extraordinary General Meetings by Shareholders

Pursuant to Article 12.3 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any one or more Shareholders holding together, at the date of deposit of the requisition, shares representing not less than one-tenth of the voting rights, on a vote per share basis, of the Company which carry the right of voting at the general meetings of the Company.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Putting Forward Proposals at General Meetings

There are no provisions allowing Shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law (as amended from time to time) or the Articles of Association. However, Shareholders who wish to put forward proposals at general meetings may achieve so by means of convening an extraordinary general meeting following the procedures set out in paragraph above.

As regards the procedures for Shareholders to propose a person for election as a Director, they are available on the Company's website at **http://www.yunkanghealth.com**.

Putting Forward Enquiries to the Board and Contact Details

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong at Room 1901, 19/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong by post with attention to Ms. Chan Lok Yee/Mr. Lin Yingjia, the Joint Company Secretaries or email to **IR@yunkanghealth.com**, for the attention of the Joint Company Secretaries.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavors to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. The Company's external auditor attended the 2022 annual general meeting of the Company and will attend the forthcoming AGM, to answer any questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies applied and its independence. At the forthcoming AGM, Directors (or their delegates as appropriate) will be available to meet Shareholders and answer their enquiries.

The Company adopted the shareholders communication policy, which set out the framework the Company has put in place to promote effective communication with Shareholders so as to enable them to engage actively with the Company and exercise their rights as shareholders in an informed manner. To promote effective communication, the Company maintains a website at **http://www.yunkanghealth.com**, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

Having considered the multiple channels of communication and participation, including but not limited to presenting the annual and interim results through online and face-to-face meetings (as the case may be) to communicate with Shareholders, investors and analysts, and providing contact information on the Company's website for effective communication between Shareholders and the Company, the Board is satisfied that the shareholders communication policy provided effective channels by which Shareholders can communicate and raise concern with the Company and is effective.

CHANGES IN CONSTITUTIONAL DOCUMENTS

The Articles of Association was adopted on April 20, 2022 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Act or any other law of the Cayman Islands.

Since the Listing Date till the end of the Reporting Period, the Company did not make any significant changes to its constitutional documents. A latest version of the Articles of Association is available on the websites of the Company and the Stock Exchange.

GOING CONCERN

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

The Board is pleased to present this report of Directors together with the consolidated financial statements of the Group for the year ended December 31, 2022.

BOARD OF DIRECTORS

The Board currently comprises one executive Director, three non-executive Directors and three independent non-executive Directors.

The Directors during the year ended December 31, 2022 and up to the Latest Practicable Date were:

Executive Director:

Mr. Zhang Yong *(Chairman of the Board and Chief Executive Officer)*

Non-Executive Directors:

Ms. Huang Luo *(appointed on August 11, 2022)*
Dr. Guo Yunzhao
Dr. Wang Ruihua *(appointed on July 11, 2022)*
Mr. Zhou Xinyu *(resigned on August 11, 2022)*
Mr. Zhou Weiqun *(resigned on July 11, 2022)*

Independent Non-Executive Directors:

Mr. Yu Shiyou
Mr. Yang Hongwei
Mr. Xie Shaohua

GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on July 20, 2018 as an exempted limited liability company under the Companies Act. The Company's Shares were listed on the Main Board of the Stock Exchange on May 18, 2022.

PRINCIPAL ACTIVITIES

We are a comprehensive and professional medical operation service provider in China, which is committed to focusing on the health needs of customers, providing competitive solutions and services, and creating a happy life for the public. We have gradually become a leading medical operation platform through professional medical diagnosis services, strong standardization capabilities, and innovative business model of diagnostic testing services for medical institution alliances.

RESULTS

The results of the Group for the year ended December 31, 2022 are set out in the consolidated statement of comprehensive income on pages 92 to 93 of this annual report.

BUSINESS REVIEW

A fair review of the business of the Group as required by Schedule 5 to the Companies Ordinance, including an analysis of the Group's financial performance and an indication of likely future developments in the Group's business is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. These discussions form part of this Directors' report. The discussion of the Company's key relationships with its employees, suppliers and others that have a significant impact on the Company is set out in the section headed "Relationships with Key Stakeholders" in this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

The following list is a summary of certain principal risks and uncertainties faced by the Group, some of which are beyond its control:

- COVID-19 testing is one of the services we provide and the change of COVID-19 testing demand in the future may cause our revenue from COVID-19 tests decrease accordingly;
- although we recorded net profit in 2021 and 2022, our historical financial and operating results may not be indicative of our future performance, and we may not be able to achieve and sustain the historical level of revenue growth and profitability;
- our financial prospects depends on the success of our service portfolio;
- if we cannot raise sufficient additional capital on acceptable terms while our operating activities put forward higher requirements for cash flow, our business, financial condition and prospects may be adversely affected;
- we face uncertainties in relation to the volume procurement policies in China;
- if we fail to keep up with industry and technology developments in a timely and cost-effective manner, we may be unable to compete effectively and demand for our services may decrease, which in turn may cause our business and prospects to suffer;
- if we cannot compete successfully with our competitors, we may be unable to increase or sustain our revenue or achieve and sustain profitability;
- our business may be adversely affected by impeding healthcare reforms in China;

However, the above is not an exhaustive list. Investors are advised to make their own judgment or consult their own investment advisors before making any investment in the Shares.

ENVIRONMENTAL POLICIES AND PERFORMANCE

It is our corporate and social responsibility in promoting a sustainable and environmental-friendly environment. We strive to minimize our environmental impact and to build our corporation in a sustainable way.

We are subject to environmental protection and occupational health and safety laws and regulations in China. From the Listing Date to December 31, 2022, we complied with the relevant environmental and occupational health and safety laws and regulations in China and we did not have any incidents or complaints, which had a material and adverse effect on our business, financial condition or results of operations. Please refer to the "Environmental, Social and Governance Report" of the Company for the year ended December 31, 2022 for details.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. From the Listing Date to December 31, 2022, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

EMPLOYEE AND REMUNERATION POLICIES

As of December 31, 2022, the Group had 2,605 employees (2021: 1,868). The number of employees employed by the Group varies from time to time depending on need. The remuneration package of our employees includes salary and bonus, which are generally determined by their qualifications, industry experience, position and performance. The Company makes contributions to social insurance and housing provident funds as required by the PRC laws and regulations.

The Company also has adopted the 2022 RSU Scheme to attract retain and incentivize the key personnel and partners of the Company, and to promote the value of the Company by offering these individuals an opportunity to acquire the Shares and a proprietary interest in the success of the Company. Please refer to the section headed "2022 RSU Scheme" in this annual report for further details.

The total remuneration cost incurred by the Group for the year ended December 31, 2022 was RMB518.6 million, as compared to RMB289.7 million for the year ended December 31, 2021.

From the Listing Date to December 31, 2022, the Group did not experience any material labor disputes or strikes that may have a material and adverse effect on our business, financial condition or results of operations, or any difficulty in recruiting employees.

MAJOR SUPPLIERS AND PROCUREMENT

For the year ended December 31, 2022, our major suppliers primarily consisted of suppliers of testing kits, raw materials, machinery and equipment, labor outsourcing service provider and third-party marketing service providers. In addition, we also engage certain third-party laboratories as subcontractors to outsource a small portion of our testing services. The main purpose is to ensure the efficiency of our testing services and to save costs because it is time consuming and costly to build up a technology platform for a small portion of test samples.

For the years ended December 31, 2021 and 2022, we engaged 35 and 55 subcontractors, respectively, and have maintained stable business relationships with our subcontractors with an average of approximately five years cooperation. We have maintained stable business relationships with our major suppliers for over five years on average.

For the years ended December 31, 2021 and 2022, Da An Gene Group, our connected person was our largest supplier. Our purchase amounts from Da An Gene Group were RMB226.5 million and RMB580.0 million for the years ended December 31, 2021 and 2022, respectively, representing 22.1% and 20.4% of our total purchases for the same period, respectively. The increase in purchases from Da An Gene Group in 2022 was primarily because of the increasing amount of reagents and consumables we purchased from Da An Gene Group in 2022 mainly attributable to the increased number of COVID-19 tests we conducted in the same period.

During the Reporting Period, our purchase amount from our five largest suppliers amounted to RMB795.5 million (2021: 324.4 million), accounting for approximately 28.0% (2021: 33.4%) of our total purchases.

Save for Da An Gene, as of the Latest Practicable Date, none of our Directors, their respective close associates, or any Shareholder who, to the knowledge of the Directors, owns more than 5% of the Company's issued capital, has any interest in any of the Group's five largest suppliers.

For the year ended December 31, 2022, we did not experience any significant disputes with our suppliers or subcontractors.

MAJOR CUSTOMERS

For the year ended December 31, 2022, our customers primarily consisted of the CDC, hospitals, community health clinics and other medical institutions (such as woman's and children's dispensaries, township health center and village clinics), as well as financial institutions, insurance companies and high net worth individuals. During the Reporting Period, a significant number of our customers were located in Guangdong province, accounting for 47% of our total customers for the year ended December 31, 2022.

During the Reporting Period, our revenue generated from our five largest customers accounted for less than 30% of our total revenue.

As of the Latest Practicable Date, none of the Directors, their respective close associates, or any Shareholder who, to the knowledge of the Directors, owns more than 5% of the Company's issued capital, has any interest in any of the Group's five largest customers.

For the year ended December 31, 2022, we did not experience any significant disputes with our customers.

KEY RELATIONSHIPS WITH STAKEHOLDERS

The Group recognizes that various stakeholders including suppliers, subcontractors, employees, Shareholders and other business associates are key to Group's success. The Group strives to achieve corporate sustainability through engaging, collaborating, and cultivating strong relationship with them.

Relationship with Our Employees

We endeavor to cultivate talented and loyal employees by treating our employees with dignity, respect and fairness. We recruit our personnel primarily through recruiting websites, recruiters and job fairs. We enter into employment contracts with our employees to cover matters such as wages, benefits and grounds for termination. We make contributions to social insurance and housing provident funds as required by the PRC laws and regulations.

All of our new employees are required to attend orientation and training programs so that they may better understand our corporate culture, structure and policies, learn relevant laws and regulations, and raise their quality awareness. In addition, from time to time, we invite external experts to provide training to our management personnel to improve their relevant knowledge and management skills. We have established a labor union that represents employee with respect to the promulgation of the Articles of Association and internal protocols.

Relationship with Customers, Suppliers and Subcontractors

We have been devoted to properly maintaining our relationships with our customers, suppliers and subcontractors, which is crucial for us to achieving market acceptance among hospitals, other medical institutions, financial institutions, insurance companies, physicians and patients and developing and expanding our business.

Relationship with Shareholders

We recognize the importance of protecting the interests of the Shareholders and of having effective communication with them. We believe communication with the Shareholders is a two-way process and have thrived to ensure the quality and effectiveness of information disclosure, maintain regular dialogue with the Shareholders and listen carefully to the views and feedback from the Shareholders. This has been done through general meetings, corporate communications, annual reports and results announcements.

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 172 of this annual report. This summary does not form part of the audited consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

TAX RELIEF AND EXEMPTION

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

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 31 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property and equipment of the Company and the Group for the year ended December 31, 2022 are set out in Note 13 to the consolidated financial statements.

SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the year ended December 31, 2022 and details of the Shares issued for the year ended December 31, 2022 are set out in Note 23 to the consolidated financial statements.

DONATION

For the year ended December 31, 2022, the Group made charitable donations of RMB0.5 million.

DEBENTURE ISSUED

The Group did not issue any debenture for the year ended December 31, 2022.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group, or existed for the year ended December 31, 2022.

PERMITTED INDEMNITY

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain in or about the execution of their duty in their offices, in which judgment is given in his/her favour, or in which he/she is acquitted.

Such permitted indemnity provision has been in force for the year ended December 31, 2022. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

DISTRIBUTABLE RESERVES

The Company may pay dividends out of the share premium account, retained earnings and any other reserves provided that immediately following the payment of such dividends, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. As at December 31, 2022, the Company had distributable reserves amounting to RMB743.2 million (2021: RMB21.1 million).

Details of movements in the reserves of the Group during the year ended December 31, 2022 are set out in the consolidated statement of changes in equity on page 96 of this annual report.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at December 31, 2022 are set out in the section headed "Management Discussion and Analysis" in this annual report and Note 26 to the consolidated financial statements.

CONVERTIBLE BONDS

As of the Latest Practicable Date, the Company has not issued any convertible bonds.

LOAN AGREEMENTS WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDERS

As of the date of this annual report, the Company has not entered into any loan agreement which contains covenants requiring specific performance of the Controlling Shareholders that is required to be disclosed under Rule 13.18 of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

Executive Director, Mr. Zhang Yong entered into a service contract with the Company for an initial term commencing from the date of his appointment as a Director and continuing for three years after or until the third annual general meeting of the Company since the Listing Date, whichever is earlier, and shall be terminable by either party giving no less than 30 days notice in writing to the other. Save for the above, each of the non-executive and independent non-executive Directors has entered into an appointment letter with the Company, which commenced from their respective date of appointment for a three-year initial term from the date of his/her appointment and shall be terminable by either party giving no less than three-month notice in writing to the other.

The above appointments are always subject to the provisions of retirement and rotation of Directors under the Articles of Association.

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the Note 32 to the consolidated financial statements, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended December 31, 2022.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

One of our Controlling Shareholders, Da An Gene, together with its subsidiaries, has undertaken to us in the Non-competition Undertaking that, during the effective period of the Non-competition Undertaking, Da An Gene Group shall not directly or indirectly be involved in or undertake any business (other than our business) that directly or indirectly competes, or may compete, with any business engaged by any member of our Group, or hold interest in any companies or business that compete directly or indirectly with the business currently or from time to time engaged in by our Group. For further details, please refer to the section headed "Relationship with our Controlling Shareholders – Non-competition Undertaking from Da An Gene Group" of the Prospectus.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in the Prospectus and save for their respective interests in the Group, none of the Directors and the Controlling Shareholders was interested in any business which competes or is likely to compete with the businesses of the Group for the year ended December 31, 2022.

The Da An Gene Group has confirmed to our Company of its compliance with the provisions of the Non-competition Undertaking. The independent non-executive Directors have reviewed the status of the compliance with the Non-competition Undertaking, and were satisfied that the Da An Gene Group have duly complied with the Non-competition Undertaking.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed for the year ended December 31, 2022.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As of December 31, 2022, the interests and short positions of the Directors or chief executives of our Company and their associates in any of the Shares, underlying Shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Name of Director	Capacity/ Nature of interest	Number of Ordinary Shares	Approximate percentage of shareholding in the total issued shares[2] (%)
Mr. Zhang Yong *(Executive Director and Chief Executive Officer)*	Interested in a controlled corporation	250,108,000[1] (L)	40.25%

(L) denotes a long position

Notes:

(1) These Shares are directly held by YK Development, which is held as to 64.04% and controlled by Huizekx Limited, which is wholly-owned by Mr. Zhang Yong. Therefore, Huizekx Limited and Mr. Zhang Yong are deemed to be interested in the Shares held by YK Development under the SFO. On November 18, 2022, YK Development pledged 181,108,000 Shares ("**Pledged Shares**") to China Construction Bank (Asia) Corporation Limited in favour of SPDB International (Hong Kong) Limited. On November 29. 2022, YK Development pledged 60,614,780 Shares, being part of the Pledged Shares directly to SPBD Guangzhou Wuyang Branch.

(2) The calculation is based on the total number of 621,250,500 Shares in issue as of December 31, 2022.

Save as disclosed above, as at December 31, 2022, none of the Directors or chief executives of the Company has or is deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or which will be required to be recorded in the register to be kept by the Company pursuant to Section 352 of the SFO, or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As of December 31, 2022, so far as the Directors are aware, the followings are the persons, other than the Directors or chief executives of the Company, who had interests or short positions in the Shares and underlying Shares which would be required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name of Substantial Shareholders	Nature of interest	Number of Shares	Approximate percentage of shareholding in the total issued shares[5]
Zhang Yong	Interested in a controlled corporation	250,108,000 (L)	40.25%
Huizekx Limited[1]	Interested in a controlled corporation	250,108,000 (L)	40.25%
Mouduans Limited[2]	Interest in a controlled corporation	250,108,000 (L)	40.25%
Tongfuzc Limited[2]	Interested in a controlled corporation	250,108,000 (L)	40.25%
WJJR Investment Limited[2]	Interest in a controlled corporation	250,108,000 (L)	40.25%
Jin Jun Ying Limited[2]	Interested in a controlled corporation	250,108,000 (L)	40.25%
Source Capital RW Limited[2]	Interest in a controlled corporation	250,108,000 (L)	40.25%
YK Development[1]	Beneficial owner	250,108,000 (L)	40.25%
Da An Gene[3]	Interested in a controlled corporation	209,783,000 (L)	33.76%
Guangzhou Daan Gene[3]	Interested in a controlled corporation	209,783,000 (L)	33.76%
Daan International[3]	Beneficial owner	209,783,000 (L)	33.76%
Shanghai Pudong Development Bank Co., Ltd[4]	Interested in a controlled corporation	181,108,000 (L)	29.15%
SPDB International Holdings Limited[4]	Interested in a controlled corporation	120,493,220 (L)	19.39%
SPDB International (Hong Kong) Limited[4]	Person having a security interest in shares	120,493,220 (L)	19.39%
SPBD Guangzhou Wuyang Branch[4]	Person having a security interest in shares	60,614,780 (L)	9.75%

(L) denotes a long position

Notes:

(1) YK Development is held as to 64.04% and controlled by Huizekx Limited, which is wholly-owned by Mr. Zhang Yong. Therefore, Huizekx Limited is deemed to be interested in the Shares held by YK Development under the SFO.

(2) YK Development is held as to approximately 23.47%, 6.95%, 3.04%, 0.50% and 2.00%, by Mouduans Limited, Tongfuzc Limited, WJJR Investment Limited, Jin Jun Ying Limited and Source Capital RW Limited, respectively. Pursuant to Guidance Letter HKEX GL89-16, Huizekx Limited, Mouduans Limited, Tongfuzc Limited, WJJR Investment Limited, Jin Jun Ying Limited, Source Capital RW Limited and YK Development are a group of Controlling Shareholders of the Company.

(3) Daan International is wholly-owned by Guangzhou Daan Gene, a company wholly-owned by Da An Gene. Therefore, Guangzhou Daan Gene and Da An Gene is deemed to be interested in the Shares held by Daan International under the SFO.

(4) SPDB International (Hong Kong) Limited is directly wholly owned by SPDB International Holdings Limited, which in turn is wholly owned by Shanghai Pudong Development Bank Co., Ltd. SPBD Guangzhou Wuyang Branch is ultimately wholly owned by Shanghai Pudong Development Bank Co., Ltd. Therefore, Shanghai Pudong Development Bank Co., Ltd is deemed to be interested in the interests held by SPDB International (Hong Kong) Limited and SPBD Guangzhou Wuyang Branch. On November 18, 2022, YK Development pledged 181,108,000 Shares to China Construction Bank (Asia) Corporation Limited in favour of SPDB International (Hong Kong) Limited, among which 60,614,780 Shares was pledged directly to SPDB Guangzhou Wuyang Branch on November 29, 2022.

(5) The calculation is based on the total number of 621,250,500 Shares in issue as of December 31, 2022.

Save as disclosed above, as at December 31, 2022, the Directors and chief executives of the Company are not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would be required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

2022 RSU SCHEME

On November 23, 2022 (the "**Adoption Date**"), the 2022 RSU Scheme was approved and adopted by the Company. Further details of the 2022 RSU Scheme are set out in the Company's announcement dated November 23, 2022.

A summary of the principal terms of the 2022 RSU Scheme is set out below:

1. Purposes of the 2022 RSU Scheme

The purpose of the 2022 RSU Scheme is to attract, retain and incentivize the key personnel and partners of the Company, and to promote the value of the Company by offering these individuals an opportunity to acquire Shares and a proprietary interest in the success of the Company, thereby linking their interests with the Company's performance.

2. Selected Participants in the 2022 RSU Scheme

Selected participants (the "**Selected Participant(s)**") of the 2022 RSU Scheme include the following:

(1) any full-time or part-time employee of the Group;

(2) customers, suppliers, agents, partners, or consultants of the Group; and

(3) other persons identified by the Board as an eligible participant.

The Board may in its sole and absolute discretion select any Selected Participant and determine the restricted share units (the "**RSUs**") for each of them.

3. Total Number of Shares under the 2022 RSU Scheme

The Board may determine the number of Shares to be purchased as the underlying shares (the "**Underlying Shares**"), and cause to be paid the purchase price for the Underlying Shares and the related expenses to the trustee appointed by the Company for the administration of the 2022 RSU Scheme (the "**Trustee**"), who will purchase the Underlying Shares. The Trustee shall apply the entire amount without deduction (except for transaction levy, stamp duty and other statutory fees) towards the purchase of Shares at the prevailing market price or at a price within a specific price range determined in the sole discretion of the Board. Once purchased, the Underlying Shares are to be held by the Trustee for the awards under the 2022 RSU Scheme.

Pursuant to the 2022 RSU Scheme, the Underlying Shares will be satisfied by the existing Shares to be acquired by the Trustee on the market. As no new Shares will be issued under the 2022 RSU Scheme, the operation of the 2022 RSU Scheme is not expected to have a dilutive impact to the Shareholders.

The number of Shares awarded under the 2022 RSU Scheme shall not exceed 3% of the issued Shares of the Company as at November 23, 2022, being 18,637,515 Shares, representing 3% of the issued Shares of the Company as at the Latest Practicable Date.

As of December 31, 2022, the Trustee had not purchased any Shares as the Underlying Shares.

4. Maximum Entitlement of Each RSU Participant

The maximum entitlement of each participant of the 2022 RSU Scheme shall not exceed the limits as required under the Listing Rule.

5. Vesting

The Board will set vesting criteria in its discretion, which, depending on the extent to which the criteria are met, will determine the number of RSUs that will be paid-out to the Selected Participant(s). The Board may set vesting criteria based upon the Company's achievements and individual goals, or any other basis determined by the Board in its discretion. The vesting schedules are stipulated in the respective written or electronic agreement(s) (the "**Award Agreement(s)**") between the Company and the Selected Participant(s). Unvested RSUs will automatically expire if the RSUs are not fully vested according to the vesting schedules due to Selected Participants failing to meet the vesting criteria or for other reasons.

6. Acceptance of RSUs

If a Selected Participant signs the Award Agreement within 28 days, it will be deemed to have accepted the grant of RSUs, and the number of RSUs stated in the Award Agreement will be deemed to have been granted. The amount, if any, payable on acceptance of the RSUs shall be stipulated in the Award Agreement.

7. **Basis of Determining the purchase price of RSUs awarded**

The purchase price of RSUs awarded under the 2022 RSU Scheme shall be determined in the sole discretion of the Board and stipulated in the Award Agreement.

8. **Remaining Life**

Unless terminated earlier by the Company in accordance with the Scheme Rules, the 2022 RSU Scheme is valid and effective for a term of 10 years commencing from the Adoption Date. The 2022 RSU Scheme may be terminated by ordinary resolution of the general meeting or by resolution of the Board. Upon termination, (i) no further grant of RSUs may be made under the 2022 RSU Scheme; and (ii) the Awards granted prior to such termination shall continue to be valid.

As of the Latest Practicable Date, the remaining life of the 2022 RSU Scheme is approximately nine years and seven months.

As of December 31, 2022, no RSU had been granted or agreed to be granted, exercised, cancelled or lapsed under the 2022 RSU Scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time for the year ended December 31, 2022 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate; and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

In compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code, the Company has established the Remuneration Committee to formulate remuneration policies. The remuneration is determined and recommended based on each Director's and senior management personnel's qualification, position and seniority. As for the independent non-executive Directors, their remuneration is determined by the Board upon recommendation from the Remuneration Committee.

Details of the remuneration of the Directors, senior management and the five highest paid individuals are set out in Note 32 and Note 9, respectively to the consolidated financial statements.

The remuneration of the members of senior management (including Directors) by band for the year ended December 31, 2022 is set out below:

Remuneration bands (HKD)	**No. of person**
1,000,001-1,500,000	4
0-1,000,000	1
Total	5

None of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

For the year ended December 31, 2022, none of the Directors were paid any discretionary bonus.

CONNECTED TRANSACTIONS

Among the related party transactions disclosed in Note 29 to the consolidated financial statements, the following transactions constitute connected transactions for the Company under Rule 14A.23 of the Listing Rules and are required to be disclosed in this annual report in accordance with Rule 14A.71 of the Listing Rules. Please see below the information required to be disclosed in compliance with Chapter 14A of the Listing Rules.

As of the Latest Practicable Date, we have entered into the following continuing connected transaction pursuant to the Chapter 14A of the Listing Rules.

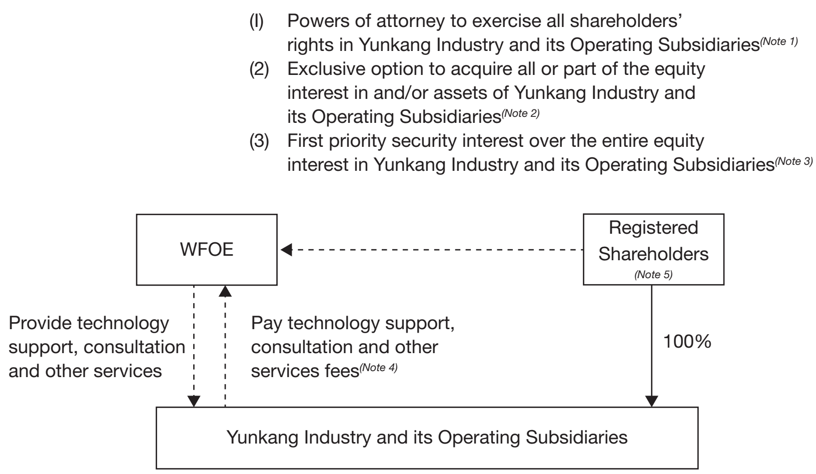
Contractual Arrangements

Overview

We are engaged in the provision of clinical genetic testing service and medical outpatient service. Under the applicable PRC laws and regulations, foreign investors are (i) prohibited from holding equity interest in any enterprise that are engaged in the development and application of gene diagnosis and treatment technology, which form part of our clinical genetic testing service, and (ii) are restricted from holding equity interest in any enterprise that are engaged in medical outpatient service. As a result, we are not able to acquire and hold the equity interest in our Consolidated Affiliated Entities under the applicable PRC laws and regulations. Besides, Yunkang Industry holds an ICP license for value-added telecommunications service. Under the applicable PRC laws and regulations, foreign investors are not allowed to hold more than 50% of the equity interests in an enterprise providing value-added telecommunications service. For further details of the limitations on foreign ownership in PRC companies conducting the aforementioned business under PRC laws and regulations, please see the section headed "Regulations" in the Prospectus. Yunkang Industry did not provide commercial value-added telecommunication service during the Reporting Period. It plans to provide communication technology enabling remote diagnosis and treatment activities between medical institutions and other commercial internet information services to third parties with fee charge for such platform service in the future.

In order to comply with the relevant PRC laws and regulations, we entered into a series of Contractual Arrangements with Yunkang Industry and its Registered Shareholders on October 22, 2019 which were restated and amended on December 29, 2020 and February 24, 2021. The underlying operating subsidiaries (the "**Operating Subsidiaries**") of Yunkang Industry became parties of the Contractual Arrangements on February 4, 2022. Pursuant to the Contractual Arrangements we acquired effective control over the Consolidated Affiliated Entities and consolidated the results of the Consolidated Affiliated Entities.

The following simplified diagram illustrates the flow of economic benefits from the Consolidated Affiliated Entities to our Group stipulated under the Contractual Arrangements:



"——▶" denotes direct legal and beneficial ownership in the equity interest

"- - - -▶" denotes contractual relationship

Notes:

(1) Please refer to the section headed "Shareholders' Voting Rights Entrustment Agreement" below for details.

(2) Please refer to section headed "Exclusive Option Agreement" below for details.

(3) Please refer to the section headed "Equity Pledge Agreement" below for details.

(4) Please refer to the section headed "Exclusive Consultancy and Service Agreement" below for details.

(5) As of the date of this annual report, the Registered Shareholders are the following persons who together hold the 100% equity interest of Yunkang Industry.

Shareholders	**Registered Capital (RMB)**	**Approximate percentage of shareholding**
Da An Gene	432,000,280	46.96%
Gaoxin Yangguang	303,899,320	33.03%
Mouduanshan	107,999,840	11.74%
Tongfu Zhongchuang	32,000,360	3.48%
Guangzhou Huigang	13,999,640	1.52%
Guangzhou Anjianxin	9,600,200	1.04%
Heyuan Rongwei	9,200,000	1%
Guangzhou Guoju Venture Capital Co., Ltd.	8,000,320	0.87%
Mr. Lan Fu	2,300,000	0.25%
Yujiang Anjin	1,000,040	0.11%

Summary of the Material Terms of the Contractual Arrangements

A brief description of the specific agreements that comprise the Contractual Arrangements is set out below. For details of the specific agreements, please refer to the section headed "Contractual Arrangements" in the Prospectus.

(1) Exclusive Consultancy and Service Agreement

Under the exclusive consultancy and service agreement between Yunkang Industry and the WFOE on October 22, 2019 and amended on February 24, 2021 and the exclusive consultancy and service agreement between the WFOE and the Operating Subsidiaries of Yunkang Industry on February 4, 2022 (collectively, the "**Exclusive Consultancy and Service Agreements**"), Yunkang Industry and its Operating Subsidiaries agreed to engage the WFOE as their exclusive provider to provide technology support, consultation and other services within the business scope of Yunkang Industry and its Operating Subsidiaries. In addition, pursuant to the Exclusive Consultancy and Service Agreements, without the prior written approval from the WFOE, Yunkang Industry and its Operating Subsidiaries shall not accept the same or any similar services provided by any third party and shall not, establish cooperation relationships similar to that formed by the Exclusive Consultancy and Service Agreements with any third party. The Exclusive Consultancy and Service Agreements also provides that all intellectual property rights generated, developed or created during the performance of the Exclusive Consultancy and Service Agreements belong to the WFOE.

(2) Exclusive Option Agreement

Under the exclusive option agreement on October 22, 2019 and amended on December 29, 2020 and February 24, 2021 among the WFOE, Yunkang Industry and the Registered Shareholders and the exclusive option agreement among WFOE, Yunkang Industry and its Operating Subsidiaries on February 4, 2022 (collectively, the "**Exclusive Option Agreements**"), WFOE has been granted an irrevocable, unconditional and exclusive right to require the Registered Shareholders and Yunkang Industry to transfer any or all of their equity interests in Yunkang Industry and its Operating Subsidiaries, respectively, to the WFOE and/or its designated third party, in whole or in part at any time and from time to time.

(3) Equity Pledge Agreement

Under the equity pledge agreement on October 22, 2019 and amended on December 29, 2020 and February 24, 2021 among the WFOE, Yunkang Industry and the Registered Shareholders, each of the Registered Shareholders agreed to pledge all of their respective equity interests in Yunkang Industry to the WFOE as a security interest to guarantee the performance of contractual obligations and the payment of outstanding debts under the Contractual Arrangements. Further, on February 4, 2022, WFOE, Yunkang Industry and its Operating Subsidiaries also entered into the equity pledge agreement (collectively, the "**Equity Pledge Agreements**"), pursuant to which Yunkang Industry, Chengdu Da An and Guangzhou Da An agreed to pledge to the WFOE their equity interests in the registered capital of the Operating Subsidiaries.

The registration of the pledge of equity interest in Yunkang Industry has been completed as of May 2021 in accordance with the terms of the Equity Pledge Agreements and the applicable PRC laws and regulations. As of the Latest Practicable Date, Operating Subsidiaries, except for Yunkang Lingnan, have completed the registration of the pledge of their corresponding equity interest. On March 17, 2022, the Investment Promotion Bureau issued the "Reply Letter on Matters Concerning the Pledge of the Equity Interest in Yunkang Lingnan", which believes that the pledge of the equity interest in Yunkang Lingnan violates the Investment Agreement (as defined in the section headed "Contractual Arrangements" in the Prospectus). Thus, Yunkang Industry was not able to complete the registration process of the pledge of the equity interest in Yunkang Lingnan to the WFOE to avoid the violation of the Investment Agreement. As confirmed by our PRC Legal Advisers, the failure of registration process will not influence the validity and enforceability of the Contractual Agreements and our Directors are of the view that it does not have any material impact on the Group's finance and business operations.

(4) Shareholders' Voting Rights Entrustment Agreement

Under the restated and amended shareholders' voting rights entrustment agreement among each of Yunkang Industry, the Registered Shareholders and WFOE on October 22, 2019 and amended on December 29, 2020 and February 24, 2021 and the shareholders' voting rights entrustment agreement among WFOE, Yunkang Industry and its Operating Subsidiaries on February 4, 2022 (collectively, the "**Shareholders' Voting Rights Entrustment Agreements**"), each of the Registered Shareholders and Yunkang Industry irrevocably, unconditionally and exclusively appointed the persons designated by the WFOE as its attorneys-in-fact to exercise on his/her/its behalf, any and all shareholder's right that he/she/it has in respect of its equity interests in Yunkang Industry and its Operating Subsidiaries, respectively.

(5) Shareholders' Powers of Attorney

Pursuant to the restated and amended Shareholders' Powers of Attorney dated February 24, 2021 and executed by the Registered Shareholders in favor of the Directors, their successors (including a liquidator replacing the Directors) and the WFOE, each of the Registered Shareholders irrevocably authorized and appointed the WFOE, as his/her/its agent to act on his/her/its behalf to exercise or delegate the exercise of all his/her/its rights as shareholders of Yunkang Industry. Pursuant to the Shareholders' Powers of Attorney dated February 4, 2022 and executed by Yunkang Industry and the WFOE, Yunkang Industry irrevocably authorized and appointed the WFOE, as its agent to act on its behalf to exercise or delegate the exercise of all its rights as shareholder of its Operating Subsidiaries.

(6) Spouse Undertakings

The spouse of the individual Registered Shareholder, namely, Mr. Lan Fu, has signed an undertaking to the effect that: (i) his spouse has full knowledge of the entering into of the Contractual Arrangements by WFOE, the Registered Shareholders and Yunkang Industry; (ii) the equity interest of Yunkang Industry held by Mr. Lan Fu do not fall within the scope of communal properties in case of divorce; (iii) at any time, the spouse shall not take any actions against the disposal of such interests and shall not make any claim relating to such interests; and (iv) the performance, amendment or termination of the Contractual Arrangements does not require consent from the spouse.

In addition, the spouse of each of the ultimate beneficial owners or controllers of Gaoxin Yangguang, Mouduanshan, Tongfu Zhongchuang, Guangzhou Huigang, Yujiang Anjin and Guangzhou Anjianxin, where appropriate, has entered into an undertaking to the effect that: (i) the respective spouse has full knowledge of the entering into of the Contractual Arrangements by WFOE, the Registered Shareholders and Yunkang Industry; (ii) the performance, amendment or termination of the Contractual Arrangements does not require consent from the spouse; (iii) if he/she is transferred any shares, directly or indirectly, he/she will be bound by the Contractual Arrangements and will sign all necessary documents and to take all necessary actions to ensure the Contractual Arrangements are properly performed.

Business Activities of Consolidated Affiliated Entities

Our Consolidated Affiliated Entities include (i) Yunkang Industry and its subsidiaries; and (ii) Guangzhou Clinic. We do not directly own 100% equity interest in the Consolidated Affiliated Entities. Yunkang Industry is currently held by the Registered Shareholders. Guangzhou Clinic is currently held by Guangzhou Yunkang as to 70% and by Yunkang Industry by 30%.

Consolidated Affiliated Entities	Principal Business	Basis to be controlled through the Contractual Arrangements
Yunkang Industry	Planning to conduct commercial value-added telecommunication service	According to the 2021 Negative List, foreign investment is restricted for the companies engaged in commercial value-added telecommunication service
	Holding company of the Consolidated Affiliated Entities that are engaged in clinical genetic testing service	According to the 2021 Negative List, foreign investment is prohibited for the companies engaged in development and application of gene diagnosis and treatment technology, which forms part of clinical genetic testing
Guangzhou Daan, Chengdu Daan, Jiangxi Yunkang Daan Medical Laboratory Co., Ltd., Shanghai Daan, Hefei Daan Medical Laboratory Co., Ltd. and Kunming Gaoxin Daan Medical Laboratory Co., Ltd.	Diagnostic testing services including clinical genetic testing service	According to the 2021 Negative List, foreign investment is prohibited for the companies engaged in development and application of gene diagnosis and treatment technology, which forms part of clinical genetic testing
Guangxi Yunkang Daan Medical Laboratory Co., Ltd., Jinan Yunkang Daan Medical Laboratory Co., Ltd., Shenzhen Yunkang Daan Medical Laboratory, Guiyang Yunkang Daan Medical Laboratory Co., Ltd., Zhuhai Yunkang Daan Medical Laboratory Co., Ltd., Foshan Yunkang Daan Medical Laboratory Co., Ltd., Shantou Yunkang Daan Medical Laboratory Co., Ltd., Huizhou Yunkang Daan Medical Laboratory Co., Ltd., Dongguan Yunkang Daan Medical Laboratory Co., Ltd. and Guangzhou Baiyun Yunkang Daan Medical Laboratory Co., Ltd.	Planning to conduct diagnostic testing services including clinical genetic testing service	According to the 2021 Negative List, foreign investment is prohibited for the companies engaged in development and application of gene diagnosis and treatment technology, which forms part of clinical genetic testing

Consolidated Affiliated Entities	Principal Business	Basis to be controlled through the Contractual Arrangements
Guangzhou Clinic	Medical outpatient service	According to the 2021 Negative List, foreign investment is restricted for the companies engaged in medical outpatient service
Yunkang Lingnan	A project company for the development of the Group's global headquarters with no business operations	Yunkang Lingnan is held by Yunkang Industry and the transfer of equity interest in Yunkang Lingnan will constitute a breach of the Investment Agreement

The Importance and Financial Contribution of the Consolidated Affiliated Entities to the Group

Through our shareholdings and the Contractual Arrangements, our Company acquired effective control over Consolidated Affiliated Entities and, at our Company's sole discretion, can receive all of the economic interest returns generated by Consolidated Affiliated Entities. The total revenue and net assets of the Consolidated Affiliated Entities that are subject to the Contractual Arrangements amounted to approximately RMB3,721.0 million for the year ended December 31, 2022 and RMB1,836.3 million as of December 31, 2022, respectively.

Governing Framework

On January 1, 2020, the Foreign Investment Law ("**FIL**") passed by the second session of the thirteenth National People's Congress became effective. The FIL has replaced the Law of the People's Republic of China on Chinese-Foreign Equity Joint Ventures (中華人民共和國中外合資經營企業法), the Law of the People's Republic of China on Chinese-Foreign Contractual Joint Ventures (中華人民共和國中外合作經營企業法) and the Law of the People's Republic of China on Wholly Foreign-Owned Enterprises (中華人民共和國外資企業法) to become the legal foundation for foreign investment in the PRC. The Implementation Regulations for the Foreign Investment Law of the People's Republic of China (中華人民共和國外商投資法實施條例) (the "**Implementation Regulations for the Foreign Investment Law**") was passed by the 74th Executive Session of the State Council on December 12, 2019 and was implemented with effect from January 1, 2020.

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including us, to obtain and maintain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions or prohibitions in China. The FIL does not explicitly stipulate the contractual arrangements as a form of foreign investment. As advised by our PRC legal advisers, since contractual arrangements are not specified as foreign investment under the FIL or the Implementation Regulations for the Foreign Investment Law, and if the future laws, regulations and rules do not incorporate contractual arrangements as a form of foreign investment, the Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements will not be affected and will continue to be legal, valid and binding on the parties.

According to the FIL, the "foreign investment" refers to investment activities carried out directly or indirectly by foreign natural persons, enterprises or other organizations (hereinafter referred to as "**Foreign Investors**"). However, the interpretation and application of the FIL remain uncertain. In addition, the FIL stipulates that foreign investment includes "Foreign Investors investing in PRC through many other methods under laws, administrative regulations or provisions prescribed by the State Council." We cannot assure you that the Contractual Arrangements will not be deemed as a form of foreign investment under laws, regulations or provisions prescribed by the State Council in the future, as a result of which, it will be uncertain whether the Contractual Arrangements will be deemed to be in violation of the foreign investment access requirements and the impact on the Contractual Arrangements. If our ownership structure, Contractual Arrangements and business or that of Yunkang Industry, subsidiaries of Yunkang Industry and Guangzhou Clinic are found to be in violation of any existing or future PRC laws or regulations, or we fail to obtain or maintain any of the required permits or approvals, the relevant governmental authorities would have broad discretion in dealing with such violations, which may have a material adverse effect on the trading of its Shares.

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

Risks in relation to the Arrangements and Actions Taken to Reduce Risks

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

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

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

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

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

v. If we exercise the option to acquire equity ownership and assets of our Consolidated Affiliated Entities, the ownership or asset transfer may subject us to certain limitations and substantial costs;

For details, please refer to the section headed "Risk Factors – Risks Relating to the Contractual Arrangements" in the Prospectus.

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

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

ii. our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

iii. our Company will disclose the overall performance and compliance with the Contractual Arrangements in its annual reports to update the Shareholders and potential investors; and

iv. our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of The WFOE and our Consolidated Affiliated Entities to deal with specific issues or matters arising from the Contractual Arrangements.

Listing Rules Implications and Waivers from the Stock Exchange

The transactions contemplated under the Contractual Arrangements are continuing connected transactions of our Group and are subject to reporting, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Our Directors, including our independent non-executive Directors, are of the view that (i) the Contractual Arrangements are fundamental to our Group's legal structure and business operations; and (ii) the Contractual Arrangements are on normal commercial terms or on terms more favorable to our Group in the ordinary and usual course of our Group's business and are fair and reasonable or to the advantage of our Group and are in the interests of our Shareholders as a whole.

Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company, for all the transactions contemplated under the Contractual Arrangements to be subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among other things, the announcement and approval of independent Shareholders.

In relation to the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange subject however to certain conditions, the details of which are set out in the section headed "Connected Transactions" in the Prospectus.

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

The independent non-executive Directors, upon review of the overall performance of and compliance with the Contractual Arrangements, confirmed that:

i. the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements;

ii. no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group; and

iii. any new contracts entered into, renewed or reproduced between our Group and the Consolidated Affiliated Entities during the relevant financial period are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of the Company and the Shareholders as a whole.

The auditor of the Company has carried out review procedures on the transactions carried out pursuant to the Contractual Arrangements during the Reporting Period in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants, and has provided a letter to the Board with a copy to the Stock Exchange confirming that:

i. the transactions carried out pursuant to the Contractual Arrangements have received the approval of our Directors; and

ii. no dividends or other distributions have been made by the Consolidated Affiliated Entities to the holders of its equity interests which are not otherwise subsequently assigned/transferred to our Group.

The Consolidated Affiliated Entities have undertaken that, for so long as the Shares are listed on the Stock Exchange, the Consolidated Affiliated Entities will provide our Group's management and our auditor with full access to its relevant records for the purpose of procedures to be carried out by our auditor on the connected transactions.

Material Changes

Save as disclosed above, there were no other new contractual arrangements entered into, renewed and/or reproduced between the Group and the Consolidated Affiliated Entities during the Reporting Period. There was no material change in the Contractual Arrangements and/or the circumstances under which they were adopted during the Reporting Period.

During the Reporting Period, none of the Contractual Arrangements had been unwound on the basis that none of the restrictions that led to the adoption of the Contractual Arrangements had been removed. As of December 31, 2022, the Company had not encountered interference or encumbrance from any PRC governing bodies in operating its businesses through its Consolidated Affiliated Entities under the Contractual Arrangements.

Property Lease Agreement

Our Group entered into a property lease agreement with Da An Gene on January 1, 2021 (the "**Property Lease Agreement**"), pursuant to which Da An Gene agreed to let certain area with a total gross floor area of approximately 10,405.69 sq.m. located at No. 6, Lizhishan Road, Huangpu District, Guangzhou to our Group. Pursuant to the Property Lease Agreement, we also agreed to pay Da An Gene (i) property management fee; and (ii) water and electricity fees. The Property Lease Agreement has a term commencing from January 1, 2021 till December 31, 2022, which was renewed on January 1, 2023 on the similar terms. Please refer to the section headed "Connected Transactions" in the Prospectus for details.

The annual caps for the transactions under the Property Lease Agreement for the years ended December 31, 2022, 2023 and 2024 are RMB3,280,000, RMB3,572,000, and RMB3,890,000, respectively. The aggregate amount of property management fee and water and electricity fees incurred in accordance with the Property Lease Agreement for the year ended December 31, 2022 was RMB3,279,023.

Laboratory Testing Service Framework Agreement

Our Company entered into a Laboratory Testing Service Framework Agreement with Da An Gene on February 18, 2022, pursuant to which Da An Gene Group agreed to provide laboratory testing service to our Group. The term of the Laboratory Testing Service Framework Agreement is three years commencing from the Listing Date. We have the right to terminate the Laboratory Testing Service Framework Agreement by serving a thirty (30) Business Days' prior written notice to Da An Gene. Please refer to the section headed "Connected Transactions" in the Prospectus for details.

The annual caps for the transactions under the Laboratory Testing Service Framework Agreement for the years ended December 31, 2022, 2023 and 2024 are RMB14,134,000, RMB15,830,000, and RMB17,729,000, respectively. The aggregate transaction amount incurred in accordance with the Laboratory Testing Service Framework Agreement for the year ended December 31, 2022 was RMB13,404,262.

Reagents, Consumables and Equipment Procurement Framework Agreement

Our Company entered into a Reagents, Consumables and Equipment Procurement Framework Agreement with Da An Gene on February 18, 2022, pursuant to which we agreed to procure reagents, consumables and equipment from Da An Gene Group. The term of the Reagents, Consumables and Equipment Procurement Framework Agreement is three years commencing from the Listing Date. We have the right to terminate the Reagents, Consumables and Equipment Procurement Framework Agreement by serving a thirty (30) Business Days' prior written notice to Da An Gene. Please refer to the section headed "Connected Transactions" in the Prospectus, the Company's announcements dated May 30, 2022 and September 29, 2022 and the Company's circulars dated June 8, 2022 and October 14, 2022 for details.

The annual caps for the transactions under the Reagents, Consumables and Equipment Procurement Framework Agreement for the years ended December 31, 2022, 2023 and 2024 are RMB563,285,000, RMB591,450,000, and RMB621,022,000, respectively. The aggregate transaction amount incurred in accordance with the Reagents, Consumables and Equipment Procurement Framework Agreement for the year ended December 31, 2022 was RMB563,218,542.

The above continuing connected transactions have followed the policies and guidelines when determining the price and terms of the transactions conducted for the year ended December 31, 2022.

The auditor of the Company was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the conclusions in respect of the abovementioned continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The independent non-executive Directors have reviewed and confirmed that the continuing connected transactions referred to above have been entered into, and will be carried out, (i) in the ordinary and usual course of business of our Group; (ii) on normal commercial terms or better to us; and (iii) are according to the agreement governing them on terms that are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

The Company has designated a team of senior management from business operation, legal, risk control and finance departments and Board office to monitor the continuing connected transactions and ensure that the continuing connected transactions with the abovementioned connected persons are on arm's length basis and that the annual caps are not exceeded. Such team of senior management continuously traces and regularly monitors the progress of the continuing connected transactions and reports to management of the Company. They review the continuing connected transactions with the finance department to ensure that annual caps are not exceeded. They will also communicate with the Audit Committee, management and the Board, monthly or as needed, to report the progress of the continuing connected transactions, and request for approval of new changes of existing transaction terms. The heads of different departments of the Company will be informed on a periodic basis in relation to the terms and pricing policies of the continuing connected transactions as well. The Audit Committee has also assigned the independent internal audit team the task to ensure that the Company's internal control measures in respect of the continuing connected transactions remain effective and complete. With these measures, the independent non-executive Directors could therefore assess and give the confirmations in the preceding paragraph.

Save for disclosed above, for the year ended December 31, 2022, we have not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the Rules 14A.49 and 14A.71 of the Listing Rules.

CONTRACT OF SIGNIFICANCE

Save as disclosed in Note 29 to the consolidated financial statements and in the section headed "Connected Transactions" above, no contract of significance was entered into between the Company, or one of its subsidiary companies, and any of its Controlling Shareholders or subsidiaries from the Listing Date to December 31, 2022.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any subsidiaries or Consolidated Affiliate Entities of the Group purchased, redeemed or sold any of the listed securities of the Company or any of its subsidiaries from the Listing Date to December 31, 2022.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration for the year ended December 31, 2022. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the year ended December 31, 2022.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company's Shares were listed on the Stock Exchange on May 18, 2022. The net proceeds from the Global Offering amounted to approximately HK$811.8 million. As of December 31, 2022, approximately HK$282.5 million of the net proceeds of the Global Offering had been utilized as follows:

	Allocation of net proceeds from the Global Offering in the proportion disclosed in the Prospectus		Proceeds from the Global Offering utilized from the Listing Date to December 31, 2022	Amounts not yet utilized as of December 31, 2022	Expected timeline of full utilization of the unutilized proceeds from the Global Offering
	HK$ million	Percentage	HK$ million	HK$ million	
Expanding and deepening our medical institution alliance network	446.5	55.0%	130.0	316.5	By the end of 2025
Upgrading and enhancing our operational capabilities of a medical operation service provider	162.3	20.0%	99.9	62.4	By the end of 2024
Expanding our diagnostic capabilities and enriching our diagnostic testing portfolio	81.2	10.0%	7.3	73.9	By the end of 2024
Potential investment and acquisition opportunities	40.6	5.0%	–	40.6	By the end of 2025
Recruiting and training up our talent pool	40.6	5.0%	4.7	35.9	By the end of 2025
Our working capital and general corporate purposes	40.6	5.0%	40.6	–	N/A
Total	811.8	100.0%	282.5	529.3	

The unutilized amount is expected to be used in accordance with the Company's plan as disclosed in the Prospectus and stated above. The Company will continue to evaluate market conditions and adopt a prudent and flexible approach for utilizing the net proceeds and will ensure the net proceeds will be used effectively and efficiently for the long-term benefit and development of the Group. The expected timeline of full utilization set out above is based on the Directors' best estimation barring unforeseen circumstances, and is subject to change in light of future development of market conditions.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the Latest Practicable Date, the Company has maintained the prescribed percentage of public float under the Listing Rules.

AUDITOR

The consolidated financial statements of the Group have been audited by PricewaterhouseCoopers, who will retire and, being eligible, offer themselves for re-appointment at the AGM.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in the section headed "Management Discussion and Analysis – Business Review – Events after the Reporting Period", no important events affecting the Company occurred since the Reporting Period and up to the Latest Practicable Date.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, June 23, 2023 to Wednesday, June 28, 2023, both days inclusive, in order to determine the eligibility of the Shareholders to attend and vote at the forthcoming AGM. A notice of the AGM will be issued and delivered to the Shareholders in due course. In order to be eligible to attend and vote at the AGM, all transfer accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on Wednesday, June 21, 2023.

FINAL DIVIDEND AND THE RECORD DATE

The Board resolved to recommend the payment of a final dividend of HK$0.22 per share for the year ended December 31, 2022, totaling HK$136,675,110, to Shareholders whose name appear on the register of members of the Company as at the close of business on Wednesday, July 5, 2023. In order to qualify for the finial dividend for the year ended December 31, 2022, all transfer accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on Wednesday, July 5, 2023. The final dividend is subject to the approval of Shareholders at the AGM and, if approved, is expected to be paid on or before Thursday, August 31, 2023. Further announcement will be made in respect of the payment date of the final dividend.

By order of the Board
Yunkang Group Limited
Zhang Yong
Chairman

Guangzhou, the PRC, March 31, 2023

羅兵咸永道

To the Shareholders of Yunkang Group Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

What we have audited

The consolidated financial statements of Yunkang Group Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 92 to 171, comprise:

- the consolidated statement of financial position as at December 31, 2022;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is related to the expected credit loss assessment for trade receivables.

Key Audit Matter	How our audit addressed the Key Audit Matter
Expected credit loss assessment for trade receivables	
Refer to note 4(a), note 3.1.2 and note 19 to the consolidated financial statements. As at December 31, 2022, the Group had gross trade receivables of approximately RMB2,672,291,000, against which an expected credit loss allowance of RMB240,126,000 was recorded. Management applied the simplified approach under HKFRS 9 to measure lifetime expected credit loss of trade receivables. Trade receivables have been assessed for impairment both on an individual basis and on a collective basis based on credit risk characteristics of different groups. To measure expected credit loss, trade receivables were grouped based on similar credit risk characteristics and collectively assessed for likelihood of recovery within each group, taking into account their ageing category and past collection history. The expected credit loss rates were determined based on historical default rates and were adjusted to reflect forward-looking factors in relation to the industry, market and the macroeconomic environment that may affect the ability of the customers to repay.	We have performed the following procedures in respect of the expected credit loss assessment for trade receivables: – Obtained an understanding of and evaluated the Group's internal control and assessment process of the expected credit losses of trade receivables, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk factors such as subjectivity, changes and susceptibility to management bias; – Understood management's rationale in the identification of individually impaired trade receivables and the grouping of those trade receivables with similar credit risk characteristics for the collective assessment; – Challenged and evaluated the appropriateness of the expected credit loss methodology adopted by management with the support from our internal expert; – Tested, on a sample basis, the grouping and accuracy of ageing analysis of trade receivables prepared by management by examining the underlying supporting documents;

Key Audit Matter	How our audit addressed the Key Audit Matter
Expected credit loss assessment for trade receivables (continued)	
We focused on auditing the expected credit losses of trade receivables because of the significant balance of trade receivables and the high degree of estimation uncertainty. The inherent risk in relation to the expected credit loss assessment for trade receivables is considered significant due to the subjectivity of significant assumptions used.	– Evaluated the reasonableness of the forward-looking factors as considered by management in adjusting the expected credit loss rates by comparing with the public data or information as obtained from our independent research; – Checked the mathematical accuracy of the calculations of provision for credit loss allowance as prepared by management; – Evaluated management's assessment on the financial position and creditworthiness of those customers with individually impaired trade receivables and the recoverability of the related receivables by corroborating with the latest information of the customers as obtained from our independent research, the historical settlement pattern and also the subsequent settlement information of the respective customers. Based on the above, we considered that management's judgement and assumptions applied in the expected credit loss assessment for trade receivables were supportable by the evidence obtained and procedures performed.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Pong Fei Ho.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, March 31, 2023

	Note	Year ended December 31, 2022 RMB'000	2021 RMB'000
Revenue	5	**3,756,201**	1,696,740
Cost of revenue	8	**(2,448,471)**	(797,603)
Gross profit		**1,307,730**	899,137
Selling expenses	8	**(312,005)**	(273,304)
Administrative expenses	8	**(386,673)**	(152,078)
Net impairment losses on financial assets	3.1.2	**(187,620)**	(23,073)
Other income	6	**20,047**	7,869
Other losses – net	7	**(185)**	(1,121)
Fair value changes on financial assets at fair value through profit or loss	3.3	**17,257**	264
Operating profit		**458,551**	457,694
Finance income	10	**5,180**	10,751
Finance costs	10	**(20,307)**	(17,225)
Finance costs – net	10	**(15,127)**	(6,474)
Profit before income tax		**443,424**	451,220
Income tax expenses	11	**(69,475)**	(78,722)
Profit from continuing operations		**373,949**	372,498
Profit from discontinued operations		**–**	9,395
Profit for the year		**373,949**	381,893
Other comprehensive (loss)/income, net of tax			
Items that may not be reclassified to profit or loss			
– Changes in the fair value of financial assets at fair value through other comprehensive income, net of tax	21(a)	**(18,872)**	3,303
Total comprehensive income for the year		**355,077**	385,196

Consolidated Statement of Comprehensive Income

	Note	Year ended December 31, 2022 RMB'000	2021 RMB'000
Profit attributable to:			
– Owners of the Company		**377,309**	380,932
– Non-controlling interests		**(3,360)**	961
		373,949	381,893
Total comprehensive income attributable to:			
– Owners of the Company		**358,437**	384,065
– Non-controlling interests		**(3,360)**	1,131
		355,077	385,196
Total comprehensive income for the year attributable to owners of the Company arises from:			
– Continuing operations		**358,437**	374,833
– Discontinued operations		**–**	9,232
		358,437	384,065
Earnings per share for profit from continuing operations attributable to the owners of the Company			
– Basic and diluted (in RMB)	12	**0.66**	0.75
Earnings per share for profit attributable to the owners of the Company			
– Basic and diluted (in RMB)	12	**0.66**	0.76

The above consolidated statements of comprehensive income should be read in conjunction with the accompanying notes.

	Note	As at December 31, 2022 RMB'000	2021 RMB'000
Assets			
Non-current assets			
Property and equipment	13	**420,602**	485,200
Intangible assets	14	**3,756**	5,675
Prepayments and other receivables	20	**15,658**	17,227
Financial assets at fair value through other comprehensive income ("**FVOCI**")	21(a)	**84,341**	110,004
Financial assets at fair value through profit or loss ("**FVTPL**")	21(b)	**160,241**	58,243
Deferred income tax assets	16	**53,911**	35,809
		738,509	712,158
Current assets			
Inventories	17	**41,317**	41,697
Trade receivables	19	**2,432,165**	825,301
Prepayments and other receivables	20	**118,749**	44,416
Financial assets at fair value through profit or loss ("**FVTPL**")	21(b)	**642,569**	–
Restricted cash	22	**145,926**	31,146
Cash and cash equivalents	22	**787,742**	800,695
		4,168,468	1,743,255
Total assets		**4,906,977**	2,455,413
Equity			
Equity attributable to owners of the Company			
Share capital and share premium	23	**743,248**	21,126
Other reserves	24	**936,510**	955,382
Retained earnings		**852,505**	475,196
		2,532,263	1,451,704
Non-controlling interests		**7,316**	(124)
Total equity		**2,539,579**	1,451,580

Consolidated Statement of Financial Position

	Note	As at December 31, 2022 RMB'000	2021 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	26	**328,115**	82,363
Lease liabilities	15	**57,677**	44,162
Deferred income tax liabilities	16	**2,122**	6,470
		387,914	132,995
Current liabilities			
Borrowings	26	**363,669**	208,322
Trade and other payables	27	**1,492,079**	556,663
Current income tax liabilities		**85,433**	71,932
Lease liabilities	15	**36,658**	27,171
Deferred revenue	25	**1,645**	6,750
		1,979,484	870,838
Total liabilities		**2,367,398**	1,003,833
Total equity and liabilities		**4,906,977**	2,455,413

The above consolidated statements of financial position should be read in conjunction with the accompanying notes.

The consolidated financial statements on pages 92 to 171 were approved by the Board of Directors of the Company on March 31, 2023 and were signed on its behalf by:

Zhang Yong
Director

Xie Shaohua
Director

	Note	Attributable to owners of the Company				Non-controlling interests RMB'000	Total RMB'000
		Share capital and share premium RMB'000 (Note 23)	Other reserves RMB'000 (Note 24)	Retained earnings RMB'000	Subtotal RMB'000		
Balance as at January 1, 2022		**21,126**	**955,382**	**475,196**	**1,451,704**	**(124)**	**1,451,580**
Profit for the year		**–**	**–**	**377,309**	**377,309**	**(3,360)**	**373,949**
Other comprehensive income							
– Changes in fair value of equity investments at FVOCI, net of tax	21(a)	**–**	**(18,872)**	**–**	**(18,872)**	**–**	**(18,872)**
Total comprehensive income for the year		**–**	**(18,872)**	**377,309**	**358,437**	**(3,360)**	**355,077**
Transaction with owners:							
Capital contribution from non-controlling interests		**–**	**–**	**–**	**–**	**10,800**	**10,800**
Shares issued upon the completion of initial public offering, net of transaction costs		**716,349**	**–**	**–**	**716,349**	**–**	**716,349**
Shares issued upon partial exercise of the over-allotment option, net of transaction costs		**53,899**	**–**	**–**	**53,899**	**–**	**53,899**
Dividends	32	**(48,126)**	**–**	**–**	**(48,126)**	**–**	**(48,126)**
Balance as at December 31, 2022		**743,248**	**936,510**	**852,505**	**2,532,263**	**7,316**	**2,539,579**
Balance as at January 1, 2021		1,395	954,899	91,614	1,047,908	18,476	1,066,384
Profit for the year		–	–	380,932	380,932	961	381,893
Other comprehensive income							
– Changes in fair value of equity investments at FVOCI, net of tax	21(a)	–	3,133	–	3,133	170	3,303
Total comprehensive income for the year		–	3,133	380,932	384,065	1,131	385,196
Transaction with owners:							
Transfer of gain on disposal of equity investments at FVOCI to retained earnings		–	(2,650)	2,650	–	–	–
Transaction with non-controlling interests		19,731	–	–	19,731	(19,731)	–
Balance as at December 31, 2021		21,126	955,382	475,196	1,451,704	(124)	1,451,580

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

	Note	Year ended December 31, 2022 RMB'000	2021 RMB'000
Cash flows of operating activities			
Continuing operations			
Cash generated from operations	28(a)	**209,498**	414,890
PRC enterprise income tax paid		**(72,133)**	(44,805)
		137,365	370,085
Discontinued operations		**–**	(626)
Net cash generated from operating activities		**137,365**	369,459
Cash flows of investing activities			
Continuing operations			
Purchases of property and equipment		**(316,841)**	(222,918)
Purchases of intangible assets		**(797)**	(2,935)
Payments for financial assets at FVOCI		**(6,000)**	(500)
Purchases of financial assets at FVTPL		**(727,310)**	–
Payments for loan receivable		**(100,000)**	–
Restricted cash as deposits for investments		**(123,310)**	–
Collection of amounts due from a related party		**19,750**	–
Net proceeds from disposals of equipment		**882**	3,656
Refund of prepayments due to the cancellation of the Health City Project		**–**	170,000
Refund of prepayments for construction materials		**–**	98,000
Proceeds from disposal of financial assets at FVOCI and FVTPL		**–**	154,865
Net proceeds from disposal of the investment in an associate		**–**	20,000
Repayment of cash advance from a third party		**–**	62,700
		(1,253,626)	282,868
Discontinued operations		**–**	27,854
Net cash (used in)/generated from investing activities		**(1,253,626)**	310,722
Cash flows from financing activities			
Continuing operations			
Proceeds from borrowings		**610,321**	240,000
Repayments of borrowings		**(209,222)**	(421,491)
Interest paid		**(16,761)**	(15,669)
Principal elements and interest expenses of lease payments		**(22,312)**	(12,426)
Proceeds from initial public offering		**767,065**	–
Proceeds from partial exercise of the over-allotment option		**54,714**	–
Capital injection from non-controlling interests		**10,800**	–
Dividend paid		**(48,126)**	–
Payment of listing expenses		**(44,431)**	(5,735)
Net cash generated from/(used in) financing activities		**1,102,048**	(215,321)
Net (decrease)/increase in cash and cash equivalents		**(14,213)**	464,860
Cash and cash equivalents at beginning of year		**800,695**	335,835
Effect of exchange rate changes on cash and cash equivalents		**1,260**	–
Cash and cash equivalents at end of year	22	**787,742**	800,695

The above consolidated statements of cash flows should be read in conjunction with the accompanying notes.

1 GENERAL INFORMATION

Yunkang Group Limited (the "Company") was established in the Cayman Islands on July 20, 2018 as an exempted company with limited liability under the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The Company is an investment holding company, and its subsidiaries (collectively referred as the "Group") are primarily engaged in the provision of diagnostic testing services in the People's Republic of China (the "PRC").

The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited on May 18, 2022 (the "Listing").

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in preparation of these consolidated financial statements are set out as below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRS") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets which are measured at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

The following new standards and amendments to existing standards are mandatory for accounting periods beginning on or after January 1, 2022. The adoption of these new standards and amendments to existing standards does not have any significant impact to the results and financial position of the Group:

Annual Improvements Project	Annual Improvements 2018 – 2020 Cycle
Amendments to Hong Kong Accounting Standards ("HKAS") 16, HKAS 37 and HKFRS 3	Narrow-scope Amendments
HKFRS 16 (Amendments)	Covid-19-Related Rent Concessions beyond 30 June 2021
Accounting Guideline 5 (Amendments)	Merger Accounting for Common Control Combinations

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

New standards and amendments to standards that have been issued but are not effective

Standards and amendments that have been issued but not yet effective for the financial year beginning January 1, 2022 and not been early adopted by the Group are as follows:

		Effective for annual periods beginning on or after
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
Amendments to HKAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
HKFRS 17 and Amendments to HKFRS 17	Insurance Contract (including Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information)	January 1, 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	January 1, 2024
Amendment to HKAS 1	Non-current Liabilities with Covenants	January 1, 2024
Amendment to HKAS 16	Lease Liability in a Sale and Leaseback	January 1, 2024
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	January 1, 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined

The impact of new standards and amendments of standards that issued but not effective is still under assessment by the Group.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are entities (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation (Continued)

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(a) Subsidiaries controlled through Contractual Arrangements

A wholly-owned subsidiary of the Company, which was a wholly foreign owned enterprise incorporated in the PRC (the "WFOE"), has entered into the 2019 Contractual Arrangements, 2020 Contractual Arrangements, and 2021 Supplemental Contractual Arrangements (collectively "Contractual Arrangements") with Yunkang Industry and its Registered Shareholders, which enable the WFOE and the Group to:

- Exercise effective control over the Consolidated Affiliated Entities;
- Exercise equity holders' voting rights of the Consolidated Affiliated Entities;
- Receive substantially all of the economic interests and returns generated by the Consolidated Affiliated Entities in consideration for the technical support, consulting and other services provided exclusively by the WFOE, at the WFOE's discretion;
- Obtain an irrevocable and exclusive right to purchase all equity interests in Yunkang Industry from its Registered Shareholders at a minimum purchase price permitted under PRC laws and regulations unless the relevant government authorities request that another amount be used as the purchase consideration and in which case the purchase consideration shall be such amount. At the WFOE's request, the Registered Shareholders of Yunkang Industry will promptly and unconditionally transfer their respective equity interests of Yunkang Industry to the WFOE (or its designee within the Group) after the WFOE exercises its purchase right;
- Obtain pledges over the entire equity interests in Yunkang Industry from its Registered Shareholders to secure, among others, performance of their obligations under the Contractual Arrangements.

The Group does not have any equity interest in the Consolidated Affiliated Entities. However, as a result of the Contractual Arrangements, the Group has rights to variable returns from its involvement with the Consolidated Affiliated Entities and has the ability to affect those returns through its power over the Consolidated Affiliated Entities and is considered to control the Consolidated Affiliated Entities. Consequently, the Company regards the Consolidated Affiliated Entities as controlled structure entities and consolidated the financial position and results of operations of these entities in the consolidated financial statements of the Group during the Year.

Nevertheless, there are still uncertainties regarding the interpretation and application of current and future PRC laws and regulations. The Directors of the Group, based on the advice of its legal counsel, consider that the use of Contractual Arrangements does not constitute a breach of relevant laws and regulations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.2 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

2.2.3 Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.3 Changes in ownership interests (Continued)

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.3 Business combination

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group, if any;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity, and the acquisition date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Business combination *(Continued)*

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.4 Separate financial statements

In the Company's statement of financial position, the investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional currency and the Group's presentation currency.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Foreign currency translation *(Continued)*

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented as finance income/(costs). All other foreign exchange gains and losses are presented on a net basis with in other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

(c) Group entities

The results and financial positions of the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities of each statement of financial position of the group entities are translated at the closing rate at the date of that statement of financial position;
- income and expenses of each statement of comprehensive income of the group entities are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken into equity holders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the profit or loss as part of the gain or loss on sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Property and equipment

Property and equipment are stated at historical cost less depreciation and any impairment loss. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives or, in case of leasehold improvements, and certain leased properties, the shorter lease term, as follows:

– Properties and buildings	30-35 years
– Medical equipment	3-10 years
– Vehicles, furniture and office equipment	3-10 years
– Leasehold improvements	3-5 years
– Right-of-use assets for land use rights	40 years
– Right-of-use assets for leased properties, equipment and vehicles	2-8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other losses – net" in the statement of comprehensive income.

Construction in progress are stated at historical cost less accumulated impairment losses, if any. Historical cost includes direct costs of construction, amortisation of land use rights being developed and finance costs arising from borrowings used to finance these assets during the period of construction. No provision for depreciation is made on assets under construction. When the construction activities necessary to prepare the assets for their intended use are completed, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated in the preceding paragraphs.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Intangible assets

(a) Software

Acquired and self-developed software are capitalised on the basis of the costs incurred to develop, acquire and bring to use the specific software.

Self-developed software is recognised as intangible assets on the basis of development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use,
- management intends to complete the software and use or sell it,
- there is an ability to use or sell the software,
- it can be demonstrated how the software will generate probable future economic benefits,
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include staff costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Intangible assets *(Continued)*

(b) Research and development

Research expenditure and development expenditure that do not meet the criteria in (a) above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

(c) Amortisation methods and periods

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

– Software	3-5 years

2.9 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or when there is an indication of impairment. Other assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating unit). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred income tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Non-current assets (or disposal groups) held for sale and discontinued operations *(Continued)*

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of profit or loss.

2.11 Financial assets

2.11.1 Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income or loss. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Financial assets *(Continued)*

2.11.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

2.11.3 Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

(a) Debt instruments

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. The Group only held debt instruments classified as financial assets at amortised costs and fair value through profit or loss.

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated statements of comprehensive income within “Fair value changes on financial assets at fair value through profit or loss” in the period in which it arises.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Financial assets *(Continued)*

2.11.3 Measurement (Continued)

(b) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss accounts. Dividends from such investments continue to be recognised in profit or loss accounts as other income when the Group's right to receive payments is established. Changes in the fair value of financial assets at fair value through profit or loss are recognised as "Fair value changes on financial assets at fair value through profit or loss" in the consolidated statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

2.11.4 Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets, see Note 3.1.2 for further details. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment of other receivables are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Offsetting financial instruments

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

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.14 Contract assets and contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to transfer goods or provide services to the customer. The combination of those rights and performance obligations gives rise to a net asset or a net liability depending on the relationship between the remaining rights and the performance obligations. The contract is an asset and recognised as contract assets if the measure of the remaining rights exceeds the measure of the remaining performance obligations. Conversely, the contract is a liability and recognised as contract liabilities if the measure of the remaining performance obligations exceeds the measure of the remaining rights.

2.15 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. Majority of other receivables are amounts due from related parties, loans receivable, cash advance to employees and deposit receivables. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds trade and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

2.16 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand and at banks, and term deposits with financial institutions that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.18 Trade and other payables

Trade and other payables represent liabilities for goods or services that have been acquired in the ordinary course of business from suppliers and amounts to be repaid from the Group to its counterparties. These amounts are classified as current liabilities if payment is due within 12 months or less. If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.19 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid to the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that part or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2.21 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company, its subsidiaries and associates indirectly held operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Current and deferred income tax *(Continued)*

(b) Deferred income tax (Continued)

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.22 Employee benefits

(a) Pension obligations

The Group only operates defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries subject to certain ceiling. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.22 Employee benefits *(Continued)*

(b) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(c) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

(d) Bonus plan

The expected cost of bonuses is recognised as a liability when the Group has a present legal or constructive obligation for payment of bonus as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus plans are expected to be settled within 1 year and are measured at the amounts expected to be paid when they are settled.

(e) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.24 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the goods or services in the ordinary course of the Group's activities. Revenue is shown, net of discounts and after eliminating sales between the Group's companies. The Group recognises revenue when it transfers control of the goods or services to a customer.

The Group offered diagnosis testing service and charge diagnostic testing service fees to different types of customers in relation to:

i. Diagnostic outsourcing services provided to clients directly through independent clinical laboratory, including hospitals, other medical institutions and public institutions;

ii. Diagnostic testing services for medical institution alliances. The Group offered diagnostic testing services to medical institutions through integrating with the daily activities of on-site diagnostic centers. Besides, the Group also provides certain diagnostic outsourcing services to these medical institutions when the on-site diagnostic centers are not capable of performing certain diagnostic tests;

iii. Diagnostic testing services for non-medical institutions through independent clinical laboratories and clinics, including financial institutions, insurance companies and individuals.

Revenue from diagnosis testing business is recognised when diagnostic testing reports were delivered and accepted by customer.

2.25 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.26 Leases

The Group leases various land and properties. Rental contracts are typically made for a fixed period of 2 to 40 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognised as "right-of-use assets" and presented in "property and equipment" (Note 13) and corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments (if applicable):

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the Group's incremental borrowing rate.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.26 Leases *(Continued)*

Right-of-use assets are measured at cost comprising the following (if applicable):

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office equipment.

Lease income from operating leases where the Group is a lessor is recognised on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature.

2.27 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.28 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to property and equipment, and other non-current assets are included in the current liabilities and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

3.1 Financial risk factors

3.1.1 Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the group entities' functional currency.

The Group principally operates in Mainland China with most of the transactions being settled in RMB, which is the functional currency of the group entities operated in Mainland China. Foreign exchange risk arises from the recognised assets and liabilities in foreign currencies other than their functional currencies, primarily with respect to HKD and USD, as (i) the listing proceeds of the Company received during the year ended December 31, 2022 were denominated in HKD; and (ii) most of the Group's investments in FVTPL were denominated in HKD or USD. The Group seeks to limit its exposure to foreign currency risk by closely monitoring and minimizing its net foreign currency position.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in RMB, was as follows:

	As at December 31, 2022		As at December 31, 2021	
	HKD RMB'000	**USD RMB'000**	HKD RMB'000	USD RMB'000
Cash and cash equivalents	**2,884**	**116**	–	20
Restricted cash	**–**	**111,715**	–	–
FVTPL	**91,957**	**655,820**	–	–
	94,841	**767,651**	–	20

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.1 Market risk (Continued)

The following table shows the sensitivity analysis of a 5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. If there is a 5% increase/decrease in RMB against the relevant currencies, the effect of increase/(decrease) in the post-tax profit for the year is as follows:

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
5% appreciation in RMB against HKD	**(4,735)**	–
5% depreciation in RMB against HKD	**4,735**	–
5% appreciation in RMB against USD	**(38,383)**	(1)
5% depreciation in RMB against USD	**38,383**	1

(ii) Cash flow and fair value interest rate risk

The Group's interest-rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. Borrowings issued at fixed rates expose the Group to fair value interest-rate risk. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

Other than interest-bearing bank balances and other receivables, the Group has no other significant interest-bearing assets. The directors of the Company do not anticipate there is any significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances and other receivables are not expected to change significantly.

As at December 31, 2022, borrowings of the Group which were bearing at floating rates amounted to approximately RMB220,415,176 (December 31, 2021: RMB30,000,000). For the year ended December 31, 2022, if the floating interest rate on borrowings had been higher/lower by 0.5% with all other variables held constant, the post-tax profit would have changed mainly as a result of higher/lower interest expenses on floating rate borrowings.

Details of changes are as follows:

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
(Decrease)/increase		
– 0.5% higher	**(827)**	(113)
– 0.5% lower	**827**	113

The interest rates are disclosed in Note 26.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk

The Group is exposed to credit risk in relation to its trade and other receivables, debt instruments measured at FVTPL and cash deposits at banks. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

(i) Risk management

The credit risk of debt instruments measured at FVTPL and cash deposits and balances at banks is considered to be low because the counterparties are state-owned or reputable institution which are high-credit-quality financial institutions. The directors of the Company do not expect any losses and no loss allowance provision for debt instrument at FVTPL and cash deposits and balances at banks.

Majority of the Group's trade receivables are from providing diagnostic testing service to the CDC, hospitals, as well as financial or insurance institutions. The Group has grant credit terms of 0-180 days and would follow up actively on the settlement with respective counter-parties to avoid any overdue receivables. 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. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are reviewed and analysed.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of such receivables based on historical settlement records and past experience. In view of history of cooperation with debtors, the directors believe that there is no material credit risk inherent in the Group's remaining outstanding balance of other receivables as the Group closely monitors their repayment.

(ii) Impairment

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

(ii) Impairment *(Continued)*

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the Group and changes in the operating results of the debtor.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the company.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Under-performing	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and principal repayments are 180 days past due	Lifetime expected losses
Non-performing	Interest and principal repayments are 365 days past due	Lifetime expected losses

The Group accounts for its credit risk by appropriately providing for expected credit losses ("ECL") on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking information.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

Cash deposits and balances at banks

The Group expects that there is no significant credit risk associated with cash deposits and balances at banks since they are substantially deposited at banks with high credit rating. Management does not expect that there will be any significant losses from non-performance by these counterparties.

Trade receivables

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and aging of trade receivables. The expected credit losses also incorporate forward looking information affecting the ability of the customers to settle the receivables.

Other receivables

For other receivables and amounts due from related parties, management makes periodic collective assessments as well as individual assessment on the recoverability of such receivables based on historical settlement records and past experience. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables and amounts due from related parties as the Group closely monitors their repayment.

The relevant macroeconomic factors and the Group's business in terms of customer base, pricing strategy and market size were relatively stable before 2020. With the outbreak of COVID-19 in 2020, the Group experienced a fast and significant business development. Under the normalisation of epidemic prevention and control policy during most of the time in 2022, the number of customers and total transaction amounts have been increased significantly. Although the major customer base are stable compared to prior years, being CDC and state-owned medical institutions, the settlement period of trade receivables were longer than prior years due to the significant increase of transaction amounts which involved longer internal administrative procedures of customers for bill payment. In addition, the trade receivables due from CDC, which were free charge for individuals and fully borne by the government, resulted in more prolonged internal administrative procedures for bill payment. Group considered the risk profile of trade receivables has increased though the risk default of trade receivables is still relatively low as most of the customers are state-owned.

Trade receivables are categorised in three groups such as public medical institutions, CDC and others for assessment purpose.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

In respect of the trade receivables due from medical institutions and others, the expected loss rates were based on the historical loss rates and adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the most relevant factors (e.g. money supply and population percent change from a year earlier), and accordingly adjusted the historical loss rates based on expected changes in these factors.

In respect of the trade receivables due from CDC, the credit risk associated with these trade receivables are considered to be low because the payments would be funded through government finance which has strong ability to fulfil its contractual cash flow responsibilities. The expected credit loss rate as at December 31, 2022 was estimated as 1.03% (December 31, 2021: 0.10%) after taking into account of the probability of default and loss given default and forward-looking information.

During the year ended December 31, 2022, the Group had adjusted the forward-looking information and the expected credit loss to reflect the fluctuations of future economic conditions.

The following table shows the loss allowance provision for the Group's trade receivables as of December 31, 2022 and 2021.

Trade receivables	Up to 180 days	181 days to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
At December 31, 2022						
Public medical institutions						
Expected loss rate	3.38%	10.78%	28.22%	78.53%	100.00%	
Gross carrying amount (RMB'000)	1,081,895	486,006	131,630	19,925	11,044	1,730,500
Loss allowance provision (RMB'000)	(36,564)	(52,357)	(34,595)	(13,852)	(7,084)	(144,452)
Individually impaired receivables (RMB'000)	(1,111)	(269)	(9,018)	(2,285)	(3,960)	(16,643)
Other						
Expected loss rate	7.25%	31.19%	86.51%	100.00%	100.00%	
Gross carrying amount (RMB'000)	205,179	65,725	13,874	4,307	11,668	300,753
Loss allowance provision (RMB'000)	(14,224)	(20,265)	(11,231)	(2,400)	(4,179)	(52,299)
Individually impaired receivables (RMB'000)	(9,104)	(744)	(892)	(1,907)	(7,489)	(20,136)
CDC						
Expected loss rate						1.03%
Gross carrying amount (RMB'000)						641,038
Loss allowance provision (RMB'000)						(6,596)
						(240,126)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

Trade receivables	Up to 180 days	181 days to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
At December 31, 2021						
Public medical institutions						
Expected loss rate	0.72%	5.90%	29.35%	53.94%	100.00%	
Gross carrying amount (RMB'000)	468,757	99,066	55,997	6,302	7,859	637,981
Loss allowance provision (RMB'000)	(3,382)	(5,819)	(16,253)	(2,734)	(5,411)	(33,599)
Individually impaired receivables (RMB'000)	(60)	(392)	(619)	(1,233)	(2,448)	(4,752)
Others						
Expected loss rate	1.31%	6.10%	38.52%	63.34%	100.00%	
Gross carrying amount (RMB'000)	71,559	6,767	5,035	6,411	4,235	94,007
Loss allowance provision (RMB'000)	(940)	(407)	(1,682)	(629)	(2,590)	(6,248)
Individually impaired receivables (RMB'000)	(52)	(97)	(669)	(5,418)	(1,645)	(7,881)
CDC						
Expected loss rate						0.10%
Gross carrying amount (RMB'000)						145,939
Loss allowance provision (RMB'000)						(146)
						(52,626)

The loss allowance provision for trade and other receivables reconciles to the opening loss allowance for that provision was as follows:

	Trade receivables RMB'000	Other receivables RMB'000	Total RMB'000
At January 1, 2022	**52,626**	**177**	**52,803**
Net impairment losses recognised in profit or loss relating to continuing operations	**187,500**	**120**	**187,620**
At December 31, 2022	**240,126**	**297**	**240,423**
At January 1, 2021	29,714	16	29,730
Net impairment losses recognised in profit or loss relating to continuing operations	22,912	161	23,073
At December 31, 2021	52,626	177	52,803

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.3 Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The table below analyses the Group's financial liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
As at December 31, 2022					
Borrowings	**384,246**	**270,613**	**32,513**	**36,224**	**723,596**
Lease liabilities	**38,471**	**21,629**	**17,463**	**23,839**	**101,402**
Trade and other payables (excluding accrued staff costs and other taxes payable)	**1,361,739**	**–**	**–**	**–**	**1,361,739**
	1,784,456	**292,242**	**49,976**	**60,063**	**2,186,737**
As at December 31, 2021					
Borrowings	213,255	7,739	41,169	36,432	298,595
Lease liabilities	30,176	13,602	12,122	24,438	80,338
Trade and other payables (excluding accrued staff costs and other taxes payable)	452,823	–	–	–	452,823
	696,254	21,341	53,291	60,870	831,756

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.3 Liquidity risk (Continued)

The significant increase in financial liabilities as at December 31, 2022 as compared to prior year was mainly attributable to the increase of trade payables to related parties. During the year ended December 31, 2022, revenue from COVID-19 tests increased significantly and the settlement period has been increased. As a result, the Group's procurement from related parties also increased significantly with prolonged settlement period. By the end of 2022, the domestic epidemic prevention and control policy was adjusted since December 2022. This had significantly reduced the demand of COVID-19 related testing services nationwide and is expected to result in significant decline of revenues generated from such services in the future. The Group plans to utilise its enlarged customer base to expand its market share of diagnostic service, enhance the collection rate of trade receivables as well as management on settlement for trade payables. As at December 31, 2022, the Group's cash and cash equivalents amounted to RMB787,742,000. Subsequently in March 2023, the Group has redeemed the investments included in FVTPL, restricted cash and other receivables respectively with total amounts of RMB654,231,000. The Group will closely monitor its liquidity risk and enhance its cash management in the future.

As at December 31, 2022, trade payable of RMB680,058,000 was attributable to purchase of raw materials from related parties of the Group. The Group has closely managed its liquidity risk and may delay its settlements with related parties when needed.

As at December 31, 2022, current and non-current borrowings of Group amounted to RMB363,669,000 and RMB328,115,000 respectively, which were mainly used to meet the Group's needs of working capital.

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amounts of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital management *(Continued)*

The Group monitors capital on the basis of the gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net (cash)/debt is calculated as total borrowings and lease liabilities less cash and cash equivalents. Total capital comprises all components of equity as shown in the consolidated statements of financial position plus net (cash)/debts. As at December 31, 2022 and 2021, the gearing ratio of the Group was as follows:

	As at December 31,	
	2022	2021
Net (cash)/debt (RMB'000)	**(1,623)**	(438,677)
Total capital (RMB'000)	**2,537,956**	1,012,903
Gearing ratio	**Not applicable**	Not applicable

3.3 Fair value estimation

(a) Fair value hierarchy

The Group made judgements and estimates in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

At December 31, 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets				
Financial assets at FVTPL				
– Debt instruments	**–**	**–**	**34,911**	**34,911**
– Investment in private funds	**–**	**401,165**	**206,493**	**607,658**
– Unlisted companies	**–**	**–**	**160,241**	**160,241**
Financial assets at FVOCI				
– Unlisted companies	**–**	**–**	**84,341**	**84,341**
Total financial assets	**–**	**401,165**	**485,986**	**887,151**

At December 31, 2021	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL				
– Unlisted companies	–	–	58,243	58,243
Financial assets at FVOCI				
– Unlisted companies	–	–	110,004	110,004
Total financial assets	–	–	168,247	168,247

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

(a) Fair value hierarchy (Continued)

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year ended December 31, 2022 (2021: same).

During the year ended December 31, 2022, the Group recognised total fair value changes on FVTPL amounted to RMB17,257,000 (2021: RMB264,000), which included gains of RMB18,508,000 and losses of RMB1,251,000 arising from FVTPL in level 2 and in level 3, respectively.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

(b) The following table presents the changes in level 3 instruments.

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
FVOCI		
Balance at beginning of the year	**110,004**	108,700
Additions	**–**	500
Changes in fair value	**(25,163)**	4,404
Disposals	**(500)**	(3,600)
Balance at end of the year	**84,341**	110,004
FVTPL		
Balance at beginning of the year	**58,243**	209,244
Additions	**344,653**	–
Changes in fair value	**(1,251)**	264
Disposals	**–**	(151,265)
Balance at end of the year	**401,645**	58,243

(c) Valuation process, inputs and relationship to fair value

The Group has a team that manages the valuation of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case by case basis. At least once a year, the team uses valuation techniques to determine the fair value of the Group's level 3 instruments. External valuation experts will be involved when necessary.

As these instruments are not traded in an active market, their fair values have been determined by using various applicable valuation techniques, including:

- the latest round financing, i.e. the prior transaction price or the third-party pricing information; and
- a combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc.

There was no change to valuation techniques during the year end December 31, 2022 (2021: same).

The following table summarises the quantitative information about the significant unobservable inputs used in the recurring level 3 fair value measurements.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

(c) Valuation process, inputs and relationship to fair value (Continued)

	Fair value		Significant unobservable input	Range of inputs		Relationship of unobservable input to fair value
	As at December 31,			As at December 31,		
	2022 RMB'000	2021 RMB'000		2022	2021	
Investments in unlisted companies and a limited liability partnership measured at FVOCI	84,341	110,004	Discounted for lack of marketability ("DLOM")	10%-29%	10%	The higher the DLOM, the lower the fair value
			Price to book value ("P/B") multiple	1.00-2.50	1.00-2.70	The higher the P/B multiple, the higher the fair value
Investment in an unlisted company measured at FVTPL	55,032	58,243	DLOM	10%-29%	10%-29%	The higher the DLOM, the lower the fair value
			Price to earnings ("P/E") multiple	12.80	32.50	The higher the P/E multiple, the higher the fair value
			P/B multiple	1.00-2.40	1.00-2.70	The higher the P/B multiple, the higher the fair value
			Discount rate	6.78%-7.00%	3.00%-3.20%	The higher the discount rate, the lower the fair value
			Expected volatility	33.01%-42.00%	27.71%-52.02%	The higher the expected volatility, the higher the fair value
Investment in an unlisted company measured at FVTPL	105,209	–	By reference to the latest round of financing	N/A	N/A	N/A
Debt instruments	34,911	–	Expected rate of return	0.5%	N/A	The higher the expected rate of return, the higher the fair value
Investment in private funds	206,493	–	Net asset value	N/A	N/A	The higher the net asset value, the higher the fair value
	485,986	168,247				

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

(c) Valuation process, inputs and relationship to fair value (Continued)

If the fair value of the Group's FVOCI had been 10% higher/lower, other comprehensive income before income tax for the year ended December 31, 2022 would have been approximately RMB8,434,000 higher/lower (2021: RMB11,000,000).

If the fair value of the Group's FVTPL had been 10% higher/lower, the profit before income tax for the year ended December 31, 2022 would have been approximately RMB80,281,000 higher/lower (2021: RMB5,824,000).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Provision for expected credit losses of trade receivables

The Group makes provision for expected credit losses of trade receivables based on assumptions about risk of default and expected loss rates. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade receivables and loss allowance for impairment in the periods in which such estimate has been changed. For details of the key assumptions and inputs used, see Note 3.1.2 above.

(b) Fair value measurement of FVOCI and FVTPL

The fair value assessment of FVOCI and FVTPL that are measured at level 3 fair value hierarchy requires significant estimates, which include DLOM, comparable P/B or P/E multiples, discount rate, expected volatility, expected rate of return, market information of recent transactions (such as recent fund raising transactions undertaken by the investees) and other assumptions. Changes in these assumptions and estimates could materially affect the respective fair value of these investments. For details of the valuation techniques, key inputs used, see Note 3.3 above.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(c) Impairment of property and equipment

As at December 31, 2022, the Group's carrying value of property and equipment ("PP&E") before impairment provision was RMB694,008,000. Management assesses related assets for potential impairment whenever there are indications that the carrying value of an asset or a group of assets may not be recoverable. As at December 31, 2022, management performed impairment assessment on PP&E with impairment indications at the level of cash generating unit ("CGU") to which the PP&E was allocated using discounted cash flow model. Based on the impairment test as at December 31, 2022, RMB273,406,000 of impairment was recognised by management, which mainly included Covid-19 related PP&E (Note 13).

(d) Consolidation of structured entities

The Group acts as investor in structured entities (Note 21(d)). Management needs to make significant judgments on whether the Group controls and should consolidate these structured entities.

In assessing control, the Group needs to consider: 1) the power over the investee; 2) the exposure, or rights, to variable returns from its involvement with the investee; and 3) the ability to use its power over the investee to influence the amount of its return. The Group considers all facts and circumstances in performing the assessment, and if one or more of the three control elements mentioned above change, the Group will reassess whether control still exists.

In evaluating whether the Group has power over the structured entities, the Group considers the contractual rights and obligations in light of the transaction structures. If the Group cannot take part in the decision making in relevant activities in the structured entities, and the Group cannot remove the decision maker without cause and the Group's full redemption from the structured entity would not result in the termination of the structure entities, management assess there is no power over the structured entities.

(e) Current and deferred income tax

The Group is subject to corporate income taxes in the PRC. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

5 REVENUE

(a) Description of principal activities

The principal operating entities of the Group are domiciled in the PRC. Accordingly, all of the Group's revenue were derived in the PRC during the year ended December 31, 2022 (2021: same).

(b) Revenue by business line

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Recognised at a point in time:		
Diagnostic service	**3,756,201**	1,696,740

(c) Revenue by region

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Southern China	**2,790,396**	1,393,409
Eastern China	**593,653**	156,547
Southwestern China	**319,447**	115,246
Other regions in mainland China	**52,705**	31,538
	3,756,201	1,696,740

The Company is domiciled in the Cayman Islands while the Group's non-current assets and revenues are substantially located in and derived from the PRC.

(d) Information about major customers

All the revenues derived from single external customers were less than 10% of the Group's total revenues during the year ended December 31, 2022 (2021: same).

(e) Unsatisfied performance obligations

For diagnostic testing services, they are rendered in short period of time, which is generally within hours or a couple of days, which unsatisfied performance obligations are immaterial and the Group has elected the practical expedient for not to disclose the remaining performance obligations for these types of contracts.

6 OTHER INCOME

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Government grants (Note (a))	**19,804**	6,195
Sales of equipment and reagent	**–**	1,524
Others	**243**	150
	20,047	7,869

(a) The government grants mainly include those grants from the local government in recognition of the entitlement of the research and development projects of the Group. There are no unfulfilled conditions or other contingencies attached to these grants.

7 OTHER LOSSES – NET

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Losses on disposal of equipment	**536**	666
Others	**(351)**	455
	185	1,121

8 EXPENSES BY NATURE

Expenses included in cost of revenue, selling expenses and administrative expenses are analysed as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Cost of reagent and pharmaceuticals consumed (Note 17)	**1,199,247**	431,935
Staff costs (Note 9)	**518,557**	289,747
Labour outsourcing	**301,258**	–
Marketing and promotion expenses	**156,394**	169,292
Subcontracting costs	**107,677**	95,041
Depreciation and amortisation charges (Notes 13 and 14)	**156,047**	55,838
Impairment of properties and equipment	**273,406**	–
Impairment of inventories	**38,907**	–
Medical disposal expenses	**13,673**	1,345
Transportation expenses	**99,486**	43,955
Office expenses	**49,599**	23,823
Travelling and entertainment expenses	**60,046**	38,589
Consultancy and professional service fees	**75,566**	13,085
Listing expenses	**35,943**	33,481
Rental expenses (Note 15)	**7,253**	2,351
Outsourced research and development expenses	**18,579**	3,198
Insurance	**553**	2,087
Other expenses	**25,978**	18,968
Auditor's remuneration		
– Audit services	**7,820**	250
– Non-audit services	**1,160**	–
	3,147,149	1,222,985

Research and development expenses during the year ended December 31, 2022 were RMB94,732,000 (2021: RMB43,943,000), which mainly included cost of reagent and pharmaceuticals consumed, related staff costs and outsourced research and development expenses. Research and development activities included internal-use software upgrade and maintenance, improvement in advanced diagnostic testing practice. No research and development expenses had been capitalised for the year ended December 31, 2022 (2021: same).

9 STAFF COSTS

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Salaries, bonuses and other benefits	**472,416**	248,294
Social security and provident fund	**46,141**	41,453
	518,557	289,747

Five highest paid individuals

No director was included in the five highest paid individuals and the emoluments payable to the five highest paid individuals during the years ended December 31, 2022 and 2021, respectively are as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Salaries, bonuses and other benefits	**5,246**	4,751
Social security and provident fund	**557**	363
	5,803	5,114

The emoluments of these five highest paid individuals of the Group fell within the following emolument bands:

Number of individuals

	Year ended December 31,	
	2022	2021
Emolument bands (HKD)		
Nil – 1,000,000	**–**	–
1,000,001 – 1,500,000	**5**	5
	5	5

10 FINANCE COSTS – NET

	Year ended December 31, 2022 RMB'000	2021 RMB'000
Finance income		
Interest income from bank deposits	**5,180**	10,751
Finance costs		
Interest expense on borrowings	**(16,126)**	(15,557)
Interest expense on lease liabilities (Note 15)	**(3,725)**	(1,668)
Other finance costs	**(456)**	–
	(20,307)	(17,225)
Finance costs – net	**(15,127)**	(6,474)

11 INCOME TAX EXPENSES

	Year ended December 31, 2022 RMB'000	2021 RMB'000
Continuing operations		
Current income tax	**85,634**	83,588
Deferred income tax	**(16,159)**	(4,866)
	69,475	78,722
Discontinued operations	**–**	3,131

The Group's principal applicable taxes and tax rates are as follows:

Cayman Islands

Under the prevailing laws of the Cayman Islands, the Company is not subject to tax on income or capital gains. In addition, no Cayman Islands withholding tax is payable on dividend payments by the Company to its shareholders.

Hong Kong

Hong Kong profits tax rate is 16.5% up to April 1, 2018 when the two-tiered profits tax regime took effect, under which the tax rate is 8.25% for assessable profits on the first HKD$2 million and 16.5% for any assessable profits in excess of HKD$2 million. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the year ended December 31, 2022 (2021: same).

11 INCOME TAX EXPENSES *(Continued)*

PRC corporate income tax ("CIT")

CIT was made on the estimated assessable profits of the entities within the Group incorporated in the PRC and was calculated in accordance with the relevant tax rules and regulations of the PRC after considering the available tax refunds and allowances. The general CIT rate is 25% for the year ended December 31, 2022 (2021: same).

Certain of the Group's entities in PRC, which generated most of the Group's profit, have been approved as high technology enterprises under the relevant tax rules and regulations, and accordingly, are subjected to a reduced preferential CIT rate of 15% as at December 31, 2022 (2021: same).

Certain of the Group's entities in PRC meet the standards for small enterprises under the relevant tax rules and regulations, and accordingly, the part of their taxable income not exceeding RMB3 million are subjected to a reduced CIT rate of 20%.

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the statutory CIT rate of 25%, being the tax rate applicable to the majority of consolidated entities as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Profit before income tax expenses	**443,424**	451,220
Tax calculated at statutory CIT rate of 25%	**110,856**	112,805
Effect of preferential tax rates	**(30,702)**	(41,794)
Expenses not deductible for tax purposes	**12,023**	16,445
Super deduction on research and development expenses ((Note (a))	**(20,060)**	(8,239)
Effect of income not subjected to income tax	**(3,652)**	–
Additional deductible allowance for PPE	**(1,910)**	–
Utilisation of previously unrecognised tax losses	**(111)**	(1,228)
Tax losses and deductible temporary differences for which no deferred income tax assets were recognised	**3,031**	733
Income tax expense	**69,475**	78,722

(a) According to the relevant laws and regulations promulgated by the State Council of the PRC, during the period from 2018 to 2023, enterprises engaging in research and development activities are entitled to claim 175% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year ("super deduction"). During the period from October 1, 2022 to December 31, 2022, the proportion of super deduction increased to 200%. The Group has made its best estimate for the super deduction to be claimed for the Group's entities in ascertaining their assessable profits during the year ended December 31, 2022 (2021: same).

12 EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year ended December 31, 2022. In determining the weighted average number of ordinary shares in issued, the share subdivision effective upon the Listing was deemed to have been in issue since January 1, 2021 which has been reflected in the calculations of the basic and diluted earnings per share.

	Year ended December 31,	
	2022	2021
Profit attributable to owners of the Company (RMB'000)		
– From continuing operations	**377,309**	371,700
– From discontinued operations	**–**	9,232
	377,309	380,932
Weighted average number of ordinary shares in issue	**574,789,163**	498,520,300
Basic earnings per share attributable to the owners of the Company (expressed in RMB per share)		
– From continuing operations	**0.66**	0.75
– From discontinued operations	**–**	0.01
	0.66	0.76

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

The Company had no dilutive potential shares in issue, thus the diluted earnings per share for the year ended December 31, 2022 are the same as basic earnings per share (2021: same).

13 PROPERTY AND EQUIPMENT

	Properties and building RMB'000	Medical equipment RMB'000	Vehicles, furniture and office equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Right-of-use assets for land use rights RMB'000	Right-of-use assets for leased properties, equipment and motor vehicles RMB'000	Total RMB'000
As at January 1, 2022								
Cost	46,809	232,986	23,654	51,832	55,958	157,653	94,633	663,525
Accumulated depreciation	(17,699)	(83,718)	(13,655)	(22,212)	–	(4,549)	(36,492)	(178,325)
Net book amount	29,110	149,268	9,999	29,620	55,958	153,104	58,141	485,200
Year ended December 31, 2022								
Opening net book amount	29,110	149,268	9,999	29,620	55,958	153,104	58,141	485,200
Additions	–	220,940	6,998	72,597	25,522	–	41,589	367,646
Disposals	–	(1,288)	(130)	–	–	–	–	(1,418)
Transfer	–	–	–	35,146	(35,146)	–	–	–
Depreciation charge	(1,684)	(104,568)	(2,045)	(20,832)	–	(4,089)	(24,202)	(157,420)
Impairment	–	(188,360)	–	(85,046)	–	–	–	(273,406)
Closing net book amount	27,426	75,992	14,822	31,485	46,334	149,015	75,528	420,602
As at December 31, 2022								
Cost	46,809	446,713	29,961	159,575	46,334	157,653	136,222	1,023,267
Accumulated depreciation	(19,383)	(182,361)	(15,139)	(43,044)	–	(8,638)	(60,694)	(329,259)
Impairment	–	(188,360)	–	(85,046)	–	–	–	(273,406)
Net book amount	27,426	75,992	14,822	31,485	46,334	149,015	75,528	420,602

13 PROPERTY AND EQUIPMENT *(Continued)*

	Properties and building RMB'000	Medical equipment RMB'000	Vehicles, furniture and office equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Right-of-use assets for land use rights RMB'000	Right-of-use assets for leased properties, equipment and motor vehicles RMB'000	Total RMB'000
As at January 1, 2021								
Cost	46,809	123,372	18,348	26,031	–	157,653	37,592	409,805
Accumulated depreciation	(16,139)	(62,655)	(13,364)	(14,972)	–	(460)	(25,163)	(132,753)
Net book amount	30,670	60,717	4,984	11,059	–	157,193	12,429	277,052
Year ended December 31, 2021								
Opening net book amount	30,670	60,717	4,984	11,059	–	157,193	12,429	277,052
Additions	–	121,168	7,340	18,889	62,870	–	57,041	267,308
Disposals	–	(3,835)	(488)	–	–	–	–	(4,323)
Transfer	–	–	–	6,912	(6,912)	–	–	–
Depreciation charge	(1,560)	(28,782)	(1,837)	(7,240)	–	(4,089)	(11,329)	(54,837)
Closing net book amount	29,110	149,268	9,999	29,620	55,958	153,104	58,141	485,200
As at December 31, 2021								
Cost	46,809	232,986	23,654	51,832	55,958	157,653	94,633	663,525
Accumulated depreciation	(17,699)	(83,718)	(13,655)	(22,212)	–	(4,549)	(36,492)	(178,325)
Net book amount	29,110	149,268	9,999	29,620	55,958	153,104	58,141	485,200

Depreciations charged to different expenses categories in the consolidated statements of comprehensive income and capitalised in construction in progress were as follow:

	Year ended December 31,	
	2022 RMB'000	2021 RMB'000
Cost of revenue	**107,673**	39,004
Administrative expenses	**42,391**	11,476
Selling expenses	**3,267**	1,589
	153,331	52,069
Depreciation capitalised in construction in progress	**4,089**	2,768
Total	**157,420**	54,837

All the properties and buildings were located in the PRC. No buildings were pledged for the Group's borrowings as at December 31, 2022 (2021: same).

As at December 31, 2022, medical equipment with carrying amount of RMB93,392,000 were pledged to secure the other borrowing of the Group (2021: nil) (Note 26(a)).

13 PROPERTY AND EQUIPMENT *(Continued)*

Impairment testing for property, plant and equipment

As stated in Note 3.1.3, by the end of 2022, the domestic epidemic prevention and control policy was adjusted since December 2022, which had significantly reduced the demand of COVID-19 related testing services nationwide and is expected to result in significant decline of revenues generated from such services in the future. The Group considered the CGUs that related to the diagnostic testing services of COVID-19 had impairment indications and therefore performed impairment test on them. As a result, provision of impairment of RMB273,406,000 was made for PP&E for the year ended December 31, 2022. When any indicators of impairment are identified, property, plant and equipment are reviewed for impairment based on each CGU. The CGU is an individual plant or entity. The carrying values of these individual plants or entities were compared to the recoverable amounts of the CGUs, which were based predominantly on value-in-use. As revenue from COVID-19 testing services is expected to decrease significantly to zero in the first quarter of 2023, the Group considered the carrying value of COVID-19 related PP&E will not be recoverable from value in use or disposal and has provided full impairment provision.

14 INTANGIBLE ASSETS

	Software RMB'000
Year ended December 31, 2022	
Opening net book amount	**5,675**
Additions	**797**
Amortisation charge	**(2,716)**
Closing net book amount	**3,756**
As at December 31, 2022	
Cost	**45,687**
Accumulated amortisation	**(41,931)**
Net book amount	**3,756**
Year ended December 31, 2021	
Opening net book amount	6,509
Additions	2,935
Amortisation charge	(3,769)
Closing net book amount	5,675
As at December 31, 2021	
Cost	44,890
Accumulated amortisation	(39,215)
Net book amount	5,675

14 INTANGIBLE ASSETS *(Continued)*

(a) Amortisation expenses were charged to the following categories in the consolidated statements of comprehensive income:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Continuing operations		
Cost of revenue	**1,860**	2,550
Administrative expenses	**353**	811
Selling expenses	**503**	408
	2,716	3,769
Discontinued operations		
Cost of revenue	**–**	72
Total	**2,716**	3,841

15 LEASES

(a) Amounts recognised in the consolidated statements of financial position

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Right-of-use assets included in "Property and equipment"		
– Leased properties	**74,199**	57,543
– Leased equipment and motor vehicles	**1,329**	598
– Land use rights	**149,015**	153,104
	224,543	211,245
Lease liabilities		
– Current	**36,658**	27,171
– Non-current	**57,677**	44,162
	94,335	71,333

15 LEASES *(Continued)*

(b) Amounts recognised in profit or loss

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
– Leased properties	**23,088**	10,135
– Leased equipment and vehicles	**1,114**	1,194
– Land use right	**4,089**	4,089
	28,291	15,418
Less: capitalised in construction in progress	**(4,089)**	(2,768)
	24,202	12,650
Interest expense (included in finance costs)	**3,725**	1,668
Expense relating to short term and low-value leases (included in cost of revenue and administrative expenses)	**7,253**	2,351

The Group leased properties for operations of its clinical laboratories. Besides, the Group leased certain diagnostic testing machines and motor vehicles. No extension options are included in such property, equipment and motor vehicle leases across the Group.

The total cash outflow for leases (including short-term leases) during the year ended December 31, 2022 amounted to RMB29,565,000 (2021: RMB14,777,000).

16 DEFERRED INCOME TAX

The analysis of deferred income tax assets and deferred liabilities is as follows:

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Deferred income tax assets		
– To be recovered within 12 months	**3,586**	10,281
– To be recovered after more than 12 months	**50,325**	25,528
	53,911	35,809
Deferred income tax liabilities		
– To be released after more than 12 months	**(2,122)**	(6,470)
	51,789	29,339

	Deferred income tax assets						Deferred income tax liabilities			
	Impairment of PP&E and inventories RMB'000	Expected credit loss on receivables RMB'000	Lease liabilities RMB'000	Tax losses RMB'000	Deferred revenue RMB'000	Investment in disposed subsidiaries RMB'000	Differences in amortisation and depreciation RMB'000	Right-of–use assets RMB'000	Fair value changes of FVOCI and FVTPL RMB'000	Total RMB'000
As at January 1, 2021	–	4,970	5,119	10,177	640	22,637	–	(3,107)	(11,731)	28,705
Credited/(charged) to profit or loss	–	3,404	10,886	3,170	(86)	(3,131)	(2,317)	(10,441)	250	1,735
Charged to other comprehensive income	–	–	–	–	–	–	–	–	(1,101)	(1,101)
Transfer upon completion of disposal of the discontinued operations	–	–	–	19,506	–	(19,506)	–	–	–	–
As at December 31, 2021	–	8,374	16,005	32,853	554	–	(2,317)	(13,548)	(12,582)	29,339
As at January 1, 2022	**-**	**8,374**	**16,005**	**32,853**	**554**	**-**	**(2,317)**	**(13,548)**	**(12,582)**	**29,339**
Credited/(charged) to profit or loss	**52,772**	**31,518**	**4,556**	**(20,131)**	**(307)**	**-**	**(49,891)**	**(3,161)**	**803**	**16,159**
Charged to other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**6,291**	**6,291**
As at December 31, 2022	**52,772**	**39,892**	**20,561**	**12,722**	**247**	**-**	**(52,208)**	**(16,709)**	**(5,488)**	**51,789**

16 DEFERRED INCOME TAX *(Continued)*

As at December 31, 2022, the Group did not recognise deferred income tax assets in respect of cumulative tax losses of RMB36,294,000 (December 31, 2021: RMB26,701,000), as it is not probable that future taxable profits will be available in the relevant tax jurisdiction and entity to utilise these tax losses.

Unused tax losses for which no deferred income tax asset was recognised are expiring as follows:

	As at December 31,	
	2022	2021
Expiry year	**RMB'000**	RMB'000
2022	**–**	2,085
2023	**7,859**	8,165
2024	**7,853**	7,895
2025	**5,624**	5,624
2026	**2,834**	2,932
2027	**12,124**	–
	36,294	26,701

According to CIT Law, a withholding income tax of 10% will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividends out of profits earned after January 1, 2008. A lower 5% withholding income tax rate may be applied when the immediate holding companies of the PRC subsidiaries are established in Hong Kong and fulfil requirements under the tax treaty agreements between the relevant authorities of the PRC and Hong Kong.

As at December 31, 2022, the Group has unrecognised deferred income tax liabilities amounted to RMB84,604,000 (2021: RMB58,341,000), which arising from undistributed profits from the Group's subsidiaries in the PRC to its immediate holding company in Hong Kong. No provision has been made in respect of such withholding tax as the directors of the Company have confirmed that such profits will not be distributed in the foreseeable future. Unremitted earnings of these subsidiaries in the PRC amounted to approximately RMB846,036,000 (2021: RMB583,406,000).

17 INVENTORIES

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Reagent and pharmaceuticals	**41,317**	41,697

Inventories consumed recognised as expenses and were included in "cost of revenue" and "administrative expenses" were as follows:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Cost of revenue	**1,170,988**	418,586
Administrative expenses	**28,259**	13,349
	1,199,247	431,935

During the year ended December 31, 2022, write-downs of inventories to net realisable value amounted to RMB38,907,000 (2021: nil). These were recognised as an expense during the year ended December 31, 2022 and included in "cost of revenue" in the consolidated statement of comprehensive income.

18 FINANCIAL INSTRUMENTS BY CATEGORY

	As at December 31,	
	2022	**2021**
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost:		
Restricted cash (Note 22)	**145,926**	31,146
Cash and cash equivalents (Note 22)	**787,742**	800,695
Trade receivables (Note 19)	**2,432,165**	825,301
Other receivables (Note 20)	**116,712**	29,931
	3,482,545	1,687,073
Financial assets at fair value:		
FVOCI (Note 21(a))	**84,341**	110,004
FVTPL (Note 21(b))	**802,810**	58,243
	887,151	168,247
	4,369,696	1,855,320
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables excluding non-financial liabilities (Note 27)	**1,361,739**	452,823
Borrowings (Note 26)	**691,784**	290,685
Lease liabilities (Note 15)	**94,335**	71,333
	2,147,858	814,841

19 TRADE RECEIVABLES

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Trade receivables		
– Third parties	**2,671,922**	877,604
– Related parties (Note 29(d))	**369**	323
	2,672,291	877,927
Less: allowance for impairment of trade receivables (Note 3.1.2)	**(240,126)**	(52,626)
	2,432,165	825,301

(a) As at December 31, 2022 and 2021, the ageing analysis of the trade receivables based on recognition date were follows:

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Up to 180 days	**1,655,558**	628,062
181 days to 1 year	**734,521**	154,530
1 to 2 years	**235,267**	70,528
2 to 3 years	**24,233**	12,713
More than 3 years	**22,712**	12,094
	2,672,291	877,927

(b) The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. The detail information please refer to Note 3.1.2.

(c) The Group's trade receivables were all denominated in RMB and their carrying amounts approximated their fair values.

20 PREPAYMENTS AND OTHER RECEIVABLES

	As at December 31, 2022 RMB'000	As at December 31, 2021 RMB'000
Included in current assets		
Prepayments		
– Prepayments to third party suppliers	**4,684**	4,901
– Other tax recoverable	**2,719**	1,966
– Prepayments for listing expenses	**–**	9,426
	7,403	16,293
Other receivables		
– Loan receivable (a)	**100,000**	–
– Deposits receivables	**9,699**	5,662
– Cash advance to employees	**474**	1,418
– Amounts due from related parties (Note 29(d))	**1,470**	21,220
	111,643	28,300
Less: allowance for impairment of other receivables (Note 3.1.2)	**(297)**	(177)
	111,346	28,123
	118,749	44,416
Included in non-current assets		
Prepayments		
– Prepayment for equipment to third party suppliers	**10,292**	15,419
Other receivables		
– Deposits	**5,366**	1,808
	15,658	17,227
Total	**134,407**	61,643

(a) Loan receivable represented RMB100,000,000 due from an independent third party company at fixed interest rate of 3.8% per annum with redemption right. Subsequently in March 2023, the Group has redeemed the receivable.

(b) Save as disclosed in note 3.1.1, the Group's other receivables are denominated in RMB. The carrying amounts of other receivables approximated their fair values.

21 FINANCIAL ASSETS AT FAIR VALUE

(a) FVOCI

The Group's FVOCI included equity investments which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

Equity investments at FVOCI included the following:

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Unlisted		
– Private company A (i)	**81,599**	106,762
– Private company B (ii)	**2,742**	2,742
– Private company C	**–**	500
	84,341	110,004

(i) Private company A is engaged in investment activities and portfolio management, with concentration in healthcare industry. Private company A is also an associate of Daan Gene Co., Ltd. ("Da An Gene").

(ii) Private company B invested an equity instrument which is principally engaged in sales of medical imaging diagnostic equipment.

Amounts recognised in other comprehensive income is as following:

The table below shows the (losses)/gains as recognised in other comprehensive (loss)/income:

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
(Losses)/gains recognised in other comprehensive income	**(25,163)**	4,404
Less: income tax impact	**6,291**	(1,101)
	(18,872)	3,303

21 FINANCIAL ASSETS AT FAIR VALUE *(Continued)*

(b) FVTPL

The Group's FVTPL comprised debt investments and equity investments that do not qualify for measurement at either amortised cost or FVOCI.

Financial assets measured at FVTPL include the following:

	As at December 31,	
	2022 **RMB'000**	2021 RMB'000
Included in current assets		
Investment in private funds		
– Managed by investment manager A (i)	**302,783**	–
– Managed by investment manager B (i)	**98,382**	–
– Managed by investment manager C (ii)	**206,493**	–
Debt instrument (iii)	**34,911**	–
	642,569	–
Included in non-current assets:		
Unlisted companies (iv)	**160,241**	58,243
	802,810	58,243

(i) The investments represented four portfolios managed by two different investment managers. Investment objectives were to invest in cash or cash equivalents, national debt and other money market instruments. Subsequently in March 2023, the Group has redeemed all these investments.

(ii) The investment represented two private funds. Investment objectives were mainly to invest in listed securities, portfolio funds, government or company bonds and cash or cash equivalents.

(iii) Debt instrument represented a redeemable corporate bond held indirectly through a private fund. The Company is the sole subscriber and deemed to have control over the assets portfolio and accordingly consolidate the private fund. Subsequently in March 2023, the Group has redeemed the investment.

(iv) Investments in unlisted companies included investments in four private companies, which are principally engaged in research and sales of medical instruments, provision of consultancy services and investment management.

Amounts recognised in profit or loss

	Year ended December 31,	
	2022 **RMB'000**	2021 RMB'000
Fair value gains recognised in profit or loss	**17,257**	264

21 FINANCIAL ASSETS AT FAIR VALUE *(Continued)*

(c) Fair value, impairment and risk exposure

Information about the methods and assumptions used in determining fair value have been set out in Note 3.3.

(d) Structured entities

The Group is principally involved with structured entities through financial investments in private funds. The Group determines whether or not to consolidate these structured entities depending on whether the Group has control over them.

(i) Consolidated structured entity

Structured entity consolidated by the Group is a private fund and the investment objectives were to invest in cash or cash equivalents, national debt and other money market instruments. The Group controls the entity because the Group has power over, is exposed to, or has rights to, variable returns from its involvement with this entity and has the ability to use its power over this entity to affect the amount of the Group's returns. As at December 31, 2022, the balance of this consolidated structured entity were RMB146,626,000 (December 31, 2021: Nil), which were included in FVTPL of RMB34,911,000 (Note 21(b) (iii)) and restricted cash of RMB111,715,000 (Note 22(a) (i)).

(ii) Unconsolidated structured entities

The Group invests in certain unconsolidated structured entities mainly consisting of private funds managed and operated by other independent third parties. These structured entities generally finance the purchase of assets by issuing units of the products. The Group does not control these structured entities and therefore, these structures entities are not consolidated.

The table below sets out the carrying amount of interests in unconsolidated structured entities held by the Group through investment:

	As at December 31, 2022	
	Carrying value RMB'000	**Maximum exposure to loss RMB'000**
FVTPL		
– Investment in private funds	**607,658**	**607,658**

22 CASH AND CASH EQUIVALENTS

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Cash at bank	**933,648**	831,821
Cash on hand	**20**	20
	933,668	831,841
Less: Restricted cash in relation to:		
– Deposits for letter of guarantee	**(21,118)**	(21,118)
– Deposits of investment funds (a)	**(123,310)**	–
– Others	**(1,498)**	(10,028)
	(145,926)	(31,146)
Cash and cash equivalents	**787,742**	800,695

(a) Deposits of investment funds included:

(i) The Company invested USD21 million in a private fund in 2022. An investment manager was appointed to manage and decide its investment portfolio. The Company is the sole subscriber and deemed to have control over the assets portfolio and accordingly consolidate the private fund. As at December 31, 2022, the private fund held cash deposits of RMB111,715,000 in the custodian's account. Subsequently in March 2023, the Group has redeemed the investment.

(ii) A subsidiary of the Company as sole subscriber invested in an asset management product in 2022. As at December 31, 2022, the product held cash deposits of RMB11,595,000 in the custodian's account. Subsequently in March 2023, the Group has redeemed the investment.

23 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Share capital USD	Equivalent share capital RMB'000	Share premium RMB'000	Total RMB'000
Authorised					
As at January 1, 2021 and December 31, 2021	500,000,000	50,000	338		
Addition (a)	24,500,000,000	–	–		
As at December 31, 2022	25,000,000,000	50,000	338		
Issued and paid					
Balance at January 1, 2021	9,826,990	982	7	1,388	1,395
Transaction with non-controlling interests	173,000	18	*	19,731	19,731
Balance at December 31, 2021	9,999,990	1,000	7	21,119	21,126
Effect of the share subdivision (a)	489,999,510	–	–	–	–
Shares issued upon the completion of initial public offering, net of transaction costs (b)	113,188,500	226	2	716,347	716,349
Shares issued upon partial exercise of the over-allotment option, net of transaction costs (b)	8,062,500	16	*	53,899	53,899
Dividends (Note 33)	–	–	–	(48,126)	(48,126)
Balance at December 31, 2022	621,250,500	1,242	9	743,239	743,248

* The balance represents an amount less than RMB1,000.

(a) Immediately prior to the Listing, a share subdivision was approved by the shareholders of the Company, pursuant to which, each issued and unissued share capital was subdivided into fifty shares with par value USD0.000002 each. The share subdivision has been completed and became effective on May 18, 2022.

(b) On May 18, 2022, the Company issued 113,188,500 new shares at the price of HKD7.89 per share as a result of the completion of the global offering (the "Global Offering"). 8,062,500 shares were issued upon the exercise of the over-allotment option in connection with the Global Offering on June 10, 2022 at the same price. Gross proceeds from the issue amounted to HKD956,670,390 (equivalent to RMB821,779,031). After deducting the underwriting fees and other capitalised listing expenses, net proceeds from the issue amounted to RMB770,248,071, of which, RMB1,634 was recorded as share capital and RMB770,246,437 was recorded as share premium.

24 OTHER RESERVES

	Capitalisation reserves (Note) RMB'000	Reserves for financial assets at FVOCI RMB'000	Total RMB'000
Balance at January 1, 2021	930,845	24,054	954,899
Changes in fair value of financial assets at FVOCI	–	3,133	3,133
Transfer of gain on disposal of financial assets at FVOCI to retained earnings	–	(2,650)	(2,650)
Balance at December 31, 2021	930,845	24,537	955,382
Balance at January 1, 2022	**930,845**	**24,537**	**955,382**
Changes in fair value of financial assets at FVOCI	**–**	**(18,872)**	**(18,872)**
Balance at December 31, 2022	**930,845**	**5,665**	**936,510**

Note:

Capitalisation reserves represented the registered capital and capital premium of Yunkang Industry attributable to owners of the Company in aggregate of approximately RMB931 million as of January 1, 2018, as the Group obtained the equity interest in Yunkang Industry through a series of contractual arrangements other than any cash considerations, which were considered as deemed contribution from the shareholders.

25 DEFERRED REVENUE

	As at December 31,	
	2022 RMB'000	2021 RMB'000
Government grant-to be realised within 12 months	**1,645**	6,750

The deferred revenue mainly represented the government grants obtained to assist the Group's research and development activities with attached conditions from the government. The deferred revenue is recognised in profit or loss when the Group comply with the attached conditions.

26 BORROWINGS

	As at December 31, 2022 RMB'000	As at December 31, 2021 RMB'000
Borrowings included in non-current liabilities:		
Bank borrowings		
– Guaranteed (a)	**233,115**	69,900
Other borrowings		
– Secured and/or guaranteed (a)	**143,086**	50,785
Less: current portion of non-current borrowings	**(48,086)**	(38,322)
	328,115	82,363
Borrowings included in current liabilities:		
Bank borrowings	**315,583**	170,000
– Guaranteed (a)	**297,000**	170,000
– Unsecured	**18,583**	–
Current portion of non-current borrowings	**48,086**	38,322
	363,669	208,322
Total borrowings	**691,784**	290,685
Bank borrowings repayable		
– Within 1 year	**317,583**	200,200
– Between 1 and 2 years	**231,115**	200
– Between 2 and 5 years	**–**	39,500
	548,698	239,900
Other borrowings repayable		
– Within 1 year	**46,086**	8,122
– Between 1 and 2 years	**31,000**	5,663
– Between 2 and 5 years	**33,000**	3,000
– Over 5 years	**33,000**	34,000
	143,086	50,785

26 BORROWINGS *(Continued)*

(a) The secured and guaranteed situations of the bank and other borrowings are as follows:

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Bank borrowings		
Guaranteed by a subsidiary of the Group	**520,115**	239,900
Guaranteed by a third party	**10,000**	–
	530,115	239,900
Other borrowings		
Guaranteed by a related party (Note 29(e))	**38,000**	39,000
Guaranteed by a subsidiary of the Group	**4,663**	11,785
Guaranteed by a subsidiary of the Group and secured by PP&E (Note 13)	**100,423**	–
	143,086	50,785

(b) As at December 31, 2022, the effective interest rate of the borrowings was 3.73% per annum (December 31, 2021: 4.28%).

27 TRADE AND OTHER PAYABLES

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Trade payables (a)		
– Third parties	**520,617**	168,369
– Related parties (Note 29(d))	**680,058**	192,175
	1,200,675	360,544
Other payables		
– Related parties (Note 29(d))	**13,007**	9,937
– Marketing and promotion expenses payables	**60,371**	36,030
– Decoration expenses payables	**35,546**	5,450
– Accrued expenses	**34,202**	19,175
– Listing expenses payables	**4,522**	5,397
– Unpaid consideration of FVOCI	**–**	6,000
– Others	**13,416**	10,290
	161,064	92,279
Accrued staff costs	**105,805**	92,043
Other taxes payable	**24,535**	11,797
	1,492,079	556,663

27 TRADE AND OTHER PAYABLES *(Continued)*

(a) The ageing analysis of the trade payables based on goods and services received was follows:

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Up to 6 months	**717,981**	279,984
6 months to 1 year	**348,081**	72,811
1 to 2 years	**131,332**	6,942
2 to 3 years	**2,806**	216
More than 3 years	**475**	591
	1,200,675	360,544

(b) As at December 31, 2022, the carrying amounts of trade and other payables approximated their fair values (December 31, 2021: same).

28 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended December 31,	
	2022	2021
	RMB'000	RMB'000
Profit before income tax	**443,424**	451,220
Adjustments for:		
– Finance costs	**20,307**	17,225
– Net impairment losses on financial assets	**187,620**	23,073
– Depreciation of property and equipment	**153,331**	52,069
– Amortisation of intangible assets	**2,716**	3,769
– Fair value gains on financial assets at FVTPL	**(17,257)**	(264)
– Impairment of property and equipment	**273,406**	–
– Impairment of inventories	**38,907**	–
– Losses on disposal of equipment	**536**	666
– Losses on disposal of subsidiaries	**455**	–
– Effective of foreign exchange rate changes	**(1,545)**	–
– Others	**375**	–
	1,102,275	547,758
Changes in working capital:		
– Restricted cash	**8,530**	10,895
– Trade receivables	**(1,794,364)**	(363,699)
– Inventories	**(38,527)**	(17,144)
– Prepayments and other receivables	**(6,777)**	9,129
– Trade and other payables	**943,466**	228,526
– Deferred revenue	**(5,105)**	(575)
Cash generated from operations	**209,498**	414,890

28 CASH FLOW INFORMATION *(Continued)*

(b) The reconciliation of liabilities arising from financial activities is as follow:

	Borrowings and interest payables RMB'000	Lease liabilities RMB'000	Total RMB'000
As at January 1, 2022	**291,424**	**71,333**	**362,757**
Additions of leases	**–**	**41,589**	**41,589**
Accrued interest expense	**16,126**	**3,725**	**19,851**
Cash flows	**384,338**	**(22,312)**	**362,026**
As at December 31, 2022	**691,888**	**94,335**	**786,223**
As at January 1, 2021	473,027	25,050	498,077
Additions of leases	–	57,041	57,041
Accrued interest expense	15,557	1,668	17,225
Cash flows	(197,160)	(12,426)	(209,586)
As at December 31, 2021	291,424	71,333	362,757

29 RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

Related parties are those parties that have the ability to control, jointly control or exercise significant influence over the other party in holding power over the investee; the exposure or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

Save as disclosed elsewhere in these consolidated financial statements, the directors of the Company are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the year ended December 31, 2022:

Name of related parties	Relationship with the Group
Mr. Zhang Yong	The Controlling Shareholder of the Group
Da An Gene and its subsidiaries ("Da An Group")	The shareholder with significant influence to the Group
Zhuhai Hengqin Shiwei Kangjie Life Science Research Institute Co., Ltd. and its subsidiaries ("Shiwei Kangjie")	Company controlled by Mr. Zhang Yong

29 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Key management compensation

	Year ended December 31, 2022 RMB'000	2021 RMB'000
Salaries, bonuses and other benefits	**4,908**	3,995
Contribution to pension scheme expenses	**457**	309
	5,365	4,304

(c) Transactions with related parties

	Year ended December 31, 2022 RMB'000	2021 RMB'000
Continuing:		
Revenue from		
– Da An Group	**3,171**	2,977
Purchase of goods		
– Da An Group	**563,219**	201,409
Purchase of services		
– Da An Group	**13,404**	14,549
Continuing:		
Lease of right-of-use assets		
– Da An Group (i)	**–**	7,055
Interest expense paid/payable to related parties on lease liabilities		
– Da An Group	**97**	312
Commercial property management service fee to related parties		
– Da An Group	**3,279**	3,155
Discontinuing:		
Disposal of discontinued operations		
– Shiwei Kangjie	**–**	85,000

(i) The Property Lease Agreement has a term commencing from January 1, 2021 till December 31, 2022. which was renewed on January 1, 2023 on the similar terms.

All of the transactions above were carried out in the normal course of the Group's business and on terms as agreed between the transacting parties.

29 RELATED PARTY TRANSACTIONS *(Continued)*

(d) Balances with related parties

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Amounts due from related parties		
Trade		
Trade receivables		
– Da An Group	**369**	323
Other receivables		
– Da An Group	**1,470**	1,441
– Mr. Zhang Yong	**–**	29
	1,470	1,470
Non-trade		
Other receivables		
– Da An Group	**–**	–
– Shiwei Kangjie	**–**	19,750
	–	19,750
	1,839	21,543
Amounts due to related parties		
Trade		
Trade payables		
– Da An Group	**(680,058)**	(192,175)
Other payables		
– Da An Group	**(13,007)**	(9,937)
	(693,065)	(202,112)
Lease liabilities due to related parties		
– Da An Group	**(13,531)**	(3,661)

29 RELATED PARTY TRANSACTIONS *(Continued)*

(d) Balances with related parties *(Continued)*

As at December 31, 2022, the balances due from/to related parties are unsecured, interest-free, and are denominated in RMB. Other receivables primarily include deposits in relation to transactions with related parties. Other payables primarily represent commercial property management service fees payable in relation to the leased offices and amount payable for equipment purchased from Da An Group.

(e) Guarantees from the related parties

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Guarantees provided by		
– Da An Group	**38,000**	39,000

Other borrowing provided by CDB Development Fund (Note 26(a)) is guaranteed by Da An Group, which will remain after the Listing.

As at December 31, 2022, there were no guarantees or pledges provided to the related parties (December 31, 2021: same).

30 BALANCE AND RESERVE MOVEMENT OF THE COMPANY

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Assets		
Non-current asset		
Investment in a subsidiary	**805,465**	805,465
Financial assets at fair value through profit or loss	**105,209**	–
	910,674	805,465
Current assets		
Cash and cash equivalents	**2,466**	–
Restricted cash	**111,716**	–
Financial assets at fair value through profit or loss	**642,569**	–
Prepayments	**–**	9,426
Amount due from shareholders	**35**	7
	756,786	9,433
Total assets	**1,667,460**	814,898
Equity		
Equity attributable to owners of the Company		
Share capital and share premium	**743,248**	21,126
Other reserves (a)	**784,346**	784,346
Accumulated losses	**(62,988)**	(45,528)
Total equity	**1,464,606**	759,944
Liabilities		
Current liabilities		
Amount due to subsidiaries	**198,305**	49,557
Other payable	**4,549**	5,397
	202,854	54,954
Total liabilities	**202,854**	54,954
Total equity and liabilities	**1,667,460**	814,898

The statement of financial position of the Company was approved by the Board of Directors of the company on March 31, 2023 and were signed on its behalf by:

Zhang Yong
Director

Xie Shaohua
Director

30 BALANCE AND RESERVE MOVEMENT OF THE COMPANY *(Continued)*

(a) Reserve movement of the Company

	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
As at January 1, 2021	784,346	(12,047)	772,299
Total comprehensive income			
Loss for the year	–	(33,481)	(33,481)
As at December 31, 2021	784,346	(45,528)	738,818
As at January 1, 2022	**784,346**	**(45,528)**	**738,818**
Total comprehensive income			
Loss for the year	**–**	**(17,460)**	**(17,460)**
As at December 31, 2022	**784,346**	**(62,988)**	**721,358**

31 SUBSIDIARIES

The Group's principal subsidiaries at December 31, 2022 are set out below:

Name of the Subsidiaries	Place of incorporation and kind of legal entity	Issued and paid-up capital	Principal activities	Ownership interest held by the Group as at December 31, 2022	2021
Directly held by the Company					
YK Healthcare (Hong Kong) Limited	Hong Kong, limited liability company	–	Investment holding	**100%**	100%
Indirectly held by the Company					
Guangzhou Yunkang Health Technology Co., Ltd. (廣州雲康健康科技有限公司)	PRC, limited liability company	–	Investment holding	**100%**	100%
Yunkang Industry Investment Co. Ltd. (雲康健康產業投資股份有限公司) (a)	PRC, limited liability company	RMB920,000,000	Investment holding	**100%**	100%
Hefei Daan Medical Laboratory Co., Ltd. (合肥達安醫學檢驗實驗室有限公司) (a)	PRC, limited liability company	RMB10,000,000	Diagnostic testing	**100%**	100%
Chengdu Gaoxin Daan Medical Laboratory Co., Ltd. (成都高新達安醫學檢驗有限公司) (a)	PRC, limited liability company	RMB20,000,000	Diagnostic testing	**100%**	100%

31 SUBSIDIARIES *(Continued)*

Name of the Subsidiaries	Place of incorporation and kind of legal entity	Issued and paid-up capital	Principal activities	Ownership interest held by the Group as at December 31, 2022	2021
Guangzhou Daan Clinical Laboratory Center Co. Ltd. (廣州達安臨床檢驗中心有限公司) (a)	PRC, limited liability company	RMB26,586,000	Diagnostic testing	**100%**	100%
Shanghai Daan Medical Laboratory Co., Ltd. (上海達安醫學檢驗所有限公司) (a)	PRC, limited liability company	RMB50,000,000	Diagnostic testing	**100%**	100%
Jiangxi Yunkang Daan Medical Laboratory Co., Ltd. (江西雲康達安醫學檢驗實驗室有限公司) (a)	PRC, limited liability company	RMB10,000,000	Diagnostic testing	**100%**	100%
Kunming Gaoxin Daan Medical Laboratory Co.,Ltd. (昆明高新達安醫學檢驗所有限公司) (a)	PRC, limited liability company	RMB10,000,000	Diagnostic testing	**100%**	100%
Yunkang Lingnan (Guangzhou) Medical Health Technology Development Co., Ltd. (蕓康嶺楠(廣州)醫療健康科技發展有限公司) (a)	PRC, limited liability company	RMB100,000,000	Project investment	**100%**	100%
Yunkang Health Industry Group Co., Ltd. (雲康健康產業集團有限公司)	PRC, limited liability company	RMB200,505,100	Information technology, medical logistics and medical equipment procurement services	**100%**	100%
Guangzhou Yunxie Baiyi Biomedical Technology Co., Ltd. (廣州雲協佰醫生物醫療科技有限公司)	PRC, limited liability company	RMB10,000,000	Reagent and medical equipment procurement services	**100%**	100%
Sichuan Yunkang Xinchuan Health Technology Co., Ltd. (四川雲康新川健康科技有限公司)	PRC, limited liability company	RMB100,000,000	Information technology and healthcare technology development	**100%**	100%

(a) The Company does not have legal ownership in equity of these subsidiaries. Nevertheless, under certain contractual agreements entered into with the registered owners of these subsidiaries, the Company and its other legally owned subsidiaries control these companies by way of controlling the voting rights, governing their financial and operating policies, appointing or removing the majority of the members of their controlling authorities, and casting the majority of votes at meetings of such authorities. In addition, such contractual agreements also transfer the risks and rewards of these companies to the Company and/or its other legally owned subsidiaries. As a result, they are presented as controlled subsidiaries of the Company.

As at December 31, 2022, no ownership interest of the above principal subsidiaries were held by non-controlling interests (December 31, 2021: same).

32 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The emoluments of Mr. He Yunshao, Mr. Zhou Xinyu, Mr. Guo Yunzhao, and Mr. Zhou Weiqun, non-executive directors in relation to their services rendered for the Group for the year ended December 31, 2022 were borne by related parties of the Group. Their emoluments were not allocated to the Group as the management of the Company considers there was no reasonable basis of allocation.

The remuneration of each director during the year ended December 31, 2022 is set out below (2021: same):

	Salaries, bonuses and other benefit RMB'000	Contribution to pension scheme RMB'000	Total RMB'000
Year ended December 31, 2021			
Executive Director			
Mr. Zhang Yong (i)	24	15	39
Non-executive Directors			
Mr. He Yunshao (vi)	–	–	–
Mr. Zhou Xinyu (viii)	–	–	–
Mr. Guo Yunzhao (ii)	–	–	–
Mr. Zhou Weiqun (vii)	–	–	–
	24	15	39

32 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

	Salaries, bonuses and other benefit RMB'000	Contribution to pension scheme RMB'000	Total RMB'000
Year ended December 31, 2022			
Executive Director			
Mr. Zhang Yong (i)	163	15	178
Non-executive Directors			
Mr. Zhou Xinyu (viii)	–	–	–
Mr. Guo Yunzhao (ii)	133	–	133
Mr. Zhou Weiqun (vii)	53	–	53
Mr. Yu Shiyou (iii)	133	–	133
Mr. Yang Hongwei (iii)	–	–	–
Mr. Xie Shaohua (iii)	133	–	133
Mr. Wang Ruihua (iv)	106	–	106
Mr. He Yunshao (vi)	–	–	–
Ms. Huang Luo (v)	–	–	–
	721	15	736

(i) Mr. Zhang Yong was appointed as the executive director and chief executive chairman of the Company on July 20, 2018.

(ii) Mr. Guo Yunzhao was appointed as non-executive director of the Company since October 22, 2019.

(iii) Mr. Yu Shiyou, Mr. Yang Hongwei and Mr. Xie Shaohua were appointed as the Company's independent non-executive directors on April 1, 2022.

(iv) Mr. Wang Ruihua was appointed as the Company's independent non-executive director on July 11, 2022.

(v) Ms. Huang Luo was appointed as the Company's independent non-executive director on August 11, 2022.

(vi) Mr. He Yunshao has resigned as non-executive director of the Company since April 15, 2022.

(vii) Mr. Zhou Weiqun has resigned as non-executive director of the Company since July 11, 2022.

(viii) Mr. Zhou Xinyu has resigned as non-executive director of the Company since August 11, 2022.

32 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(b) Directors' retirement and termination benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries' undertaking during the year ended December 2022.

No payment was made to the directors as compensation for early termination of appointment during the year ended December 2022.

(c) Consideration provided to their parties for making available directors' services

No payment was made to any former employers of the directors for making available the services of them as a director of the Company during the year ended December 2022.

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There were no other loans, quasi-loans and other dealings in favour of the directors, controlled bodies corporate by and connected entities with such directors during the year ended December 2022.

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the year ended December 2022.

33 DIVIDENDS

The Board declared an interim dividend for the six months ended June 30, 2022 of HKD0.088 per share on August 11, 2022 and the interim dividend were paid in September 2022 with total amounts of HKD54,670,000 (equivalent to RMB48,126,000).

A final dividend of HKD0.22 per share for the year ended December 31, 2022, totalling HKD136,675,110 (equivalent to RMB119,741,000) have been proposed by the Board of the Company on March 31, 2023 and are subject to the approval of the forthcoming annual general meeting to be held on June 28, 2023.

These dividends will be distributed out of the Company's share premium. The consolidated financial statements have not reflected the proposed dividend payable.

34 COMMITMENTS

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	As at December 31,	
	2022	2021
	RMB'000	RMB'000
Contracted but not provided for:		
– Property and equipment	**309,418**	323,176

As at December 31, 2022, the Group's capital commitments mainly related to the construction on the land in Guangzhou acquired in 2019.

35 CONTINGENT LIABILITIES

As at December 31, 2022, the Group did not have any material contingent liabilities (December 31, 2021: same).

36 SUBSEQUENT EVENTS

(a) In January 2023, a subsidiary of the Company acted as a limited partner and subscribed a private open fund with RMB70 million with lock-up period of 365 days. It is an open-fund and the investment strategy is focus on the short-term and liquidity assets, including bonds and equity securities. As at the date of this report, management of the Company was not aware of any material change in the fair value of the investment.

(b) In January 2023, a subsidiary of the Company entered into an agreement with a third party to acquire equity interests of two private companies in PRC at total considerations of approximately RMB172 million. The target companies are medical industrial entities. Such investments would be stated as FVTPL.

	2018 RMB'000	2019 RMB'000	2020 RMB'000	2021 RMB'000	**2022** **RMB'000**
Results					
Revenue	596,308	677,826	1,200,320	1,696,740	**3,756,201**
Gross Profit	240,385	299,194	655,895	899,137	**1,307,730**
(Loss)/profit before income tax	(32,552)	(10,632)	322,828	451,220	**443,424**
(Loss)/profit for the year	(50,344)	(31,544)	260,172	381,893	**373,949**
(Loss)/profit attributable to owners of the Company:	(49,408)	(30,957)	255,334	380,932	**377,309**
Assets and liabilities					
Total assets	1,262,581	1,269,246	1,956,731	2,455,413	**4,906,977**
Total liabilities	451,024	478,839	890,347	1,003,833	**2,367,398**
Total equity	811,557	790,407	1,066,384	1,451,580	**2,539,579**
Non-controlling interests	15,126	14,732	18,476	(124)	**7,316**