



YUNKANG GROUP LIMITED
云康集团有限公司

Yunkang Announces 2023 Annual Results
Revenue Reaches RMB892 Million

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Steps up R&D investment
Focuses on precision medicine and intelligent testing sectors

(Hong Kong, March 25, 2024) **Yunkang Group Limited** ("Yunkang" or the "Group"; Stock Code: 2325), a leading medical operation services provider in China, has announced its annual results for the year ended December 31, 2023 (the "Reporting Period"). In 2023, the Group continued to expand its business network and services across the country, the Group's revenue reached RMB891.5 million. The Group's routine testing business achieved a healthy and steady year-on-year growth of 26.9% during the Reporting Period. Due to enhanced operational and management capabilities and improved cost control, the overall gross profit margin remained stable at 36.5%. The Group further improved its operational and management capabilities and strengthened its cash flow management, resulting in a significant improvement in net cash generated from operating activities as compared with last year. As at December 31, 2023, the Group's cash and cash equivalents amounted to RMB1,244.1 million. The Board of Directors resolved to recommend the payment of a final dividend of HK\$0.02 per share for the year ended December 31, 2023.

Continuously expanding the business network, improving the testing services

To better meet customers' needs, in addition to expanding its business network, the Group increased investment in research & development ("R&D") for new technologies and new products, while launching many competitive testing services and continuing to expand into secondary and tertiary hospitals. As at December 31, 2023, the Group had 12 independent medical laboratories and 416 co-laboratories with leading hospitals, providing over 3,000 test items and over 10 million tests per year, and the Group had established a customer service network covering over 200 cities in 31 provinces and autonomous regions across China.

Actively supported the establishment of medical institution alliances and promoted the development of hospitals with in-depth services

Since the introduction of the new medical reforms, the Group has actively responded to the policy and leveraged its advantages in specialization, standardization and digital intelligence to empower the medical institutions at all levels within the medical institution alliances to enhance their medical diagnostic and collaborative service capabilities and form a distinctive model for the operation and innovation of medical institution alliances.

Meanwhile, in the joint collaboration with hospitals, the Group not only provided “3+1” (i.e. tumor, infection, genetics and reproduction + precision medicine) technical system support, but also supported the in-depth service system, including the operation of diagnostic centers under regional medical institution alliances, the introduction of new technologies or new products, construction services for digital specialized clinical disciplines, medical cold chain logistics services, quality control services and supply chain services, so as to empower the development of hospitals with in-depth services. In addition, the Group also rapidly replicated the joint innovation platform model for diagnostic testing. During the Reporting Period, the Group cooperated with Guangdong Provincial People’s Hospital to establish the joint innovation platform.

Promoted technological innovation and continuously stepping up R&D investment

During the Reporting Period, the Group’s investment in R&D amounted to RMB55.3 million, which increased as a percentage of operating revenue to 6.2% for the year ended December 31, 2023. As the end of the Reporting Period, the Group was granted a total of 319 patents and intellectual property rights, including approved invention patents, approved utility model patents, software copyright patents, etc. By strengthening cooperation with universities and research institutions, the Group actively carries out the research and development of new technologies, and jointly promotes the research and development of cutting-edge testing technologies and their marketization. During the year, the Group continued to maintain long-term and stable cooperative relationships with the University of Chicago, the University of Toronto, Fudan University, Sun Yat-sen University, the Southern Medical University, Southern University of Science and Technology, Nanchang University and other domestic and overseas universities, providing them with a broad platform and opportunities in joint cultivation, training and internship, scientific research and other areas.

The Group attaches great importance to the integration and innovation of research, production and service, actively integrates the resources of domestic and overseas universities, scientific research institutions and high-quality suppliers. In addition, with the assistance of advanced technologies such as digital medical and AI application, the Group helps hospitals build a platform for commercialization of scientific research innovation and achievements. By integrating research, production and service, the Group aim to meet the research and clinical needs of medical institutions, accelerate the industrialization and commercialization of scientific research achievements, and improve the accessibility of high-quality medical resources.

Focus on customer service with the application of AI-assisted diagnosis technology

During the year, with a focus on the customer-oriented digital intelligent R&D, the Group accelerated the promotion of “Medical Treatment + Digitalization”, building and constantly optimizing the remote pathology platform and helping medical institutions at all levels to access the Group’s remote pathology consultation network. As at December 31, 2023, Yunkang’s remote pathology platform covered 536 medical test items and successfully operated in more than 291 jointly constructed laboratories, comprehensively improved the quality of testing and efficiency of diagnosis, and created a digital pathology consultation system that efficiently empowers medical institutions at all levels. The Group has more than 170 pathologists from home and abroad, and had assisted doctors to issue a total of 700,000 digital pathology diagnostic reports so far, helping hospitals to improve the efficiency of their departments by around 45%. Meanwhile, the Group not only actively establishes benchmarking cooperation with medical institutions to build application demonstration sites, but also creates a new model of pathological AI joint initiative to empower medical institutions in improving their diagnostic capabilities and quality. In 2023, by applying AI-assisted cervical

liquid-based cytology pathology diagnosis, the Group completed tens of thousands of cervical liquid-based cell sample testing, promoting the continuous advancement of digital pathology technology.

Established Precision Medicine Centers and seized industry opportunities ahead of peers

Precision medicine is a personalized approach to healthcare and clinical decision-making for patients based on their unique biological information, clinical symptoms, and physical signs. As increasing number of patients seek personalized medical solutions, precision medicine will continue to gain momentum. Diagnostic testing plays a vital role in advancing precision medicine by enabling doctors to accurately assess patients' symptoms and tailor treatment plans accordingly. With the Group's experience in diagnostic testing and its leading position in the market, it has taken the initiative to capitalize on this industry opportunity as a first mover. As at December 31, 2023, the Group had a total of 12 Precision Medicine Centers constructed by itself or jointly constructed with medical institution alliances, covering three major disease areas: cancer, genetic diseases and infectious diseases.

Reducing costs and improving efficiency through lean operations

The Group has effectively reduced operating costs by optimizing internal management processes and improving operational efficiency, as well as actively establishing long-term and stable cooperative relationships with suppliers to ensure stable supply and cost control. During the Reporting Period, the Group completed the "Robust Project Scheme". By organizing its internal value creation process, the Group set quality standards, established timeliness and cost control points in the process, analyzed the gap between the current situation and the standards, and established rules and mechanisms to avoid disorganization.

Actively practiced ESG philosophy with high recognition for corporate governance

During the Reporting Period, the Group actively ensured compliance with the requirements of the new regulations of the Stock Exchange, established a sound ESG and climate change management system, actively identified and evaluated important ESG issues, supervised the effective implementation of ESG-related targets and daily implementation, and continuously enhanced the sustainable development management capabilities. In terms of corporate governance, the Group's efforts have been well recognized by the market. The Group won several awards during the Reporting Period, including four awards in the 2022 Vision Awards Annual Report Competition organized by the League of American Communications Professionals, the "ESG Special Recognition Award" in the 2023 Environmental, Social and Governance Awards organized by the Hong Kong Television Broadcasts Limited, and three major awards in the 7th China IR Annual Awards.

Future development Strategies

The Group will adopt active development strategies to achieve its long-term objectives, including optimizing the allocation of medical resources and accelerating industry development. The Group will continue to deepen and promote cooperation with key customers through the mode of school-enterprise cooperation and innovative collaboration between hospitals and diagnostic testing services, focusing on customer demand and enhancing the value of Yunkang. In addition, the Group will continue to increase investment in technological innovation and R&D and implement new product development mechanisms to enhance the competitiveness of the Group's products. Meanwhile, the Group will adhere to digitalized

construction and enhance the operational performance of jointly constructed laboratories by deepening the operation and management of jointly constructed laboratories. The Group will increase R&D investment and seek cooperation with industry leaders to further maintain its leading position in the domestic market.

Mr. Zhang Yong, Chairman and Executive Director of YunKang Group Limited, said, “Benefiting from favorable national policies supporting the deepening of medical services supply structure reforms and the promotion of compact county medical and healthcare alliances, the medical testing service market has been presented with new opportunities. Looking ahead, the Group will continue to adhere to its business principle of ‘in-depth services and lean operations’, and its innovation-driven and service-oriented philosophy to actively promote lean management and digital empowerment. It will also follow the direction of national policies and seize development opportunities in the medical testing market to provide better and more competitive diagnostic testing services to the public, contribute to the realization of the ‘Healthy China 2030’ blueprint, and generate long-term returns for shareholders.”

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Yunkang Group Limited (Stock Code : 2325)

Yunkang Group is a leading medical operation service provider in China, which started to provide standardized medical diagnostic services to medical institutions at all levels as early as 2008. Leveraging its own professional diagnostic capabilities and the nationwide service network of integrated healthcare systems, Yunkang has gradually grown to become a medical operation service platform. Meanwhile, Yunkang is a medical operation service provider in China offering a full suite of diagnostic testing services which are diagnostic outsourcing services and diagnostic testing services for medical institution alliances. Yunkang provides diagnostic services through on-site diagnostic centers to collaborative hospitals in the integrated healthcare systems in China and assists them in improving their clinical diagnosis capabilities through co-developing diagnostic centers. As of today, Yunkang has successfully provided professional services to 416 medical institution alliances. As of December 31, 2023, the hospitals we collaborated with were located across 31 provinces and municipalities in China.

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