
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Yunkang Group Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**Yunkang Group Limited****云康集团有限公司***(Incorporated in the Cayman Islands with limited liability)***(Stock Code: 2325)**

- (1) PROPOSED GRANTING OF GENERAL MANDATES TO REPURCHASE SHARES AND TO ISSUE NEW SHARES;**
- (2) PROPOSED RE-ELECTION OF THE RETIRING DIRECTORS;**
- (3) PROPOSED RE-APPOINTMENT OF AUDITORS;**
- (4) REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS; AND**
- (5) NOTICE OF ANNUAL GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders**

BALLAS
C A P I T A L

A notice convening the Annual General Meeting of Yunkang Group Limited to be held on Thursday, June 30, 2022 at 10:00 a.m. at No. 6 Lizhishan Road, Science City, Huangpu District, Guangzhou, PRC is set out on pages 41 to 45 of this circular. A form of proxy for use at the Annual General Meeting is also enclosed. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (<http://www.yunkanghealth.com>) respectively.

Whether or not you intend to attend the Annual General Meeting, you are required to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the Annual General Meeting (i.e. not later than 10:00 a.m. on Tuesday, June 28, 2022) or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the Annual General Meeting if you so wish and in such event the form of proxy shall be deemed to be revoked.

References to dates and time in this circular are to Hong Kong dates and time. Where the context so permits or requires in this circular, words importing the singular number include the plural and vice versa and words importing the masculine gender include the feminine and neuter genders and vice versa.

June 9, 2022

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DEFINITIONS

In this circular, unless otherwise defined or the context otherwise requires, the following terms or expressions shall have the following meanings:

“Announcement”	the announcement of the Company dated May 30, 2022
“Annual General Meeting”	the annual general meeting of the Company to be held on Thursday, June 30, 2022, at 10:00 a.m. at No. 6 Lizhishan Road, Science City, Huangpu District, Guangzhou, PRC, to consider and, if appropriate, to approve the resolutions contained in the notice of the meeting which is set out on pages 41 to 45 of this circular, or any adjournment thereof
“Articles of Association”	the articles of association of the Company currently in force
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Audit Committee”	the audit committee of the Company
“Board”	the board of Directors of the Company
“Companies Act”	the Companies Act (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Company”	Yunkang Group Limited 云康集团有限公司, an exempted company with limited liability incorporated in the Cayman Islands, the Shares of which were listed on the main board of the Stock Exchange on the Listing Date (stock code: 2325)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“COVID-19”	coronavirus disease 2019, a disease caused by a novel virus designated as severe acute respiratory syndrome coronavirus 2
“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)
“Da An Gene Group”	Da An Gene and its subsidiaries

DEFINITIONS

“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, a subsidiary of Da An Gene and one of the controlling shareholders of the Company
“Director(s)”	the director(s) of the Company
“Group”	the Company, its subsidiaries and consolidated affiliated entities
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors established for the purpose of advising the Independent Shareholders on the adoption of Revised Annual Caps
“Independent Financial Adviser”	Ballas Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance and the independent financial adviser to the Independent Board Committee and the Independent Shareholders on the adoption of Revised Annual Caps
“Independent Shareholder(s)”	Shareholder(s) other than Daan International
“Issue Mandate”	a general mandate proposed to be granted to the Directors at the Annual General Meeting to allot, issue and/or deal in additional Shares not exceeding 20% of the total number of the issued Shares as of the date of passing of the relevant resolution granting such mandate
“Latest Practicable Date”	June 7, 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein

DEFINITIONS

“Listing Date”	May 18, 2022, being the date on which the Shares are first listed and from which dealings thereof are permitted to commence 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, as amended from time to time
“Main Board”	the stock exchange (excluding the options market) operated by the Stock Exchange which is independent from and operating in parallel with GEM of the Stock Exchange
“Nomination Committee”	the nomination committee of the Company
“Original Annual Caps”	the original annual cap amount in respect of the procurement of reagents, consumables and equipment from Da An Gene Group by the Group under the Reagents, Consumables and Equipment Procurement Framework Agreement for the financial years ending December 31, 2022, 2023 and 2024 as set out in the Prospectus
“PRC” or “China”	the People’s Republic of China, but for the purpose of this circular and unless otherwise indicated, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus of the Company dated May 5, 2022
“Reagents, Consumables and Equipment Procurement Framework Agreement”	Reagents, Consumables and Equipment Procurement Framework Agreement dated February 18, 2022 entered into between the Company and Da An Gene
“Repurchase Mandate”	a general mandate proposed to be granted to the Directors at the Annual General Meeting to repurchase Shares not exceeding 10% of the total number of the issued Shares as of the date of passing of the relevant resolution granting such mandate

DEFINITIONS

“Revised Annual Caps”	the revised annual cap amount in respect of the procurement of reagents, consumables and equipment from Da An Gene Group by the Group under the Reagents, Consumables and Equipment Procurement Framework Agreement for the financial years ending December 31, 2022, 2023 and 2024
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	ordinary share(s) of nominal or par value of US\$0.000002 each in the issued share capital of the Company or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s) from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Codes on Takeovers and Mergers and Share repurchases issued by the Securities and Futures Commission in Hong Kong, as amended from time to time
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

LETTER FROM THE BOARD



Yunkang Group Limited

云康集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2325)

Executive Director:

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

Non-Executive Directors:

Mr. Zhou Xinyu (周新宇)
Dr. Guo Yunzhao (郭雲釗)
Mr. Zhou Weiqun (周偉群)

Independent Non-Executive Directors:

Mr. Yu Shiyou (喻世友)
Mr. Yang Hongwei (楊洪偉)
Mr. Xie Shaohua (謝少華)

Registered Office:

PO 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

June 9, 2022

To the Shareholders

Dear Sir or Madam,

- (1) PROPOSED GRANTING OF GENERAL MANDATES
TO REPURCHASE SHARES AND TO ISSUE NEW SHARES;
- (2) PROPOSED RE-ELECTION OF THE RETIRING DIRECTORS;
- (3) PROPOSED RE-APPOINTMENT OF AUDITORS;
- (4) REVISION OF ANNUAL CAPS FOR CONTINUING
CONNECTED TRANSACTIONS; AND
- (5) NOTICE OF ANNUAL GENERAL MEETING

INTRODUCTION

The purpose of this circular is to provide Shareholders with the notice of Annual General Meeting and further information in relation to, amongst others, the following resolutions to be proposed at the Annual General Meeting: (i) the granting of the Repurchase Mandate and the Issue Mandate to the Directors; (ii) the re-election of the retiring Directors; (iii) the re-appointment of auditors; and (iv) the adoption of Revised Annual Caps.

LETTER FROM THE BOARD

PROPOSED GRANTING OF GENERAL MANDATE TO REPURCHASE SHARES

Pursuant to the written resolutions passed by all Shareholders on February 20, 2022, a general mandate was granted to the Directors to repurchase Shares. Such mandate will lapse at the conclusion of the Annual General Meeting.

In order to give the Company the flexibility to repurchase Shares if and when appropriate, an ordinary resolution will be proposed at the Annual General Meeting to approve the granting of a general mandate to the Directors to exercise all powers of the Company to repurchase Shares not exceeding 10% of the total number of issued Shares as of the date of passing of the relevant resolution, amounting to 61,318,800 Shares, assuming that the Over-allotment Option (as defined in the Prospectus) is not yet exercised and the issued share capital of the Company remains unchanged as of the date of Annual General Meeting.

The Repurchase Mandate will remain in effect until the earliest of: (i) the conclusion of the next annual general meeting of the Company unless otherwise renewed by an ordinary resolution of the Shareholders in a general meeting, either unconditionally or subject to conditions; (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held pursuant to the applicable laws or the Articles of Association; or (iii) the date on which such an authority is varied or revoked by an ordinary resolution of the Shareholders in a general meeting of the Company.

With reference to the Repurchase Mandate, the Directors wish to state that they have no immediate plan to repurchase any Shares pursuant thereto.

An explanatory statement required by the Listing Rules to be sent to the Shareholders in connection with the proposed Repurchase Mandate is set out in Appendix II to this circular. This explanatory statement contains all information reasonably necessary to enable the Shareholders to make an informed decision on whether to vote for or against the relevant resolution proposed at the Annual General Meeting.

PROPOSED GRANTING OF GENERAL MANDATE TO ISSUE NEW SHARES

Pursuant to the written resolutions passed by all Shareholders on February 20, 2022, a general mandate was granted to the Directors to issue Shares. Such mandate will lapse at the conclusion of the Annual General Meeting.

In order to ensure flexibility and give discretion to the Directors in the event that it becomes desirable for the Company to issue any new Shares, an ordinary resolution will be proposed at the Annual General Meeting to approve the granting of a general mandate to the Directors to exercise all powers of the Company to allot, issue and deal with additional Shares not exceeding 20% of the total number of the issued Shares as of the date of passing of the relevant resolution, amounting to 122,637,600 Shares, assuming that the Over-allotment Option (as defined in the Prospectus) is not yet exercised and the issued share capital of the Company remains unchanged as of the date of Annual General Meeting.

LETTER FROM THE BOARD

In addition, an ordinary resolution to extend the Issue Mandate by adding the number of Shares repurchased by the Company pursuant to the Repurchase Mandate will also be proposed at the Annual General Meeting.

The Issue Mandate will remain in effect until the earliest of: (i) the conclusion of the next annual general meeting of the Company unless, by ordinary resolution passed at that meeting, the Issue Mandate is renewed, either unconditionally or subject to conditions; (ii) the expiration of the period within which the next annual general meeting of the Company is required to be held pursuant to the applicable laws or the Articles of Association; or (iii) the date on which it is varied or revoked by an ordinary resolution of the Shareholders passed in a general meeting of the Company.

With reference to the Issue Mandate, the Directors wish to state that they have no immediate plans to issue any new Shares pursuant thereto.

PROPOSED RE-ELECTION OF RETIRING DIRECTORS

As of the Latest Practicable Date, the Board comprises Mr. Zhang Yong as the chairman of the Board, chief executive officer and executive Director, Mr. Zhou Xinyu, Dr. Guo Yunzhao and Mr. Zhou Weiqun as non-executive Directors, and Mr. Yu Shiyong, Mr. Yang Hongwei and Mr. Xie Shaohua as independent non-executive Directors.

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. Any Director required to stand for re-election pursuant to Article 16.2 shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereafter. 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.

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 appointment and shall then be eligible for re-election at that meeting.

Accordingly, the following Directors, namely, Mr. Zhou Weiqun, Mr. Zhou Xinyu and Dr. Guo Yunzhao shall retire at the Annual General Meeting and, being eligible, will offer themselves for re-election.

LETTER FROM THE BOARD

The Nomination Committee has assessed and reviewed the structure and composition of the Board, the confirmations and disclosures given by the Directors, the qualifications, skills and experience, time commitment and contribution of the Directors with reference to the nomination principles and criteria set out in the Company's board diversity policy and the Company's corporate strategy. The Nomination Committee has recommended to the Board on re-election of all the above-mentioned Directors. On the re-appointment of, Mr. Zhou Weiqun, Mr. Zhou Xinyu and Dr. Guo Yunzhao, the Nomination Committee considered, and the Board shared the same views, that at all times during their period of directorship with the Company, they have properly discharged their duties and responsibilities and have made positive contribution to the development to the Company through independent, constructive and informed comments and participation at the business and other affairs relating to the Group. In this regard, the Board is satisfied that, Mr. Zhou Weiqun, Mr. Zhou Xinyu and Dr. Guo Yunzhao are persons of integrity and stature and believes that their re-election and continued appointment will allow the Board as well as the Company to continuously benefit from the sharing of their invaluable experience, contribution and participation.

Details of the above retiring Directors who are standing for re-election at the Annual General Meeting are set out in Appendix III to this circular in accordance with the relevant requirements of the Listing Rules.

PROPOSED RE-APPOINTMENT OF AUDITORS

In accordance with Rule 13.88 of the Listing Rules, an ordinary resolution will be proposed at the Annual General Meeting to re-appoint PricewaterhouseCoopers as the external auditors of the Company to hold office from the conclusion of the Annual General Meeting until the next annual general meeting and to authorize the Board to fix their remuneration for the year ending December 31, 2022. The re-appointment of the auditors of the Company has been reviewed by the Audit Committee which made recommendation to the Board that the re-appointment be submitted and proposed for Shareholders' approval at the Annual General Meeting. As PricewaterhouseCoopers is relatively familiar with the Group's financials and affairs, the Board considers that the audit and other related work in respect of the Group for the year ending December 31, 2022 could be performed more efficiently by PricewaterhouseCoopers, which is in the best interests of the Company and the Shareholders as a whole.

REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

Reference is made to the Prospectus and Announcement in relation to, among others, the Reagents, Consumables and Equipment Procurement Framework Agreement. Under the Reagents, Consumables and Equipment Procurement Framework Agreement, the Group shall procure reagents, consumables and equipment from Da An Gene Group from time to time during the term thereof.

LETTER FROM THE BOARD

In order to satisfy the unanticipated increased demand of reagents, consumables and equipment as a result of the significant increase in demand of COVID-19 tests due to the outbreak of COVID-19 and the introduction of government measures to contain the outbreak, which is expected to increase the transaction amount under the Reagents, Consumables and Equipment Procurement Framework Agreement between the Group and Da An Gene Group, the Board envisages that the Original Annual Caps will not be sufficient to fulfil the additional unforeseen transactions that may take place under the Reagents, Consumables and Equipment Procurement Framework Agreement for the financial years ending December 31, 2022, 2023 and 2024.

Pricing Policy

The prices of the reagents, consumables and equipment under the Reagents, Consumables and Equipment Procurement Framework Agreement were determined by both parties through arm's length negotiation with reference to the prevailing market price of similar reagents, consumables and equipment offered by independent suppliers. The Company will obtain quotation from not less than two independent suppliers that provide similar reagents, consumables and equipment before the Company places the orders to Da An Gene Group. Based on the fee quotes provided by other independent suppliers, the Company will be able to ensure that the purchase price to be paid to Da An Gene Group by the Group represents the prevailing market price and on normal commercial terms. The Directors are of the view that the independent suppliers in the market could supply the same or similar reagents, consumables and equipment covered under the Reagents, Consumables and Equipment Procurement Framework Agreement with Da An Gene. Typically there are two to five alternative independent suppliers for each type of reagents, consumables and equipment covered under the Reagents, Consumables and Equipment Procurement Framework Agreement. The Directors are also further of the view that there will not be any material increase if the Group had to procure reagents, consumables and equipment from alternative suppliers as the procurement price with Da An Gene represents the prevailing market price and on normal commercial terms. Even if the Company purchased from other independent suppliers other than Da An Gene, the Group will still obtain quotations from not less than two independent suppliers that provide similar reagents, consumables and equipment before placing orders to ensure that the procurement price is consistent with the market price.

Historical Transaction Amount

For the year ended December 31, 2021 and four months ended April 30, 2022, the transaction amount incurred in respect of the transactions under the Reagents, Consumables and Equipment Procurement Framework Agreement were approximately RMB201.41 million (audited) and RMB101.94 million (unaudited). The Company also confirms that as of the Latest Practicable Date, the actual transaction amount has not exceeded the Original Annual Caps.

LETTER FROM THE BOARD

Revised Annual Caps

Accordingly, the Board resolved to revise the Original Annual Caps as follows:

	For the year ending December 31, 2022 (RMB'000)	For the year ending December 31, 2023 (RMB'000)	For the year ending December 31, 2024 (RMB'000)
Original Annual Caps	166,326	174,638	186,519
Revised Annual Caps	397,571	417,449	438,322

The Revised Annual Caps are determined with reference to (i) the historical transaction amount paid by the Group for the procurement from Da An Gene Group in the past three financial years and the four months ended April 30, 2022; and (ii) the expected need of the Company for the reagents, consumables and equipment with estimated number of up to 3.9 million units^(note) of reagents and certain number of equipment for each of the years ending December 31, 2022, 2023 and 2024 including the expected need of the reagents, consumables and equipment related to COVID-19 testing considering the factors stated in the section headed “Reasons for and Benefits of the Adoption of Revised Annual Caps”.

Given that (i) there is a real need for the Company to increase the annual caps to purchase additional reagents, consumables and equipment from Da An Gene Group to satisfy the unanticipated increased demand of COVID-19 tests; (ii) the prices of the reagents, consumables and equipment were determined by both parties with reference to the prevailing market price of similar reagents, consumables and equipment offered by independent suppliers. Based on the fee quotes provided by other independent suppliers, the Company will be able to ensure that the purchase price to be paid to Da An Gene Group by the Group represents the prevailing market price and on normal commercial terms; and (iii) the additional purchase of reagents, consumables and equipment from Da An Gene Group will increase the overall testing capability of the Group, the transaction(s) contemplated under the Reagents, Consumables and Equipment Procurement Framework Agreement and the adoption of the Revised Annual Caps are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

Note: The estimated number of 2022 is 3.5 million which is derived by annualizing the actual purchase number for the four months ended April 30, 2022 plus 30% buffer in view of the unpredictable demand of COVID-19 tests. The estimated number of 2023 and 2024 is approximately 3.7 million and 3.9 million assuming a 5 percent growth each year. The estimated number of units under Original Annual Cap were 1.07 million, 1.07 million and 1.12 million for the years 2022, 2023 and 2024 respectively. The 2023/2024 growth rate of 5% represents a slowdown in the growth from the estimated 2022 growth rate of 30%. The 2023/2024 growth rate is determined based on the Group’s expectation that the tight preventive measures implemented by the PRC government, that include the deployment of regular and confined nucleic acid testing, should effectively contain the possibility of widespread COVID-19 outbreak in China in the year of 2022 and likely prevent any substantial escalation in the epidemic situation in 2023 and 2024. Therefore, the Company expects that the demand for reagents required for conducting diagnostic testing for COVID-19 will become stable in the years of 2023 and 2024. Hence, the management of the Company applied a more conservative estimated 2023/2024 growth rate of 5% in arriving at the Revised Annual Caps for the financial years ending 2023 and 2024.

LETTER FROM THE BOARD

Reasons for and Benefits of the Adoption of Revised Annual Caps

The Board has been carefully monitoring the development of COVID-19 outbreak. In view of the current complex epidemic situation and the corresponding preventive measures in relation thereto, and also under the general strategy of “Prevent External Import and Prevent Internal Rebound” (外防輸入、內防反彈) and the general principle of “Dynamic Clearance” (動態清零) of the state, the PRC Government will enhance the monitoring system, establish nucleic acid circles within 15 minutes walking distance (步行15分鐘核酸圈) and carrying out a regular nucleic acid testing, enhance the number of testing to be conducted on key industries and group of citizens of each province and cities with a population of ten million so as to enhance the early detection capabilities. As the new coronavirus continues to mutate and also with its increasing infectivity, there are frequent COVID-19 outbreaks in local cluster. As influenced by the above general strategy and principle, various cities and districts in the PRC including Beijing, Shanghai, Guangzhou and Shenzhen etc. currently have begun to deploy nucleic acid testing. As a result, the market demand increased significantly. The Company received requests from local governments and medical institutions at all levels to help establish testing capabilities and enhance the level of epidemic prevention and control. Taking into account of the factors set out above, the Board envisages that the Original Annual Caps will not be sufficient to fulfil the additional unforeseen transactions that may take place under the Reagents, Consumables and Equipment Procurement Framework Agreement for the financial years ending December 31, 2022, 2023 and 2024. Hence, the Board proposes to increase the Original Annual Caps to the Revised Annual Caps to satisfy the increasing demand for reagents, consumables and equipment from Da An Gene Group.

Da An Gene is a leading enterprise in the molecular diagnosis industry in the PRC. It has a leading nucleic acid detection technology industry chain platform and a strong production capacity, which ensures the high-quality, timely and stable supply of nucleic acid detection-related products to meet the needs of the Company caused by the strong market demand.

The Directors (including the independent non-executive Directors) consider that the proposed Revised Annual Caps are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

Internal Control Measures

The Company will obtain quotation from not less than two independent suppliers that provide similar reagents, consumables and equipment before placing orders to Da An Gene Group. Based on the fee quotes provided by other independent suppliers, the Company will be able to ensure that the purchase price to be paid to Da An Gene Group by the Group represents the prevailing market price and on normal commercial terms.

LETTER FROM THE BOARD

The independent non-executive Directors will review the transactions from time to time to assess whether such transactions are conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, in accordance with the Reagents, Consumables and Equipment Procurement Framework Agreement, on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The finance department of the Group will monitor the transaction amounts under the Reagents, Consumables and Equipment Procurement Framework Agreement by reviewing management accounts for the continuing connected transactions therein on a monthly basis to make sure that the actual contract amounts do not exceed the relevant annual caps. If it is expected that the transaction amount of any continuing connected transaction that is or will be incurred in the financial year will reach or exceed the relevant annual cap, the finance department shall report to the management and consider the measures to be taken to ensure that the requirements under the Listing Rules are complied with, including obtaining the approval of independent Shareholders.

The Company's external auditors will review the transactions annually to confirm, among others, whether the pricing terms have been adhered to and whether the relevant annual caps have been exceeded.

The Directors consider that the internal control system of the Group is adequate to ensure that the transactions will be on normal commercial terms and no less favourable to the Company than those offered by independent third parties.

Information on the Parties

The Group is a China-based company mainly engaged in the provision of diagnostic testing services.

Da An Gene is biomedical company listed on the SME Board of the Shenzhen Stock Exchange (Stock Code: 002030.SZ) and is primarily engaged in the research and development, production and sales of clinical test reagents and instruments as well as the provision of clinical test services to national chain independent medical laboratories in China.

Listing Rules Implications

According to Rule 14A.54 of the Listing Rules, if the Company proposes to revise the annual caps for continuing connected transactions, the Company will be required to re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the relevant connected transactions. Da An Gene is a controlling shareholder of the Company, therefore, Da An Gene is a connected person of the Company under Rule 14A.07(1) of the Listing Rules. As a result, the transactions contemplated under the Reagents, Consumables and Equipment Procurement Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (other than the profits ratio) calculated in accordance with the Listing Rules for the Revised Annual Caps on

LETTER FROM THE BOARD

an annual basis is more than 5% and the total consideration is not less than HK\$10,000,000, such transactions will be subject to the reporting, announcement and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

As Mr. Zhou Xinyu is the general manager at Da An Gene, Mr. Zhou had abstained from voting on the resolutions at the meeting of the Board for approving the adoption of Revised Annual Caps.

In view of the potential interests of Da An Gene in the adoption of Revised Annual Caps, Daan International will be required to abstain from voting in relation to the adoption of Revised Annual Caps at the Annual General Meeting. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, save and except Daan International, no other Shareholder has a material interest in the adoption of Revised Annual Caps, therefore, no other Shareholder will be required to abstain from voting at the Annual General Meeting.

Independent Board Committee and Independent Financial Advisor

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the fairness and reasonableness of the adoption of Revised Annual Caps, after taking into account the recommendations of the Independent Financial Adviser. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

ANNUAL GENERAL MEETING

The notice of the Annual General Meeting is set out on pages 41 to 45 of this circular.

For determining the eligibility to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Monday, June 27, 2022 to Thursday, June 30, 2022, both days inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the Annual General Meeting, all transfer of Shares documents, 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, June 24, 2022.

PROXY ARRANGEMENT

A form of proxy for use at the Annual General Meeting is enclosed with this circular. Such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (<http://www.yunkanghealth.com>). Whether or not you intend to attend the Annual General Meeting, you are required to complete and sign the form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54,

LETTER FROM THE BOARD

Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time fixed for the holding of the Annual General Meeting (i.e. not later than 10:00 a.m. on Tuesday, June 28, 2022) or any adjournment thereof. Completion and delivery of the form of proxy shall not preclude you from attending and voting in person at the Annual General Meeting if you so wish and in such event the form of proxy shall be deemed to be revoked.

VOTING BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules, any resolution put to the vote of the Shareholders at a general meeting must be taken by poll except where the chairman of the Annual General Meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. An announcement on the poll results will be published by the Company after the Annual General Meeting in the manner prescribed under Rule 13.39(5) of the Listing Rules.

RECOMMENDATION

The Directors consider that the above proposed resolutions regarding the granting of the Repurchase Mandate and the Issue Mandate, the re-election of retiring Directors, the re-appointment of the auditors of the Company and the adoption of Revised Annual Caps are in the best interests of the Company and the Shareholders as a whole. The Directors therefore recommend the Shareholders to vote in favor of all the resolutions to be proposed at the Annual General Meeting.

ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 15 to 16 of this circular, the letter from the Independent Financial Adviser set out on pages 17 to 28 of this circular and the additional information set out in the appendices to this circular.

Yours faithfully,
By order of the Board
Yunkang Group Limited
Zhang Yong
Chairman and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is a full text of the letter from the Independent Board Committee to the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



Yunkang Group Limited

云康集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2325)

June 9, 2022

To the Independent Shareholders

Dear Sir/Madam,

REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

We refer to the circular dated June 9, 2022 issued by the Company to the Shareholders (the “**Circular**”) of which this letter forms part. Terms used in this letter shall bear the same meanings as defined in the Circular unless the context otherwise requires.

We have been authorized by the Board to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in its opinion, the adoption of Revised Annual Caps are fair and reasonable, and the transactions contemplated thereunder are on normal commercial terms or better, in the ordinary and usual course of business of our Group and in the interests of the Company and the Shareholders as a whole. Ballas Capital Limited, the Independent Financial Adviser, has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the letter from the Board set out on pages 5 to 14 of the Circular and the letter from the Independent Financial Adviser set out on pages 17 to 28 of the Circular, both of which provide details of the adoption of Revised Annual Caps for the Reagents, Consumables and Equipment Procurement Framework Agreement.

Having considered, among other matters, the amount of the Revised Annual Caps, the advice of the Independent Financial Adviser, and the relevant information contained in the letter from the Board, we are of the opinion that the adoption of Revised Annual Caps for the Reagents, Consumables and Equipment Procurement Framework Agreement are fair and reasonable, and the transactions contemplated thereunder are on normal commercial terms or better, in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favor of the relevant resolution to be proposed at the Annual General Meeting in relation to the adoption of Revised Annual Caps for the Reagents, Consumables and Equipment Procurement Framework Agreement.

Yours faithfully,
The Independent Board Committee
Yunkang Group Limited

Mr. Yu Shiyou

Mr. Yang Hongwei

Mr. Xie Shaohua

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BALLAS
C A P I T A L

Unit 1802, 18/F
1 Duddell Street
Central
Hong Kong

9 June 2022

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS –
REVISION OF ANNUAL CAPS IN RESPECT OF
THE REAGENT, CONSUMABLES AND
EQUIPMENT PROCUREMENT FRAMEWORK AGREEMENT**

INTRODUCTION

We refer to our engagement (the “**Engagement**”) as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Revised Annual Caps, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company (the “**Circular**”) to the Shareholders dated 9 June 2022, of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

As set out in the Letter from the Board, in order to satisfy the unanticipated increased demand of reagents, consumables and equipment as a result of the significant increase in demand of COVID-19 tests due to outbreak of COVID-19 and the introduction of government measures to contain the outbreak, which is expected to increase the transaction amount under the Reagent, Consumables and Equipment Procurement Framework Agreement between the Group and Da An Gene Group, the Board envisages that the Original Annual Caps will not be sufficient to fulfil the additional unforeseen transactions that may take place under the Reagent, Consumables and Equipment Procurement Framework Agreement for the financial year ending 31 December 2022, 2023 and 2024. Accordingly, the Board proposes to increase the Original Annual Caps to the Revised Annual Caps to satisfy the increasing demand for reagents, consumables and equipment from Da An Gene Group.

According to Rule 14A.54 of the Listing Rules, if the Company proposes to revise the annual caps for continuing connected transactions, the Company will be required to re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the relevant connected transactions. Da An Gene is a controlling shareholder of the Company, therefore, Da An Gene is a connected person of the Company under Rule 14A.07(1) of the Listing Rules. As a result, the transactions contemplated under the Reagent, Consumables and Equipment Procurement Framework Agreement constitute continuing connected transactions of the Company under

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Chapter 14A of the Listing Rules. As the highest applicable percentage ratio (other than the profit ratio) calculated in accordance with the Listing Rules for the Revised Annual Caps on an annual basis is more than 5% and the total consideration is not less than HK\$10,000,000, such transactions will be subject to the reporting, announcement and independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

In view of the potential interests of Da An Gene in the revision of Original Annual Caps, Daan International and its associates will be required to abstain from voting in relation to the revision of the Original Annual Caps at the AGM.

The independent board committee comprising all the independent non-executive Directors, namely Mr. Yu Shiyou, Mr. Yang Hongwei and Mr. Xie Shaohua, has been formed to advise the Independent Shareholders on, among others, the fairness and reasonableness of the Revised Annual Caps.

INDEPENDENCE DECLARATION

We are not associated or connected with the Company, Da An Gene or their respective core connected persons or associates. As at the Latest Practicable Date, save for this appointment as the Independent Financial Adviser, we did not have any other relationship or interests in the Company, Da An Gene or their respective core connected persons or associates in the last two years. As at the Latest Practicable Date, we are not aware of any relationships or interests between Ballas Capital Limited (“**Ballas Capital**”) and the Company or any other parties that could be reasonably regarded as a hindrance to Ballas Capital's independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Revised Annual Caps.

BASIS OF OUR OPINION

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and the senior management of the Company.

The Directors have declared in a responsibility statement set out in the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained and representations made in the Circular. We have also assumed that the information and the representations made by the Directors as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the AGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the senior management of the Company. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company, the counterparties of the continuing connected transactions or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and advice, we have considered the following principal factors and reasons:

A. Background and reasons for the revision of the Original Annual Caps

Information on the Group and Da An Gene

The Group is principally engaged in the provision of diagnosis testing services in China. The Group's service portfolio mainly includes (i) diagnostic outsourcing services; (ii) diagnostic testing services for medical institution alliances; and (iii) diagnostic testing services for non-medical institutions. The Group's diagnostic testing services include tests for, among others, COVID-19, infectious disease, pathology, genetic disease and routine diagnostics. As at 25 April 2022, the Group had assisted in establishing and operating 322 on-site diagnostic centers. The Group's customers primarily consist of hospitals, community health clinics and other medical institutions.

Da An Gene is a biomedical company listed on the SME Board of the Shenzhen Stock Exchange (stock code: 002030.sz) and is primarily engaged in the research and development, production and sales of clinical test reagents and instruments as well as the provision of clinical test services to national chain independent medical laboratories in China.

Reasons for and benefits of the revision of the Original Annual Caps

As set out in the Prospectus, the Company entered into the Reagents, Consumables and Equipment Procurement Framework Agreement with Da An Gene on 18 February 2022, pursuant to which the Company agreed to procure reagents, consumables and equipment from Da An Gene Group. As set out in the Prospectus, Da An Gene Group has been a reliable supplier in the long-time cooperation with the Group. It is also one of the leading suppliers of certain testing reagents in the industry. The Company believed that it is in the Group's ordinary course of business to procure reagents, consumables and equipment to support its diagnostic testing service from Da An Gene Group as if from its other suppliers. The Original Annual Caps in respect of the procurement of reagents, consumables and equipment from Da An Gene Group by the Group were determined at approximately RMB166.3 million, RMB174.6 million and RMB186.5 million for the three years ending 31 December 2022, 2023 and 2024, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the Letter of the Board, the Board has been carefully monitoring the development of COVID-19 outbreak. In view of the current complex epidemic situation and the corresponding preventive measures in relation thereto, and also under the general strategy of “Prevent external import and prevent internal rebound” (外防輸入、內防反彈) and the general principle of “Dynamic Clearance” (動態清零) of the state, the PRC Government will enhance the monitoring system, establish nucleic acid circles within 15 minutes walking distance (步行15分鐘核酸圈) and carry out regular nucleic acid testing, and enhance the number of testing to be conducted on key industries and group of citizens of each province and cities with a population of ten million so as to enhance the early detection capabilities. As the new coronavirus continues to mutate and also with its increasing infectivity, there are frequent COVID-19 outbreaks in local cluster. As influenced by the above general strategy and principle, various cities and districts in the PRC including Beijing, Shanghai, Guangzhou and Shenzhen etc. currently have begun to deploy nucleic acid testing. As a result, the market demand increased significantly.

The Company received requests from local governments and medical institutions at all levels to help establish testing capabilities and enhance the level of epidemic prevention and control. Taking into account of the factors set out above, the Board envisages that the Original Annual Caps will not be sufficient to fulfil the additional unforeseen transactions that may take place under the Reagent, Consumables and Equipment Procurement Framework Agreement for the financial year ending 31 December, 2022, 2023 and 2024. Hence, the Board proposes to increase the Original Annual Caps to the Revised Annual Caps to satisfy the increasing demand for reagents, consumables and equipment from Da An Gene Group.

Da An Gene is a leading enterprise in the molecular diagnosis industry in the PRC. It has a leading nucleic acid detection technology industry chain platform and a strong production capacity, which ensures the high-quality, timely and stable supply of nucleic acid detection-related products to meet the needs of the Company caused by the strong market demand.

Given the above, and in particular the nature of transactions as contemplated under the Reagent, Consumables and Equipment Procurement Framework Agreement, the principal business of the Group as stated above and our analysis on the major terms of the said agreement (as elaborated below), we concur with the view of the management of the Company that the transactions contemplated under the Reagent, Consumables and Equipment Procurement Framework Agreement falls within the ordinary course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

B. Major terms of the Reagents, Consumables and Equipment Procurement Framework Agreement

Save for the Revised Annual Caps, the terms of the Reagent, Consumables and Equipment Procurement Framework Agreement, which are set out in the Prospectus, have not been changed or modified in any way (including the pricing policy). All the terms of the Reagent, Consumables and Equipment Procurement Framework Agreement will remain unchanged and in full force and effect.

Term

As set out in the Prospectus, the Company entered into the Reagents, Consumables and Equipment Procurement Framework Agreement with Da An Gene on 18 February 2022, pursuant to which the Company 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, i.e. from 18 May 2022 to 18 May 2025.

Pricing policy

As disclosed in the Prospectus, the prices of the reagents, consumables and equipment under the Reagents, Consumables and Equipment Procurement Framework Agreement are determined by both parties through arm's length negotiation with reference to the prevailing market price of similar reagents, consumables and equipment offered by independent suppliers. The Group will obtain quotation from not less than two independent suppliers that provide similar reagents, consumables and equipment before placing its orders to Da An Gene Group. Based on the fee quotes provided by other independent suppliers, the Company will be able to ensure that the purchase price to be paid to Da An Gene Group by the Group represents the prevailing market price and on normal commercial terms.

We have discussed with and understand from the management of the Company that the Group will implement the following internal control measures to monitor the continuing connected transactions contemplated under the Reagents, Consumables and Equipment Procurement Framework Agreement, that include: (i) the Company will obtain quotation from not less than two independent suppliers that provide similar reagents, consumables and equipment before placing orders to Da An Gene Group, which based on the fee quotes provided by other independent suppliers, the Company will be able to ensure that the purchase price to be paid to Da An Gene Group by the Group represents the prevailing market price and on normal commercial terms; (ii) the independent non-executive Directors will review the transactions from time to time to assess whether such transactions are conducted in the ordinary and usual course of business of the Group, on normal commercial terms or better, in accordance with the Reagents, Consumables and Equipment Procurement Framework Agreement, on terms that are fair and reasonable and in the interests of the Shareholders as a whole; (iii) the Company's external auditors will review the transactions annually to confirm, among others, whether the pricing terms have been adhered to and whether the relevant annual

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

caps have been exceeded; and (iv) the finance department of the Group will monitor the transaction amounts under the Reagents, Consumables and Equipment Procurement Framework Agreement by reviewing management accounts for the continuing connected transactions therein on a monthly basis to make sure that the actual contract amounts do not exceed the relevant annual caps. If it is expected that the transaction amount of any continuing connected transaction that is or will be incurred in the financial year will reach or exceed the relevant annual cap, the finance department shall report to the management and consider the measures to be taken to ensure that the requirements under the Listing Rules are complied with, including obtaining the approval of independent Shareholders. It is also stipulated in the written internal procedures of the Company that continuing connected transactions of the Company are to be (a) conducted on normal commercial terms; (b) negotiated on arm's length basis; and (c) at market rates or rates no less favourable to the relevant member(s) of the Group than those available from independent third parties. We have further discussed with the management of the Company and understand that the finance department of the Group will closely monitor the transaction amounts under the Reagents, Consumables and Equipment Procurement Framework Agreement for ensuring the Company's timely compliance with the requirements of the Listing Rules. We have reviewed the responsibilities of the finance department that include (i) reviewing management accounts for the continuing connected transactions on a monthly basis to ensure that the purchases by the Group from Da An Gene Group do not exceed the annual caps; and (ii) reporting to management on a timely manner if it is expected that the transaction amount will reach or exceed the annual cap and consider measures to be taken (which include re-complying with announcement and shareholders' approval requirements under the Listing Rules). We understand that the management of the Company will also regularly communicate with the finance department of the Group and procurement staff to assess the expected purchase orders and closely monitor the transaction amounts. Taking into account the above, we consider that the Company has appropriate internal control procedures in place to ensure its timely compliance with the requirements under Chapter 14A of the Listing Rules.

We have obtained and reviewed the above-mentioned written internal control procedures of the Company that govern the continuing connected transactions contemplated under the Reagents, Consumables and Equipment Procurement Framework Agreement. In addition, we have obtained from the Company and reviewed the transaction documents (including purchase order, invoice and supplier quotation from Da An Gene Group and independent suppliers) of eight samples relating to the Group's historical transactions for the procurement of reagents, consumables and equipment from Da An Gene Group. For reference, the Group had an aggregate of more than 3,400 historical transactions for the procurement of reagents, consumables and equipment from Da An Gene Group for the three years ended 31 December 2021 and the four months ended 30 April 2022. Based on our review, we note that the Group complied with the pricing principle and followed its internal control procedure to check if the pricing terms offered by the Da An Gene Group are comparable to market rates. The purpose of our review of samples is to be satisfied that there is market reference available to determine the pricing terms offered by Da An Gene Group being fair and reasonable, and hence the internal control procedure of the Group can be implemented. Therefore, based on our review of the written internal procedures of the Company and the transaction documents as mentioned

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

above, we are of the view that the Group has appropriate measures in place to ensure that the pricings are determined on normal commercial terms and at prices no less favourable to the Group than terms available from independent suppliers, and we are satisfied that there is market reference available to determine the pricing terms offered by Da An Gene Group being fair and reasonable.

Given the above, we concur with the view of the Directors that the terms of the Reagent, Consumables and Equipment Procurement Framework Agreement are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

C. The Caps

Historical transaction amounts

The historical transaction amounts under the Reagent, Consumables and Equipment Procurement Framework Agreement for the year ended 31 December 2021 and the four months ended 30 April 2022 are set out below.

	For the year ended 31 December 2021 (RMB'000)	For the four months ended 30 April 2022 (RMB'000)
Historical transaction	201,408	101,941

The Company confirms that as of the Latest Practicable Date, the actual transaction amount has not exceeded the Original Annual Caps. Based on the Company's internal records, from 1 January 2022 up to the Latest Practicable Date, the approximate transaction amount amounted to approximately RMB137.4 million (unaudited) which represented approximately 82.6% of the Original Annual Cap of approximately RMB166.3 million for the year ending 31 December 2022.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Revised Annual Caps

Set out below are the details of the Original Annual Caps and Revised Annual Caps for the three years ending 31 December 2022, 2023 and 2024.

	For the year ending 31 December 2022 (RMB'000)	For the year ending 31 December 2023 (RMB'000)	For the year ending 31 December 2024 (RMB'000)
Original Annual Caps	166,326	174,638	186,519
Revised Annual Caps	397,571	417,449	438,322
	(“2022 Revised Cap”)	(“2023 Revised Cap”)	(“2024 Revised Cap”)

As set out in the Letter from the Board, the Revised Annual Caps are determined with reference to (i) the historical transaction amount paid by the Group for the procurement from Da An Gene Group in the past three financial years and the four months ended 30 April 2022; (ii) the expected need of the Company for the reagents, consumables and equipment with estimated number of up to 3.9 million units of reagents and certain number of equipment for each of the years ending 31 December 2022, 2023 and 2024 including the expected need of the reagents, consumables and equipment related to COVID-19 testing.

In assessing the fairness and reasonableness of the Revised Annual Caps, we have discussed with the management of the Company to understand the basis in the determination of the Revised Annual Caps and reviewed the calculations of the caps. Based on our review of the calculation, we note that the annual caps are estimated mainly based on the estimated volume of reagent, consumables and equipment needed for the Group’s diagnostic centers. As disclosed in the Letter from the Board, the estimated number of reagents and certain number of equipment for 2022 is approximately 3.5 million units, which is derived by annualizing the actual purchase number for the four months ended 30 April 2022 plus certain buffer in view of the unpredictable demand of COVID-19 tests. The estimated number of 2023 and 2024 is approximately 3.7 million units and 3.9 million units respectively assuming a 5% growth each year. We note that the 2022 Revised Cap of approximately RMB397.6 million (representing an estimated number of reagents and certain number of equipment of approximately 3.5 million units), is calculated on an annual pro-rata basis based on the actual historical amount of approximately RMB101.9 million for the four months ended 30 April 2022, multiplied by an estimated growth rate of 30% (the “**2022 Growth Rate**”) for the year ending 31 December 2022. The 2023 Revised Cap and 2024 Revised Cap of approximately RMB417.4 million and RMB438.3 million (representing an estimated number of approximately 3.7 million and 3.9 million units), respectively, are arrived at based on the cap in the previous year multiplied by an estimated annual growth rate of 5% (the “**2023/2024 Growth Rate**”).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In arriving at the 2022 Revised Cap of approximately RMB397.6 million (representing an estimated number of reagents and certain number of equipment of approximately 3.5 million units), we understand from management of the Company that the actual historical amount of approximately HK\$101.9 million for the four months ended 30 April 2022 is a determining factor, as the Company expects the Group's demand for reagents to continue to maintain at a high level for the remaining of 2022, taking into account the current complex epidemic situation and the introduction of government measures to contain the outbreak in China, which the Group may need to increase its procurement of reagents to facilitate its COVID-19 diagnostic testing services. We understand from the management of the Company that the 2022 Growth Rate of 30% was further applied in arriving at the 2022 Revised Cap, after taking into account (i) the continued COVID-19 outbreaks in local cluster in China and the possibility of mutation of coronavirus with increasing infectivity; (ii) the implementation of the PRC Government's establishment of nucleic acid circles within 15 minutes walking distance (步行15分鐘核酸圈) and carrying out regular nucleic acid testing, the enhancement on the number of testing to be conducted on key industries and group of citizens; (iii) the requests received by the Company from local governments and medical institutions to help establish testing capabilities and enhance the level of epidemic prevention and control; and (iv) any unanticipated escalation of the epidemic situation in China, all of which are factors expected to increase the market demand for COVID-19 testing in China in 2022, which in turn drives the increase in demand for the Group's need for reagents, consumables and equipment for conducting diagnostic tests.

We have further conducted desktop research and according to the National Health Commission of the People's Republic of China (中華人民共和國國家衛生健康委員會), confirmed COVID-19 cases are being recognised daily in China. On 9 May 2022, the Joint Prevention and Control Mechanism of the State Council of the PRC Government (國務院聯防聯控機制) announced the establishment of nucleic acid circles within 15 minutes walking distance, where provinces and cities with a population of ten million are required to set up nucleic acid circles within 15 minutes walking distance, and citizens in such areas are required to do nucleic acid testing at least once for every 7 days. Taking into account the above, we consider that it is fair and reasonable to apply the 2022 Growth Rate of 30% in determining the 2022 Revised Cap.

In arriving at the 2023 Revised Cap of approximately RMB417.4 million (representing an estimated number of reagents and certain number of equipment of approximately 3.7 million units) and 2024 Revised Cap of approximately RMB438.3 million (representing an estimated number of reagents and certain number of equipment of approximately 3.9 million units), we note that the Company applied the estimated 2023/2024 Growth Rate of 5% to the expected transaction amount from the previous year. The 3.7 million units and 3.9 million units estimated for the 2023 Revised cap and 2024 Revised Cap, respectively, represent an annual growth of 5% to the estimated unit number in the previous year. We have discussed with management of the Company and understand that the 2023/2024 Growth Rate of 5%, which represents a slowdown in growth from the estimated 2022 Growth Rate of 30%, was determined based on the Group's expectation that the tight preventive measures implemented by the PRC government, that include the deployment of regular and confined nucleic acid

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

testing, should effectively contain the possibility of widespread COVID-19 outbreak in China in the year of 2022 and likely prevent any substantial escalation in the epidemic situation in 2023 and 2024. Therefore, the Company expects that the demand for reagents required for conducting diagnostic testing for COVID-19 will become stable in the years of 2023 and 2024. Hence, the management of the Company applied a more conservative estimated 2023/2024 Growth Rate of 5% in arriving at the 2023 Revised Cap and 2024 Revised Cap. We have further discussed with management of the Company and understand that notwithstanding the Group's expectation that the tight preventive measures implemented by the PRC Government should effectively contain the possibility of widespread COVID-19 outbreak in China in 2022 and likely prevent any substantial escalation in the epidemic situation in 2023 and 2024, the 2023 Revised Cap and 2024 Revised Cap are determined on a similar level to the 2022 Revised Cap after applying the 2023/2024 Growth Rate of 5%, taking into account (i) the uncertainty of how the epidemic situation will progress in China even with the tight preventive measures implemented by the PRC government; (ii) the unknown possibility of any continuing mutation of coronavirus with increasing infectivity which may result in the demand for reagents required for conducting diagnostic testing for COVID-19 to continue to maintain at a high level in 2023 and 2024; and (iii) any unanticipated policy changes introduced by the PRC government and any unanticipated events going forward that could affect the development of the epidemic situation in China, all of which are factors that could continue to stimulate the demand for reagents for conducting diagnostic testing. Taking into account the above and the attitude of the PRC Government to contain the epidemic situation in China in an efficient matter, whilst factoring in the uncertainty on how the epidemic situation will progress in China and the possibility of unanticipated escalation even with tight preventive measures implemented, we consider that the estimated annual Growth Rate of 5% in determining the 2023 Revised cap and the 2024 Revised Cap, to be fair and reasonable.

Based on the above, we are of the view that the Revised Annual Caps (including each of the 2022 Revised Cap, the 2023 Revised Cap and the 2024 Revised Cap) are fair and reasonable. Furthermore, as set out in the Letter from the Board, given that (i) there is a real need for the Company to increase the annual caps to purchase additional reagents, consumables and equipment from Da An Gene Group to satisfy the unanticipated increased demand of COVID-19 tests; (ii) the prices of the reagents, consumables and equipment were determined by both parties with reference to the prevailing market price of similar reagents, consumables and equipment offered by independent suppliers; and (iii) the additional purchase of reagents, consumables and equipment from Da An Gene Group will increase the overall testing capability of the Group, we concur with the Directors' view and consider that it is fair and reasonable and in the interests of both the Company and the Shareholders as a whole to set the Revised Annual Caps at the proposed levels. However, as the proposed Revised Annual Caps relate to future events and are based upon assumptions that may or may not remain valid for the whole period up to 31 December 2024, we express no opinion as to how closely the continuing connected transactions contemplated under the Reagent, Consumables and Equipment Procurement Framework Agreement shall correspond to the Revised Annual Caps.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

D. Requirements by the Listing Rules regarding the transactions contemplated under the Reagent, Consumables and Equipment Procurement Framework Agreement

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the transactions contemplated under the Reagent, Consumables and Equipment Procurement Framework Agreement are subject to the following annual review requirements:

- (a) each year the independent non-executive Directors must review the transactions contemplated under the Reagent, Consumables and Equipment Procurement Framework Agreement and confirm in the annual report that the transactions have been entered into:
- in the ordinary and usual course of business of the Company;
 - on normal commercial terms or better; and
 - according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.
- (b) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock exchange at least 10 business days prior to the bulk printing of the Company's annual report) confirming that the transactions contemplated under the Reagent, Consumables and Equipment Procurement Framework Agreement:
- have received the approval of the Board;
 - are, in all material respects, in accordance with the pricing policies of the Company if the transactions involve provision of goods or services by the Company;
 - have been entered into, in all material respects, in accordance with the relevant agreement governing the continuing connected transactions; and
 - have not exceeded the Revised Annual Caps.
- (c) the Company must allow, and ensure that the relevant counterparty to the Reagent, Consumables and Equipment Procurement Framework Agreement allow, the Company's auditors sufficient access to their records for the purpose of reporting on the transactions. The Board must state in the annual report whether its auditors have confirmed the matters stated in paragraph (b) above; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (d) the Company must promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or the auditors of the Company cannot confirm the matters as required.

In light of the reporting requirements attached to the Reagent, Consumables and Equipment Procurement Framework Agreement, in particular, (i) the restriction of the value of the relevant transactions by way of the Revised Annual Caps; and (ii) the ongoing review by the independent non-executive Directors and the auditors of the Company on the terms of the Reagent, Consumables and Equipment Procurement Framework Agreement and the Revised Annual Caps not being exceeded, we are of the view that appropriate measures are in place to govern the conduct of the Reagent, Consumables and Equipment Procurement Framework Agreement and safeguard the interests of the Independent Shareholders.

RECOMMENDATION

Having considered the principal factors and reasons referred to above, we are of the opinion that the transactions contemplated under the Reagent, Consumables and Equipment Procurement Framework Agreement are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole, and the terms thereof as well as the Revised Annual Caps are fair and reasonable so far as the Group and the Independent Shareholders are concerned.

Accordingly, we advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favor of the resolution to be proposed at the AGM to approve the Revised Annual Caps.

Yours faithfully,
For and on behalf of
Ballas Capital Limited

Alex Lau
Managing Director

Colin Lee
Director

Note: Mr. Alex Lau of Ballas Capital Limited has been a responsible officer of Type 6 (advising on corporate finance) regulated activity since 2004, and Mr. Colin Lee of Ballas Capital Limited has been a licensed representative of Type 6 (advising on corporate finance) regulated activity from 2013 to 2018 and since 2020.

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading positions of the Company since December 31, 2021, being the date to which the latest published audited financial statement of the Company have been made up.

INTERESTS OF DIRECTORS

Save as disclosed in the section headed “Relationship with Controlling Shareholders” of the Prospectus, the Directors are not aware of any Director or his respective associates having, as of the Latest Practicable Date, any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group which would be required to be disclosed under the Listing Rules.

Save as disclosed in the section headed “Connected Transactions” of the Prospectus, no Director was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant to the business of the Group taken as a whole.

Save as disclosed in the section headed “Connected Transactions” of the Prospectus, none of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or which are proposed to be acquired, disposed of by or leased to, any member of the Group.

EXPERT AND CONSENT

The following is the qualification of the expert who has given opinions contained in and referred to in this circular:

Name	Qualification
Ballas Capital Limited	A licensed corporation under the SFO, licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities

The Independent Financial Adviser has given and has not withdrawn its consent to the issue of this circular with inclusion of its letter and reference to its name in the form and context in which they appear respectively.

As at the Latest Practicable Date, the Independent Financial Adviser had no shareholding in the Company or any other member of the Group or right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities of the Company or any other member of the Group.

As at the Latest Practicable Date, the Independent Financial Adviser had no direct or indirect interests in any assets which had been acquired or disposed of by or leased to any member of the Group since December 31, 2021 (the date to which the latest published audited consolidated financial statements of the Company were made up) or proposed to be so acquired, disposed of or leased to.

The letter and recommendations from the Independent Financial Adviser are set out on pages 17 to 28 of this circular and are given for incorporation in this circular.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) which were 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 he/she was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”), to be notified to the Company and the Stock Exchange, were as follows:

Interest in associated corporation of the Company

Name of Director	Capacity/Nature of interests	Name of associated corporation	Percentage of shareholding in the associated corporation
Mr. Zhang Yong	Beneficial Owner Interested in a controlled corporation	Huizekx Limited YK Development	100% 64.04%
Mr. Zhou Xinyu	Interested in a controlled corporation	Da An Gene	1.19%

Interests in the Shares or underlying Shares of the Company

For information on the persons who have or have been deemed or taken to have beneficial interests or short position in the Company's Shares or underlying shares which would fall to be disclosed to the Company under the provisions of 2 and 3 of Part XV of the SFO, or directly or indirectly be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Company, see "Substantial Shareholders" of the Prospectus.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had registered an interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required 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 he/she was deemed or taken to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into any service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

GENERAL

The Company's share registrar in Hong Kong is Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text in the case of any inconsistency.

DOCUMENTS ON DISPLAY

Copies of the following documents will be available for inspection on the website of the Stock Exchange's website at www.hkexnews.hk and our Company's website at www.yunkanghealth.com for a period of 14 days from the date of this circular:

- (a) the audited financial statements of the Company and its subsidiaries for the year ended December 31, 2021;
- (b) the Reagents, Consumables and Equipment Procurement Framework Agreement;

- (c) the letter from the Board, the text of which is set out on pages 5 to 14 of this circular;
- (d) the letter from the Independent Board Committee, the text of which is set out on page 15 to 16 of this circular;
- (e) the letter from the Independent Financial Adviser, the text of which is set out on pages 17 to 28 of this circular; and
- (f) the written consent of the Independent Financial Adviser.

The following is an explanatory statement required by the Listing Rules to provide the Shareholders with requisite information reasonably necessary for them to make an informed decision on whether to vote for or against the ordinary resolution to be proposed at the Annual General Meeting in relation to the granting of the Repurchase Mandate.

1. SHARE CAPITAL

As of the Latest Practicable Date, the issued share capital of the Company comprised 613,188,000 Shares.

Subject to the passing of the resolution granting the Repurchase Mandate and on the basis that no further Shares are issued or repurchased before the Annual General Meeting, i.e. being 613,188,000 Shares, the Directors would be authorized under the Repurchase Mandate to repurchase, during the period in which the Repurchase Mandate remains in force, a total of 61,318,800 Shares which represent 10% of the total number of Shares in issue as at the date of the Annual General Meeting.

2. REASONS FOR SHARE REPURCHASE

The Directors believe that it is in the best interests of the Company and Shareholders for the Directors to have general authority from the Shareholders to enable the Directors to repurchase the Shares in the market. Such repurchase may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net assets and/or earnings per Share of the Company and will only be made when the Directors believe that such repurchase will benefit the Company and Shareholders.

3. FUNDING OF SHARE REPURCHASE

Share repurchase must be funded legally available for such purpose in accordance with the Articles of Association of the Company and the applicable laws of the Cayman Islands, being profits of the Company or out of the proceeds of a new issue of the Shares made for the purpose of the repurchase, or, if authorized by the Articles of Association and subject to the Companies Act, out of capital of the Company, and, in the case of any premium payable on the repurchase, out of the profits of the Company or from sums standing to the credit of the share premium account of the Company before or at the time the Shares are repurchased in the manner provided for in the Companies Act.

4. IMPACT OF SHARE REPURCHASE

There might be a material adverse impact on the working capital or gearing position of the Company (as compared with the position disclosed in the audited consolidated financial statements for the year ended December 31, 2021 contained in the Prospectus) in the event that the Repurchase Mandate was to be carried out in full at any time during the proposed repurchase period. However, the Directors do not intend to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements or the gearing levels of the Company which in the opinion of the Directors are from time to time appropriate for the Company.

5. EFFECT OF TAKEOVERS CODE AND MINIMUM PUBLIC HOLDING

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition of voting rights for the purposes of Rule 32 of the Takeovers Code. Accordingly, if a Shareholder, or a group of Shareholders acting in concert (within the meaning of the Takeovers Code), depending on the level of increase of the Shareholder's interest, could obtain or consolidate control of the Company, it will become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, to the best knowledge and belief of the Directors, the following shareholders have beneficial interests representing 5% or more of the issued share capital of the company within the meaning of Part XV of the SFO:

Name of Shareholders	Number of Shares held	Approximate percentage interest in the issued share capital of the Company	Approximate percentage interest in the issued share capital of the Company in the event the Repurchase Mandate is exercised in full
YK Development Limited ⁽¹⁾	250,108,000	40.78%	45.32%
Huizekx Limited ⁽¹⁾	250,108,000	40.78%	45.32%
Mr. Zhang Yong ⁽¹⁾	250,108,000	40.78%	45.32%
Mouduans Limited ⁽²⁾	250,108,000	40.78%	45.32%
Tongfuzc Limited ⁽²⁾	250,108,000	40.78%	45.32%
WJJR Investment Limited ⁽²⁾	250,108,000	40.78%	45.32%
Jin Jun Ying Limited ⁽²⁾	250,108,000	40.78%	45.32%
Source Capital RW Limited ⁽²⁾	250,108,000	40.78%	45.32%
Daan International ⁽³⁾	209,783,000	34.21%	38.01%
Guangzhou Daan Gene Technology Co., Ltd ⁽³⁾	209,783,000	34.21%	38.01%
Da An Gene ⁽³⁾	209,783,000	34.21%	38.01%

Notes:

- (1) As of the Latest Practicable Date, YK Development Limited 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 Limited under the SFO.

- (2) As of the Latest Practicable Date, YK Development Limited is held as to approximately 64.04%, 23.47%, 6.95%, 3.04%, 0.50% and 2.00%, by Huizekx Limited, 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 and Source Capital RW Limited are a group of Controlling Shareholders of the Company.
- (3) Daan International is wholly-owned by Guangzhou Daan Gene Technology Co., Ltd (廣州市達安基因科技有限公司) (“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) The calculation is based on the total number of 613,188,000 Shares in issue as at the Latest Practicable Date.

To the best knowledge of the Company, the Directors are not aware of any consequences which would arise under the Takeover Code as a result of an exercise of the proposed Repurchase Mandate.

The Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, give rise to an obligation to make a mandatory offer in accordance with Rule 26 of the Takeovers Code and/or result in the aggregate number of Shares held by the public shareholders falling below the prescribed minimum percentage required by the Stock Exchange.

6. GENERAL

None of the Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their respective close associates currently intends to sell any Shares to the Company, if the Repurchase Mandate is approved by the Shareholders.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise their power to repurchase any Shares pursuant to the Repurchase Mandate in accordance with the Listing Rules, the Articles of Association of the Company and applicable laws of the Cayman Islands.

As of the Latest Practicable Date, no core connected person (as defined in the Listing rules) of the Company has notified the Company that he/she/it has a present intention to sell any Shares to the Company, or has undertaken not to do so, if the proposed Repurchase Mandate is approved by the Shareholders.

7. SHARE REPURCHASE MADE BY THE COMPANY

The Company had not repurchased any Shares on the Stock Exchange from the Listing Date to the Latest Practicable Date.

8. SHARE PRICES

Since the Company was listed on the Stock Exchange on the Listing Date, the highest and lowest prices at which the Shares have been traded on the Stock Exchange from the Listing Date to the Latest Practicable Date were as follows:

	Highest	Lowest
	<i>HK\$</i>	<i>HK\$</i>
2022		
May (<i>since the Listing Date</i>)	13.00	6.60
June (<i>up to and including the Latest Practicable Date</i>)	12.48	11.58

APPENDIX III DETAILS OF RETIRING DIRECTORS PROPOSED TO BE RE-ELECTED

DIRECTORS STANDING FOR RE-ELECTION

The following are details of the Directors who will retire and being eligible, offer themselves for re-election at the Annual General Meeting.

1. Mr. Zhou Weiqun (周偉群)

Position and Experience

Mr. Zhou Weiqun (周偉群), aged 64, 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 May 5, 2019 and is mainly responsible for overseeing the management and strategic development of the Group.

From January 1996 to June 2018, Mr. Zhou worked at Changchun High-tech Industry (Group) Co., Ltd. (長春高新技術產業(集團)股份有限公司), the shares of which are listed on Shenzhen Stock Exchange (stock code: 000661), and held positions of director, general manager and secretary to the board.

Mr. Zhou was awarded “Senior Economist” by Jilin Provincial Department of Human Resources and Social Security (吉林省人力資源和社會保障廳) in January 2013.

Mr. Zhou obtained his bachelor of science degree in business machinery from Heilongjiang Business School (黑龍江商學院) (currently known as the Harbin University of Commerce (哈爾濱商業大學)) in the PRC in January 1982.

Mr. Zhou entered into an appointment letter with the Company on February 20, 2022. The initial term of the appointment letter shall commence from the Listing Date and continue for a period of three years after or until the third annual general meeting of the Company since the Listing Date, whichever is earlier, and subject to re-election as and when required under the Articles of Association, until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months’ prior notice in writing.

2. Mr. Zhou Xinyu (周新宇)

Position and Experience

Mr. Zhou Xinyu (周新宇), aged 53, 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 May 28, 2008 and is mainly responsible for overseeing the management and strategic development of the Group.

APPENDIX III DETAILS OF RETIRING DIRECTORS PROPOSED TO BE RE-ELECTED

Mr. Zhou served as a general manager at Da An Gene from December 2003 to June 2022, and at Daan International from September 2008 to June 2022. Besides, he holds directorship of various companies, including (i) an executive director at Guangzhou Da An Gene Technology Co., Ltd. (廣州市達安基因科技有限公司) since April 15, 2016; (ii) an executive director and general manager at Guangzhou Da Yi An Trading Co., Ltd. (廣州達醫安貿易有限公司) since August 14, 2014; (iii) a director at Guangzhou Life Technologies DaAn Diagnostics Co., Ltd. (廣州立菲達安診斷產品技術有限公司) since May 30, 2012; and (iv) a director at Zhongshan Bio-tech Co., Ltd. (中山生物工程有限公 司) since September 30, 2007.

The research projects led by Mr. Zhou has won many awards, such as “Second Prize of National Science and Technology Progress Award” by State Council of the People’s Republic of China (中華人民共和國國務院) for the year of 2004 and “Second Prize of Guangzhou Science and Technology Progress” by The People’s Government of Guangzhou Municipality for the year of 2003.

Mr. Zhou obtained a bachelor’s degree in science from Fudan University (復旦大學) in PRC in June 1991 and a master’s degree in genetics from Fudan University in PRC in July 1994.

Mr. Zhou was a director of the following dissolved companies incorporated in the PRC: (i) Shanghai Bofei Kemao Development Co., Ltd. (上海博斐科貿發展有限公司), which was dissolved by deregistration in August 2001 and was engaged in medical equipment and instrumentation; (ii) Shanghai Boda Technology Co., Ltd. (上海博達科技 有限公司), which was dissolved by deregistration in May 2001 and was mainly engaged in computer and medical equipment, chemical reagents and biological products technology; (iii) Guangzhou Daan Enterprise Management Co., Ltd. (廣州達安企業管理 有限公司), which was dissolved by deregistration in May 2019 and was engaged in enterprise Management Service; (iv) Hainan Daan Haiyi Molecular Medicine Co., Ltd. (海南達安海醫分子醫學有限公司), which was dissolved by deregistration in September 2006 and was engaged in molecular medicine diagnostic supplies and biological products; and (v) Shenzhen Daeran Biological Engineering Co., Ltd. (深圳市達爾安生物工程有限 公司), which was dissolved by deregistration in April 2004 and was engaged in producing in vitro diagnostic reagents; and (vi) DaaO International Limited (達奧國際有限公司), which was dissolved by deregistration in April 2010 and was mainly engaged in in vitro diagnostic reagents. He was a supervisor of Dongguan Kangan Biotechnology Development Co., Ltd. (東莞市康安生物技術開發有限公司), which was a PRC company dissolved by deregistration in September 2012 and was engaged in biotechnology research and in vitro diagnostic reagents. He was a director in Liuan Lian Medical Laboratory Co., Ltd. (六安麗安醫學檢驗有限公司), which was a PRC company revoked in October 2020. Mr. Zhou confirmed that (i) there was no judgment or findings of fraud, dishonesty, any misconduct or wrongful act on his part in connection with the above-mentioned dissolutions; (ii) there is no outstanding claim or liability against him in connection with these dissolved companies; and (iii) these companies were solvent at the time of their respective dissolution.

APPENDIX III DETAILS OF RETIRING DIRECTORS PROPOSED TO BE RE-ELECTED

Mr. Zhou entered into an appointment letter with the Company on February 20, 2022. The initial term of the appointment letter shall commence from the Listing Date and continue for a period of three years after or until the third annual general meeting of the Company since the Listing Date, whichever is earlier, and subject to re-election as and when required under the Articles of Association, until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

3. Dr. Guo Yunzhao (郭雲釗)

Position and Experience

Dr. Guo Yunzhao (郭雲釗), aged 55, 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.

APPENDIX III DETAILS OF RETIRING DIRECTORS PROPOSED TO BE RE-ELECTED

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. Guo was a director of Wulanchabu Guoxintou Technology Co., Ltd. (烏蘭察布市國信投科技有限公司), which was a PRC company dissolved by deregistration in October 2020. He was a general manager in Shanghai Lanxing Cleaning Technology Co., Ltd. (上海藍星清洗技術有限公司), which was a PRC company dissolved by deregistration in September 2005. Dr. Guo confirmed that (i) there was no judgment or findings of fraud, dishonesty, any misconduct or wrongful act on his part in connection with the above-mentioned dissolution; (ii) there is no outstanding claim or liability against him in connection with the dissolved companies; and (iii) the company were solvent at the time of their respective dissolution.

Dr. Guo entered into an appointment letter with the Company February 20, 2022. The initial term of the appointment letter shall commence from the Listing Date and continue for a period of three years after or until the third annual general meeting of the Company since the Listing Date, whichever is earlier, and subject to re-election as and when required under the Articles of Association, until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

DIRECTOR'S REMUNERATION

The total amount of the Directors' remuneration for the year ended December 31, 2021 received by each of the retiring Directors are set out in the financial statements of the Prospectus. The Directors' remuneration is determined by the remuneration committee of the Company having regard to the Company's and the Director's performance.

DIRECTOR'S INTEREST

Save as disclosed in this circular, to the best knowledge of the Company, each of the Directors who stand for re-election (i) does not hold other positions in the Company or other members of the Group, (ii) does not hold any directorship in other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years, (iii) does not have any relationship with any other Director, senior management, substantial shareholder or Controlling Shareholder of the Company, (iv) does not have any interest in the securities within the meaning of Part XV of the SFO, and (v) has no information to disclose pursuant to any of the requirements of Rule 13.51(2)(h) – 13.51(2)(v) of the Listing Rules; and there are no other matters that need to be brought to the attention of the Shareholders.

NOTICE OF ANNUAL GENERAL MEETING



Yunkang Group Limited

云康集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2325)

NOTICE IS HEREBY GIVEN that the annual general meeting (the “**Annual General Meeting**”) of Yunkang Group Limited (the “**Company**”) will be held on Thursday, June 30, 2022 at 10:00 a.m. at No. 6 Lizhishan Road, Science City, Huangpu District, Guangzhou, PRC, for the following purposes:

ORDINARY RESOLUTIONS

1. To consider and receive the audited consolidated financial statements of the Company and its subsidiaries for the year ended December 31, 2021 as disclosed on the prospectus of the Company dated May 5, 2022.
2. To consider as special business and, if thought fit, pass with or without amendments the following resolutions as ordinary resolutions:

“THAT:

- (i) subject to paragraph (ii) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase shares of the Company (the “**Shares**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or on any other stock exchange on which the Shares may be listed and recognized for this purpose by the Securities and Futures Commission of Hong Kong and the Stock Exchange in accordance with all applicable laws including The Codes on Takeovers and Mergers and Share Buy-backs and The Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), be and is hereby generally and unconditionally approved;
- (ii) the aggregate number of shares, which may be repurchased pursuant to the approval in paragraph (i) above during the Relevant Period shall not exceed 10% of the total number of the issued share capital of the Company as of the date of passing of this resolution, and the said approval shall be limited accordingly; and
- (iii) for the purpose of this Resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;

NOTICE OF ANNUAL GENERAL MEETING

- (b) the expiration of the period within which the next annual general meeting of the Company is required by any applicable laws or the articles of association of the Company to be held; or
 - (c) the revocation or variation of the authority given under this resolution by ordinary resolution of the shareholders of the Company in general meeting.”
3. To consider as special business and, if thought fit, pass with or without amendments the following resolutions as ordinary resolutions:

“THAT:

- (i) subject to paragraph (iii) below, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and otherwise deal with additional Shares in the capital of the Company, or options, warrants or similar rights to subscribe for Shares or other securities convertible into Shares and to make or grant offers, agreements and/or options (including bonds, warrants and debentures exchangeable for or convertible into Shares) and rights of exchange or conversion which may require the exercise of such powers be and is hereby generally and unconditionally approved;
- (ii) the approval in paragraph (i) above shall be in addition to any other authorization given to the Directors and shall authorize the Directors during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and/or options (including bonds, warrants and debentures exchangeable or convertible into Shares) and rights of exchange or conversion which may require the exercise of such power after the end of the Relevant Period;
- (iii) the aggregate number of Shares allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the Directors during the Relevant Period pursuant to paragraph (i) or (ii) of this resolution above, otherwise than pursuant to:
 - (a) a Rights Issue (as hereinafter defined);
 - (b) the grant or exercise of any option under any share option scheme of the Company (if applicable) or any other option, scheme or similar arrangements for the time being adopted for the grant or issue to the Directors, officers and/or employees of the Company and/or any of its subsidiaries and/or other eligible participants specified thereunder of options to subscribe for Shares or rights to acquire Shares;
 - (c) any scrip dividend scheme or similar arrangement providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company; or

NOTICE OF ANNUAL GENERAL MEETING

- (d) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any existing convertible notes issued by the Company or any existing securities of the Company which carry rights to subscribe for or are convertible into Shares,

shall not exceed 20% of the total number of the issued share capital of the Company as of the date of passing this resolution and the approval shall be limited accordingly; and

- (iv) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (1) the conclusion of the next annual general meeting of the Company unless, by ordinary resolution passed at that meeting, the authority given under this resolution is renewed, either unconditionally or subject to conditions; or
- (2) the date on which such authority given under this resolution is varied or revoked by an ordinary resolution of the Shareholders in a general meeting of the Company.

“Rights Issue” means an offer of Shares, or an offer or issue of warrants, options or other securities which carry a right to subscribe for Shares, open for a period fixed by the Directors to holders of Shares whose names appear on the register of members on a fixed record date in proportion to their holdings of Shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or, having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the exercise or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, any recognized regulatory body or any stock exchange applicable to the Company).”

- 4. To consider as special business and, if thought fit, pass with or without amendments the following resolutions as ordinary resolutions:

“THAT conditional upon the passing of the resolutions 2 and 3, the general mandate referred to in the resolution 3 be and is hereby extended by the addition to the aggregate number of Shares which may be allotted, issued or otherwise dealt with or agreed conditionally or unconditionally to be allotted, issued or otherwise dealt with by the Directors pursuant to such general mandate of an amount representing the aggregate number of Shares repurchased by the Company pursuant to the general mandate pursuant to resolution 2, provided that such extended amount shall not exceed 10% of the total number of the issued share capital of the Company as of the date of passing this resolution.”

NOTICE OF ANNUAL GENERAL MEETING

5. To re-elect the following Directors, each as a separate resolution:
 - (i) To re-elect Mr. Zhou Weiqun as a non-executive Director;
 - (ii) To re-elect Mr. Zhou Xinyu as a non-executive Director; and
 - (iii) To re-elect Dr. Guo Yunzhao as a non-executive Director.
6. To authorize the board of Directors (the “**Board**”) to fix the remuneration of the Directors.
7. To re-appoint PricewaterhouseCoopers as auditors of the Company and authorize the Board to fix their remuneration.
8. To consider and, if thought fit, approve, with or without modifications, the following resolutions as ordinary resolutions:

“**THAT:**

- (i) the revised annual caps for the Reagents, Consumables and Equipment Procurement Framework Agreement for the years ending December 31, 2022, 2023 and 2024 (the “**Revised Annual Caps**”) in the amount of RMB397.571 million, RMB417.449 million and RMB438.322 million be and are hereby approved, confirmed and ratified; and
- (ii) any Director be and is hereby authorized to do all such acts or things and sign all documents deemed necessary, expedient or appropriate by him to give effect to and implement the Revised Annual Caps for the Reagents, Consumables and Equipment Procurement Framework Agreement.”

By order of the Board
Yunkang Group Limited
Mr. Zhang Yong
Chairman and Executive Director

Guangzhou, June 9, 2022

NOTICE OF ANNUAL GENERAL MEETING

Notes:

- (i) For the purpose of determining the identity of the shareholders of the Company entitled to attend and vote at the Annual General Meeting, the register of members of the Company will be closed from Monday, June 27, 2022 to Thursday, June 30, 2022, both dates inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, June 24, 2022.
- (ii) A shareholder of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint one or, if he is the holder of two or more shares, more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.
- (iii) In the case of joint holders of any Share, any one of such persons may vote at the Annual General Meeting, either personally or by proxy, in respect of such Share as if he/she were solely entitled thereto. However, if more than one of such joint holders be present at the Annual General Meeting personally or by proxy, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
- (iv) In order to be valid, the form of proxy must be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal, or under the hand of an officer or attorney or other person duly authorized, and must be deposited with the share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (together with the power of attorney or other authority, if any, under which it is signed or a certified copy thereof) not less than 48 hours before the time fixed for holding of the Annual General Meeting (i.e. not later than 10:00 a.m. on Tuesday, June 28, 2022). The completion and delivery of the form of proxy shall not preclude the shareholders from attending and voting in person at the Annual General Meeting (or any adjourned meeting thereof) if they so wish and in such event, the form of proxy shall be deemed to be revoked.
- (v) All resolutions at the Annual General Meeting will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Listing Rules. The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
- (vi) In respect of the ordinary resolutions 2, 3 and 4, the Directors wish to state that they have no immediate plans to repurchase any existing Shares or issue any new Shares.
- (vii) Shareholders attending the Annual General Meeting in person or by proxy shall bear their own travelling and accommodation expenses, and shall produce their identity documents.
- (viii) References to dates and time in this notice are to Hong Kong dates and time.
- (ix) The English text of this notice shall prevail over the Chinese text for the purpose of interpretation.