Yunkang Group Limited
云康集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2325)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2022

The board (the "**Board**") of directors (the "**Directors**") of Yunkang Group Limited (the "**Company**", together with its subsidiaries and the Consolidated Affiliated Entities as defined in the Company's prospectus dated May 5, 2022 (the "**Prospectus**"), the "**Group**") is pleased to announce the audited consolidated results of the Group for the year ended December 31, 2022 (the "**Reporting Period**"), together with the comparative figures for the year ended December 31, 2021.

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

FINANCIAL HIGHLIGHTS

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

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

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

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

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

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

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

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**Year ended December 31, 2022** *RMB'000*	2021 *RMB'000*
Revenue	*3*	**3,756,201**	1,696,740
Cost of revenue		**(2,448,471)**	(797,603)
Gross profit		**1,307,730**	899,137
Selling expenses		**(312,005)**	(273,304)
Administrative expenses		**(386,673)**	(152,078)
Net impairment losses on financial assets		**(187,620)**	(23,073)
Other income	*4*	**20,047**	7,869
Other losses – net	*5*	**(185)**	(1,121)
Fair value changes on financial assets at fair value through profit or loss		**17,257**	264
Operating profit		**458,551**	457,694
Finance income		**5,180**	10,751
Finance costs		**(20,307)**	(17,225)
Finance costs – net		**(15,127)**	(6,474)
Profit before income tax		**443,424**	451,220
Income tax expenses	*6*	**(69,475)**	(78,722)
Profit from continuing operations		**373,949**	372,498
Profit from discontinued operations		**–**	9,395
Profit for the year		**373,949**	381,893
Other comprehensive (loss)/income, net of tax			
Items that may not be reclassified to profit or loss			
– Changes in the fair value of financial assets at fair value through other comprehensive income, net of tax		**(18,872)**	3,303
Total comprehensive income for the year		**355,077**	385,196

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended December 31,	
	Notes	**2022**	2021
		RMB'000	*RMB'000*
Profit attributable to:			
– Owners of the Company		**377,309**	380,932
– Non-controlling interests		**(3,360)**	961
		373,949	381,893
Total comprehensive income attributable to:			
– Owners of the Company		**358,437**	384,065
– Non-controlling interests		**(3,360)**	1,131
		355,077	385,196
Total comprehensive income for the year attributable to owners of the Company arises from:			
– Continuing operations		**358,437**	374,833
– Discontinued operations		**–**	9,232
		358,437	384,065
Earnings per share for profit from continuing operations attributable to the owners of the Company	*7*		
– Basic and diluted *(in RMB)*		**0.66**	0.75
Earnings per share for profit attributable to the owners of the Company	*7*		
– Basic and diluted *(in RMB)*		**0.66**	0.76

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at December 31, **2022** *RMB'000*	2021 *RMB'000*
Assets			
Non-current assets			
Property and equipment		**420,602**	485,200
Intangible assets		**3,756**	5,675
Prepayments and other receivables		**15,658**	17,227
Financial assets at fair value through other comprehensive income ("**FVOCI**")	*10*	**84,341**	110,004
Financial assets at fair value through profit or loss ("**FVTPL**")	*10*	**160,241**	58,243
Deferred income tax assets		**53,911**	35,809
		738,509	712,158
Current assets			
Inventories		**41,317**	41,697
Trade receivables	*9*	**2,432,165**	825,301
Prepayments and other receivables		**118,749**	44,416
Financial assets at fair value through profit or loss	*10*	**642,569**	–
Restricted cash	*11*	**145,926**	31,146
Cash and cash equivalents	*11*	**787,742**	800,695
		4,168,468	1,743,255
Total assets		**4,906,977**	2,455,413

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at December 31,	
	Notes	**2022**	2021
		RMB'000	*RMB'000*
Equity			
Equity attributable to owners of the Company			
Share capital and share premium	*12*	**743,248**	21,126
Other reserves		**936,510**	955,382
Retained earnings		**852,505**	475,196
		2,532,263	1,451,704
Non-controlling interests		**7,316**	(124)
Total equity		**2,539,579**	1,451,580
Liabilities			
Non-current liabilities			
Borrowings		**328,115**	82,363
Lease liabilities		**57,677**	44,162
Deferred income tax liabilities		**2,122**	6,470
		387,914	132,995
Current liabilities			
Borrowings		**363,669**	208,322
Trade and other payables	*13*	**1,492,079**	556,663
Current income tax liabilities		**85,433**	71,932
Lease liabilities		**36,658**	27,171
Deferred revenue		**1,645**	6,750
		1,979,484	870,838
Total liabilities		**2,367,398**	1,003,833
Total equity and liabilities		**4,906,977**	2,455,413

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

These financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on March 31, 2023.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

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

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

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

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

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

3 REVENUE

(a) Description of principal activities

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

(b) Revenue by business line

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

(c) Revenue by region

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

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

(d) Information about major customers

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

(e) Unsatisfied performance obligations

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

4 OTHER INCOME

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

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

5 OTHER LOSSES - NET

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

6 INCOME TAX EXPENSES

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

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

Cayman Islands

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

Hong Kong

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

PRC corporate income tax ("CIT")

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

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

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

7 EARNINGS PER SHARE

(a) Basic earnings per share

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

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

(b) Diluted earnings per share

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

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

8 DIVIDENDS

The Board declared an interim dividend for the six months ended June 30, 2022 of HK$0.088 per share on August 11, 2022 and the interim dividend were paid in September 2022 with total amounts of HK$54,670,000 (equivalent to RMB48,126,000).

A final dividend of HK$0.22 per share for the year ended December 31, 2022, totalling HK$136,675,110 (equivalent to RMB119,741,000) have been proposed by the Board of the Company on March 31, 2023 and are subject to the approval of the forthcoming annual general meeting to be held on June 28, 2023.

These dividend will be distributed out of the Company's share premium. The consolidated financial statements have not reflected the proposed dividend payable.

9 TRADE RECEIVABLES

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Trade receivables *(Note (a))*		
– Third parties	**2,671,922**	877,604
– Related parties	**369**	323
	2,672,291	877,927
Less: allowance for impairment of trade receivables	**(240,126)**	(52,626)
	2,432,165	825,301

(a) As at December 31, 2022 and 2021, the ageing analysis of the trade receivables based on recognition date were follows:

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Up to 180 days	**1,655,558**	628,062
181 days to 1 year	**734,521**	154,530
1 to 2 years	**235,267**	70,528
2 to 3 years	**24,233**	12,713
More than 3 years	**22,712**	12,094
	2,672,291	877,927

10 FINANCIAL ASSETS AT FAIR VALUE

(a) FVOCI

The Group's FVOCI included equity investments which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

Equity investments at FVOCI included the following:

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Unlisted		
– Private company A *(Note (a))*	**81,599**	106,762
– Private company B *(Note (b))*	**2,742**	2,742
– Private company C	**–**	500
	84,341	110,004

(a) Private company A is engaged in investment activities and portfolio management, with concentration in healthcare industry. Private company A is also an associate of Da An Group.

(b) Private company B invested an equity instrument which is principally engaged in sales of medical imaging diagnostic equipment.

(b) FVTPL

The Group's FVTPL comprised debt investments and equity investments that do not qualify for measurement at either amortised cost or FVOCI.

Financial assets measured at FVTPL include the following:

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Included in current assets:		
Investment in private funds		
– Managed by investment manager A *(Note (i))*	**302,783**	–
– Managed by investment manager B *(Note (i))*	**98,382**	–
– Managed by investment manager C *(Note (ii))*	**206,493**	–
Debt instrument *(Note (iii))*	**34,911**	–
	642,569	–
Included in non-current assets:		
Unlisted companies *(Note (iv))*	**160,241**	58,243

(i) The investments represented four portfolios managed by two different investment managers. Investment objectives were to invest in cash or cash equivalents, national debt and other money market instruments. Subsequently in March 2023, the Group has redeemed all these investments.

(ii) The investment represented two private funds. Investment objectives were mainly to invest in listed securities, portfolio funds, government or company bonds and cash or cash equivalents.

(iii) Debt instrument represented a redeemable corporate bond with expected rate of return at 0.5% per annum, which was held indirectly through a private fund. The Company is the sole subscriber and deemed to have control over the assets portfolio and accordingly consolidate the private fund. Subsequently in March 2023, the Group has redeemed the investment.

(iv) Investments in unlisted companies included investments in four private companies, which are principally engaged in research and sales of medical instruments, provision of consultancy services and investment management.

11 CASH AND CASH EQUIVALENTS

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Cash at bank	**933,648**	831,821
Cash on hand	**20**	20
	933,668	831,841
Less: Restricted cash in relation to:		
– Deposits for letter of guarantee	**(21,118)**	(21,118)
– Deposits of investment funds *(Note (a))*	**(123,310)**	–
– Others	**(1,498)**	(10,028)
	(145,926)	(31,146)
Cash and cash equivalents	**787,742**	800,695

(a) Deposits of investment funds included:

(i) The Company as sole subscriber invested US$21 million in a private fund in 2022. An investment manager was appointed to manage and decide its investment portfolio. As at 31 December 2022, the private fund held cash deposits of RMB111,715,000 in the custodian's account. Subsequently in March 2023, the Group has redeemed the investment.

(ii) As at December 31, 2022, a subsidiary of the Company as sole subscriber invested in an asset management product which held cash deposits of RMB11,595,000. Subsequently in March 2023, the Group has redeemed the investment.

12 SHARE CAPITAL AND SHARE PREMIUM

	Number of ordinary shares	Share capital *USD*	Equivalent share capital *RMB'000*	Share premium *RMB'000*	Total *RMB'000*
Authorized					
As at January 1, 2021 and December 31, 2021	500,000,000	50,000	338		
Addition (a)	24,500,000,000	–	–		
As at December 31, 2022	25,000,000,000	50,000	338		
Issued and paid					
Balance at January 1, 2021	9,826,990	982	7	1,388	1,395
Transaction with non-controlling interests	173,000	18	*	19,731	19,731
Balance at December 31, 2021	9,999,990	1,000	7	21,119	21,126
Effect of the share subdivision (a)	**489,999,510**	**–**	**–**	**–**	**–**
Shares issued upon the completion of initial public offering, net of transaction costs (b)	**113,188,500**	**226**	**2**	**716,347**	**716,349**
Shares issued upon partial exercise of the over-allotment option, net of transaction costs (b)	**8,062,500**	**16**	*	**53,899**	**53,899**
Dividends	**–**	**–**	**–**	**(48,126)**	**(48,126)**
Balance at December 31, 2022	**621,250,500**	**1,242**	**9**	**743,239**	**743,248**

* The balance represents an amount less than RMB1,000.

(a) Immediately prior to the Listing, a share subdivision was approved by the shareholders of the Company, pursuant to which, each issued and unissued share capital was subdivided into fifty shares with par value US$0.000002 each. The share subdivision has been completed and became effective on May 18, 2022.

(b) On May 18, 2022, the Company issued 113,188,500 new shares at the price of HK$7.89 per share as a result of the completion of the global offering (the "**Global Offering**"). 8,062,500 shares were issued upon the exercise of the over-allotment option in connection with the Global Offering on June 10, 2022 at the same price. Gross proceeds from the issue amounted to HKD956,670,390 (equivalent to RMB821,779,031). After deducting the underwriting fees and other capitalised listing expenses, net proceeds from the issue amounted to RMB770,248,071, of which, RMB1,634 was recorded as share capital and RMB770,246,437 was recorded as share premium.

13 TRADE AND OTHER PAYABLES

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Trade payables *(Note (a))*		
– Third parties	**520,617**	168,369
– Related parties	**680,058**	192,175
	1,200,675	360,544
Other payables		
– Third parties	**148,057**	82,342
– Related parties	**13,007**	9,937
	161,064	92,279
Accrued staff costs	**105,805**	92,043
Other taxes payable	**24,535**	11,797
	1,492,079	556,663

(a) The ageing analysis of the trade payables based on goods and services received were follows:

	As at December 31,	
	2022	2021
	RMB'000	*RMB'000*
Up to 6 months	**717,981**	279,984
6 months to 1 year	**348,081**	72,811
1 to 2 years	**131,332**	6,942
2 to 3 years	**2,806**	216
More than 3 years	**475**	591
	1,200,675	360,544

14 SUBSEQUENT EVENTS

(a) In January 2023, a subsidiary of the Company acted as a limited partner and subscribed a private open fund with RMB70 million with lock-up period of 365 days. It is an open-fund and the investment strategy is focus on the short-term and liquidity assets, including bonds and equity securities. As the date of this announcement, management of the Company was not aware of any material change in the fair value of the investment.

(b) In January 2023, a subsidiary of the Company entered into an agreement with a third party to acquire equity interests of two private companies in PRC at total considerations of approximately RMB172 million. The target companies are medical industrial entities. Such investments would be stated as FVTPL.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

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

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

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

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

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

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

Business Review

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

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

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

- ***Diagnostic testing services for medical institution alliances***

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

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

- ***Diagnostic Outsourcing Services***

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

- ***Diagnostic testing services for non-medical institutions***

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

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

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

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

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

2. *Promoting technical innovations to improve precision diagnostic technology*

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

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

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

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

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

In 2022, the Company's investment in R&D reached RMB94.7 million, representing a year-on-year increase of 115.6%.

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

3. Achieving lean operations to strengthen operation capabilities

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

4. Digitalizing the operations to establish a standardized operation system

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

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

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

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

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

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

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

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

Business Outlook and Development Strategy

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

Our Competitive Advantages

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

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

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

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

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

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

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

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

The Group’s future development strategies are as follows:

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

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

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

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

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

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

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

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

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

FINANCIAL REVIEW

Overview

The financial summary set out below is extracted or calculated from the audited financial statements of the Group for the Reporting Period which were prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), including compliance with Hong Kong Accounting Standards.

Revenue

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

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

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

Diagnostic Outsourcing Services

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

Diagnostic Testing Services for Medical Institution Alliances

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

Diagnostic Testing Services for Non-Medical Institutions

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

Cost of Revenue

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

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

Gross Profit and Gross Profit Margin

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

Other Income

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

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

Selling Expenses

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

Administrative Expenses

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

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

Impairment Losses on Financial Assets

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

Finance Costs

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

Profit before Tax

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

Income Tax Expense

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

Property and Equipment

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

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

Financial Assets Measured at Fair Value

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

Inventories

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

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

Trade and Other Receivables and Prepayments

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

Trade and Other Payables

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

Capital Management

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

Liquidity and Financial Resources

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

Net Current Assets

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

Key Financial Ratios

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

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

Notes:

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

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

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

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

Capital Commitments

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

Contingent Liabilities

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

Foreign Exchange Risk

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

Cash Flow and Fair Value Interest Rate Risk

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

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

Credit Risk

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

Liquidity Risk

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

Borrowings and Gearing Ratio

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

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

Pledge of Assets

As at December 31, 2022, borrowing of approximately RMB100.4 million (December 31, 2021: nil) were secured by the Group's equipment.

Significant Investments

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

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

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

The principal purpose of the Subscriptions is to make use of temporary idle cash for low risk investments with flexible redemption features. The Subscriptions provide an opportunity for the Company to enhance returns by utilizing idle cash, without adversely affecting the Group's working capital. As of the date of this announcement, the Company has fully redeemed the Subscriptions.

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

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

Material Acquisitions and Disposals

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

Events after the Reporting Period

Save as disclosed in the Note 10, Note 11 and Note 14 to the consolidated financial statements in this announcement, no important events affecting the Group occurred since December 31, 2022 and up to the date of this announcement.

Future Plans for Material Investments and Capital Assets

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

Employees and Remuneration

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

The Company also has adopted the 2022 restricted share unit scheme (the "**2022 RSU Scheme**") to attract retain and incentivize the key personnel and partners of the Company, and to promote the value of the Company by offering these individuals an opportunity to acquire the Shares and a proprietary interest in the success of the Company, thereby linking their interests with the Company's performance. For details, please refer to the Company's announcement dated November 23, 2022. As of December 31, 2022, the Company did not grant any restricted share unit award under the 2022 RSU Scheme.

OTHER INFORMATION

Compliance with the Corporate Governance Code in the Appendix 14 of the Listing Rules (the "Corporate Governance Code")

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

The Company was listed on the Main Board of the Stock Exchange on May 18, 2022 (the "**Listing Date**"). The Company has adopted the principles and code provisions of the Corporate Governance Code as the basis of the Company's corporate governance practices.

From the Listing Date to December 31, 2022, the Company has complied with all applicable code provisions set out in the Corporate Governance Code except for the deviations from code provision C.2.1 of the Corporate Governance Code. Pursuant to code provision C.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Mr. Zhang Yong currently serves as the chairman of the Board and the chief executive officer of the Company. He joined the Group on May 28, 2008 and has been operating and managing the Group since then. The Directors believe that it is beneficial to the business operations and management of the Group that Mr. Zhang Yong continues to serve as both the chairman of the Board and the chief executive officer of the Company.

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

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers in the Appendix 10 of the Listing Rules (the "Model Code")

The Company has adopted the Model Code as its securities code to regulate the dealing by the Directors in securities of the Company. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code from the Listing Date to December 31, 2022. The Company's relevant employees, who are likely to be in possession of inside information of the Company, have also been subject to the Model Code for securities transactions. No incident of non-compliance of the Model Code by the Company's relevant employees was noted by the Company from the Listing Date to December 31, 2022.

The Company has also established a policy on inside information to comply with its obligations under the Securities and Futures Ordinance and the Listing Rules. In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors and relevant employees in advance.

Purchase, Sale or Redemption of Listed Securities of the Company

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

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

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

AUDIT COMMITTEE

The Company has established the audit committee (the "**Audit Committee**") under the Board with written terms of reference in compliance with the Corporate Governance Code. The Audit Committee consists of one non-executive Director and two independent non-executive Directors, namely Dr. Guo Yunzhao, Mr. Yu Shiyou and Mr. Xie Shaohua (Chairman).

The Audit Committee has reviewed the consolidated financial information for the year ended December 31, 2022 of the Group. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control measures with senior management members. The Audit Committee does not have any disagreement with the accounting treatment adopted by the Company.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of this announcement for the Group's consolidated statement of financial position, consolidated statement of comprehensive income, and the related notes thereon for the year ended December 31, 2022 have been agreed by the Company's external auditor, PricewaterhouseCoopers ("**PwC**"), to the amounts set out in the Group's audited consolidated financial statements for the year ended December 31, 2022. The work performed by PwC in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by PwC in this announcement.

FINAL DIVIDEND AND THE RECORD DATE

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

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (**http://www.hkexnews.hk**) and the Company (**http://yunkanghealth.com/**).

The 2022 annual report for the year ended December 31, 2022 containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the Shareholders, management team, employees, business partners and customers of the Company for their support and contribution to the Group.

By order of the Board
Yunkang Group Limited
Zhang Yong
Chairman

Guangzhou, the PRC
March 31, 2023

As at the date of this announcement, the Board comprises Mr. Zhang Yong as chairman and executive Director; Ms. Huang Luo, Dr. Guo Yunzhao, and Dr. Wang Ruihua as non-executive Directors; and Mr. Yu Shiyou, Mr. Yang Hongwei, and Mr. Xie Shaohua as independent non-executive Directors.