Yunkang Group Limited
云康集团有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2325

2024
Interim Report

CONTENTS

Definitions and Glossary of Technical Terms

"2022 RSU Scheme"	the 2022 restricted share unit scheme adopted by the Company on November 23, 2022
"AI"	artificial intelligence
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors of the Company
"China" or "PRC"	the People's Republic of China and, except where the context requires, references in this interim report to the PRC or China exclude the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan
"CLSI"	Clinical and Laboratory Standards Institute
"Company"	Yunkang Group Limited (云康集团有限公司), a company incorporated under the laws of the Cayman Islands with limited liability on July 20, 2018
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules, unless the context requires otherwise, refers to Mr. Zhang Yong, YK Development, Daan International, Guangzhou Daan Gene Technology, Da An Gene, Huizekx Limited, Mouduans Limited, Tongfuzc Limited, WJJR Investment Limited, Jin Jun Ying Limited and Source Capital RW Limited
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"Da An Gene"	Daan Gene Co., Ltd. (廣州達安基因股份有限公司), a company limited by shares established in the PRC whose shares are listed on the SME Board of the Shenzhen Stock Exchange (Stock Code: 002030.sz) and one of our Controlling Shareholders
"Daan International"	Daan International Holdings Limited (達安國際集團有限公司), a company incorporated in Hong Kong with limited liability on September 2, 2008, a subsidiary of Da An Gene and one of our Controlling Shareholders
"Director(s)"	director(s) of the Company

Definitions and Glossary of Technical Terms

"COVID-19"	coronavirus disease 2019
"DNA"	deoxyribonucleic acid
"FVOCI"	fair value through other comprehensive income
"FVTPL"	fair value through profit or loss
"Global Offering"	the offer for subscription of Shares as described in the Prospectus
"Group"	the Company, its subsidiaries and the consolidated affiliated entities as defined in the Prospectus
"Guangzhou Daan Gene Technology"	Guangzhou Daan Gene Technology Co., Ltd. (廣州市達安基因科技有限公司), a limited liability company established in the PRC on May 6, 2009 and a wholly-owned subsidiary of Da An Gene
"HK$", "HKD" or "Hong Kong Dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IT"	information technology
"Latest Practicable Date"	September 12, 2024, being the latest practicable date for the purpose of ascertaining certain information contained in this interim report prior to its publication
"LDT"	laboratory-directed testing
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM. For avoidance of doubt, the Main Board excludes the GEM
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
"PCR"	polymerase chain reaction, a method widely used to rapidly make millions to billions of copies of a specific DNA sample
"Prospectus"	the prospectus of the Company dated May 5, 2022

"R&D"	research and development
"Renminbi" or "RMB"	Renminbi yuan, the lawful currency of the PRC
"Reporting Period"	the six months ended June 30, 2024
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of the Company with nominal value of US$0.000002 each
"Shareholder(s)"	shareholder(s) of the Company
"SPDB Guangzhou Wuyang Branch"	Guangzhou Wuyang Branch of Shanghai Pudong Development Bank Co., Ltd. (上海浦東發展銀行股份有限公司廣州五羊支行)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed thereto under the Listing Rules
"USD" or "US$"	United States dollars, the lawful currency of the United States
"we", "us" or "our"	the Company or the Group, as the context requires
"YK Development"	YK Development Limited, a limited liability company duly incorporated in the British Virgin Islands on July 12, 2018 and one of the Company's Controlling Shareholders
"Yunkang Industry"	Yunkang Health Industry Investment Co., Ltd. (雲康健康產業投資股份有限公司), previously known as Gaoxin Da An Health Industry Investment Co., Ltd. (高新達安健康產業投資有限公司), a limited liability company established in the PRC on May 28, 2008 controlled by us through the Contractual Arrangements (as defined in the Prospectus)
"%"	per cent

Corporate Information

BOARD OF DIRECTORS

Executive Director

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

Non-executive Directors

Ms. Huang Luo
Dr. Wang Pinghui
Dr. Wang Ruihua

Independent Non-executive Directors

Mr. Yu Shiyou
Mr. Lan Fenghui
Mr. Xie Shaohua

AUDIT COMMITTEE

Mr. Xie Shaohua *(Chairman)*
Dr. Wang Ruihua
Mr. Yu Shiyou

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

JOINT COMPANY SECRETARIES

Mr. Lin Yingjia
Ms. Chan Lok Yee *(resigned on July 31, 2024)*
Ms. Lam Chi Ching Cecilia *(appointed on July 31, 2024)*

AUTHORIZED REPRESENTATIVES

Mr. Zhang Yong
Ms. Chan Lok Yee *(resigned on July 31, 2024)*
Ms. Lam Chi Ching Cecilia *(appointed on July 31, 2024)*

REGISTERED OFFICE

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

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Huangpu District
Guangzhou

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

HONG KONG LEGAL ADVISER

Zhong Lun Law Firm LLP
4/F, Jardine House
1 Connaught Place
Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

INVESTOR RELATIONS

Email: ir@yunkanghealth.com

COMPANY WEBSITE

www.yunkanghealth.com

STOCK CODE

2325

Financial Highlights

	Six months ended June 30,		
	2024	2023	Change
	RMB'000	RMB'000	
	(Unaudited)	(Unaudited)	
Revenue	**379,943**	476,865	(20.3)%
– Diagnostic testing services for medical institution alliances	**182,272**	197,876	(7.9)%
– Diagnostic outsourcing services	**179,614**	254,438	(29.4)%
– Diagnostic testing services for non-medical institutions	**18,057**	24,551	(26.5)%
Cost of revenue	**(251,745)**	(295,200)	(14.7)%
Gross profit	**128,198**	181,665	(29.4)%
(Loss)/profit before income tax	**(131,775)**	50,809	N/A
(Loss)/profit for the period	**(126,055)**	48,027	N/A
(Loss)/profit attributable to owners of the Company:	**(126,129)**	48,715	N/A

	Six months ended June 30,		
	2024	2023	Change
	RMB	RMB	
	(Unaudited)	(Unaudited)	
(Loss)/earnings per share for profit attributable to owners of the Company			
Basic	**(0.21)**	0.08	N/A
Diluted	**(0.21)**	0.08	N/A

During the Reporting Period, the Group recorded a revenue of RMB379.9 million, representing a decrease of 20.3% compared to the same period in 2023, of which, the revenue from diagnostic testing services for medical institution alliances decreased by 7.9% compared to the same period in 2023, the revenue from diagnostic outsourcing services decreased by 29.4% compared to the same period in 2023, and the revenue from diagnostic testing services for non-medical institutions decreased by 26.5% compared to the same period in 2023.

The decrease was mainly driven by changes in the overall economic environment, the profound reform in the medical service market and fierce market competition. During the Reporting Period, the growth in demand for routine testing services was slower than anticipated and the price of routine testing dropped due to market influence, which resulted in a decline in overall revenue from diagnostic testing services as compared to the same period last year. Nevertheless, without considering the impact of revenue from phased testing and screening services nationwide at the beginning of 2023, the diagnostic testing services segment provided by the Group for medical institution alliances maintained high-quality growth.

Financial Highlights

During the Reporting Period, the Group recorded a net loss of RMB126.1 million, as compared to a net profit of RMB48.0 million for the same period in 2023, mainly due to the following reasons:

1) during the Reporting Period, the decrease in overall revenue from diagnostic services and higher fixed costs resulted in a decline in gross profit margin and improminent economies of scale; and

2) during the Reporting Period, the Group recorded a significant amount of provision for impairment as certain trade receivables of the Group had a long recovery period and the recovery progress was slower than anticipated.

In the short term, changes in the macro-environment has brought temporary difficulties and challenges to the medical industry and the Group. However, in the long term, the growing demand for medical and health services driven by changes in the demographic structure, our country's great emphasis on public health and the healthcare industry and the continuous release of favorable policies, as well as the advancement and extensive application of innovative medical technologies, will provide numerous development opportunities for the healthcare service industry.

The Group has always adhered to promoting development through innovation and overcoming challenges with resilience. In response to the multiple difficulties, challenges and development opportunities brought by the macro-environment, the Group continues to deeply implement its overall business philosophy of "in-depth services and lean operations". On one hand, the Group continues to deepen its understanding and response to the needs of medical institution customers and continues to explore new methods and modes to improve medical service capabilities and efficiency together with its customers, so as to lay a solid foundation for long-term development. On the other hand, the Group will further improve the mechanisms and processes of corporate operation and management, optimize production capacity layout and eliminate redundancies, and adhere to lean operations through utilizing the rapidly developing digital technologies, in order to achieve a high-quality growth after short-term market adjustments by building an efficient operational system.

Management Discussion and Analysis

BUSINESS REVIEW

1. INDUSTRY OVERVIEW

1.1 International and domestic macro situation

In 2024, the international political and economic situation is complex and volatile. On the political front, the competition among major powers has intensified. On the economic front, the global economic growth is expected to remain at around 3%, but still lower than the pre-pandemic levels. The global economic recovery still confronts challenges such as geopolitical tensions and unstable supply chains, and all industries need to strengthen international cooperation to cope with uncertainties, thereby promoting a smooth recovery of the global economy.

The macro-environment facing China's development in 2024 will continue to be characterized by both strategic opportunities and risk challenges. In the first half of the year, China's economy maintained a momentum of steady progress, while the Chinese government took a series of measures to enhance macro-control, so as to promote high-quality development and accelerate the development of new quality productive forces. At the same time, it is noteworthy that the current factors affecting economic growth are more complex than in the past. Our country is making great efforts to address the difficulties and problems in economic performance in order to consolidate and boost the trend of economic recovery. The measures and strategies adopted by our country include new features such as adhering to innovation-driven development, cultivating new drivers and expanding new spaces for growth, adapting to the new characteristics of faster technological iteration, more disruptive innovations and deeper cross-field integration, thereby giving full play to the role of enterprises as the main body, increasing policy support in a targeted manner, and promoting more key core technologies to achieve new breakthroughs.

1.2 Third-party medical testing industry

After the end of the COVID-19 pandemic, the third-party medical diagnosis industry is faced with opportunities such as national policy support, growth in market demand and technological innovation, as well as a number of challenges such as strengthened supervision, price reduction, fierce market competition and plight of downstream medical institutions. In the medium and long term, the most fundamental factor affecting the development of the healthcare industry is demographic change. With the impact of objective factors such as the obvious trend of population aging in Chinese society and the increased incidence of chronic diseases, the public's attention to health management has increased, leading to a surge in demand for precision testing services such as early screening of diseases and monitoring of personalized treatment in the future, which will fluctuate due to policy but remain unchanged in the long run. In particular, medical diagnostic testing services, as one of the important means for the prevention and control on chronic diseases, will continuously grow in its market demand. Meanwhile, the life science and technology industry has gone through many years of accumulation of theories and technologies, and such industry is on the eve of a technological explosion. Advances in biotechnology itself and the development of information technology will greatly enhance the innovation capability of the life technology industry, thereby promoting the development of the entire chain from clinical innovation to primary medical care, to the health services industry.

However, in the short term, the healthcare services industry has entered a period of deep adjustment due to economic and market factors as well as the overall impact of healthcare policies. Although the routine medical testing market has shown sizeable growth, the demand growth is less than expected and the market competition is becoming increasingly fierce. Leading enterprises in the industry need to seek breakthroughs in several aspects such as improvement in technology and product, consolidation in internal management and enhancement in innovation and collaboration, taking the road of technological innovation and differentiated development, so as to continuously adapt to market changes and market demands to cope with short-term challenges and embrace new growth opportunities in the future.

Policy support and industry norms

At the policy level, as the reform of China's healthcare system continues to deepen and regulation is further strengthened, the development of the industry faces new opportunities and challenges.

- *The market demand of medical institution alliances was further unleashed due to the continuous release of favorable policies*

  Our country attaches great importance to the development of public health and the healthcare industry, and the continuous release of policy dividends has brought numerous development opportunities to the healthcare industry. As an important measure to promote the construction of a hierarchical diagnosis and treatment order, during the period from 2023 to 2024, the Notice on Issuing the List of Pilot Cities for Intensive Urban Medical Groups (《關於印發緊密型城市醫療集團試點城市名單的通知》), the Guiding Opinions on Comprehensively Promoting the Construction of Close-knit County-level Medical and Health Communities (《關於全面推進緊密型縣域醫療衛生共同體建設的指導意見》), and the Notice on Further Improving the Mechanism to Promote the Distribution of Urban Medical Resources to Low-tier County Hospitals and Urban and Rural Grassroots (《關於進一步健全機制推動城市醫療資源向縣級醫院和城鄉基層下沉的通知》) were successively issued at the national level, which specifies the comprehensive promotion of the construction of close-knit urban medical groups as well as the construction of county-level medical communities. The series of policies reflect the government's determination to promote the distribution of high-quality medical resources and to build a better and more efficient medical and healthcare service system. The deepening of the development of the medical institution alliances and the continuous improvement of hierarchical diagnosis and treatment system will provide strong impetus for the development of the third-party medical testing industry.

- *LDT pilots progressed steadily, bringing market increment for the development of precision medicine*

  Policies and local implementation of Laboratory-Directed Testing (LDT) methods have made significant progress in recent years. At the policy level, the Regulations on the Supervision and Administration of Medical Devices (《醫療器械監督管理條例》) issued by the National Medical Products Administration provide a legal basis for the legalization of LDT, allowing qualified medical institutions to develop their own in vitro diagnostic reagents according to their clinical needs and use them in their own units. Such policy has cleared the obstacles for the development of LDT and laid the foundation for its application in the field of precision medicine.

Subsequently, localities have actively responded to the national policies, and Guangzhou, Shanghai, Hangzhou and other places have successively introduced policies and measures to support the development of LDT, encouraging qualified medical institutions to carry out LDT pilots. The LDT policy support and continuous implementation have brought positive impetus to the development of precision medicine, accelerated the application of new technologies and new methods in the field of precision medicine, and provided more personalized and precise diagnosis and treatment plans for the clinical practice. Meanwhile, the application of LDT has promoted the diversification of the in vitro diagnostic reagent market and provided a new growth point for third-party medical testing institutions. More importantly, the application of the LDT model has improved the effectiveness of diagnosis and treatment and quality of life of patients, which injected new vitality into the development of precision medicine.

- *The reform of the health insurance payment system and the continuous implementation of the centralized procurement policy promote industrial transformation*

  With the reform of the health insurance payment system and the continuous implementation of the centralized procurement policy, the development of the diagnostic testing industry has been boosted, while at the same time unneglectable challenges and pressures were brought to the entire industry. On the one hand, the implementation of relevant policies has prompted medical institutions to pay more attention to cost control and efficiency improvement, thus increasing the demand for third-party medical testing services, and the industry penetration rate is expected to increase significantly, which brings market opportunities for enterprise development. On the other hand, the implementation of the policy has brought about a substantial reduction in the procurement cost of clinical testing reagents, which in turn lowered the price of relevant testing items, leading to an intensive competition in the industry in the short term as well as a significant drop in the profitability of enterprises, which has a certain impact on the development of the industry. Under this policy, third-party medical testing institutions are required to continue to optimize their internal management, reduce operating costs and improve service efficiency in order to cope with the cost-control pressures brought by the health insurance payment and the centralized procurement policy.

Technological advances and innovative applications

Technological innovation is the core driver for the development of medical diagnostic testing services market. The rapid development of biotechnology has pushed the scope of bioeconomy to many fields, and the development and application of biotechnology has become increasingly disruptive. With the development of new general-purpose technologies such as ultra-micro pathological morphology, PCR, fluorescence in situ hybridization, flow cytometry, next-generation sequencing (NGS), digital PCR, remote AI pathology, mass spectrometry and the in-depth application of AI technologies, the industry will further accelerate the pace of technological updates in the future. Medical big data platforms are in the ascendant, providing a powerhouse for medical, medical technology and pharmaceutical innovation. The further application of AI technology in the field of testing and diagnosis has enhanced work efficiency and improved the accuracy and stability of the results. Biotechnology innovations have greatly improved the technical service capabilities of medical testing institutions, attracting more medical institutions to choose to cooperate with external institutions to provide testing services for patients.

2. BUSINESS REVIEW

As a comprehensive and professional medical operation service provider in China, the Group has been committed to promoting development with innovation and overcoming challenges with resilience. In the face of multiple difficulties and challenges and development opportunities brought by the macro-environment, the Group continued to deeply implement its overall business philosophy of "in-depth services and lean operations". On one hand, we constantly deepened our understanding of and response to the demands of medical institution customers and continued to explore new methods and new modes for improving medical service capabilities and efficiency together with our customers in order to consolidate the Company's development foundation and professional brand with in-depth services. During the Reporting Period, on the one hand, we achieved remarkable results in product innovation and model innovation, laying the foundation for the long-term healthy development of the Group; on the other hand, we further improved our operational and management mechanism and procedure, optimized the production capacity and eliminated redundancy, leveraged on the fast-growing digital technologies and remained focused on lean operations to improve customer experience and satisfaction with better and more efficient services.

During the Reporting Period, due to the challenges brought by the macro-environment, the profound changes in the medical service market and the fierce market competition, the Group's short-term results did not meet expectations. During the Reporting Period, the Group recorded a revenue of RMB379.9 million, representing a decrease of 20.3% as compared to the same period in 2023, and a net loss of RMB126.1 million as compared to a net profit of RMB48.0 million for the same period in 2023. During the Reporting Period, without considering the impact of revenue from phased testing and screening services nationwide at the beginning of 2023, the diagnostic testing services segment provided by the Group for medical institution alliances continued to maintain high-quality growth, making it the largest source of revenue of the Group.

However, despite the above challenges, the Group relied on its customer-oriented, innovative, and coordinated development system to achieve many breakthroughs in product innovation and model innovation, and made in-depth advancements in lean operation management and digital empowerment, laying a foundation for the long-term high-quality development of the Group. We actively believe that, despite the impact of the macro-environment in the short term, we will meet the market demand with more competitive products and services when the macro-environment improves and the market adjustment is gradually completed, which will put us in a more favorable market position. During the Reporting Period, the Group achieved good results in the following aspects:

2.1 *In-depth services-product innovation + model innovation to create new quality productive forces*

- *The innovative business model of providing diagnostic testing services for medical institution alliances has achieved remarkable results, such in-depth services have empowered the development of hospitals*

  In recent years, based on the continuous increase in favorable national policies, the gradual release of market demand for medical institution alliances, and the Group's overall advantages in its solutions featuring specialization, standardization and digitalization for the construction of regional medical institution alliances, the Group's innovative business model – the provision of diagnostic testing services to medical institution alliances has maintained high-quality and healthy development for many years. As at the end of the Reporting Period, the Group had successfully provided professional diagnostic services to more than 1,500 medical institutions in collaboration with medical institution alliances from over 430 on-site diagnostic centers of medical institution alliances across the country and had created a number of benchmark joint projects, so as to facilitate the rapid development of medial institution alliances. While developing customers of the joint construction business with medical institution alliances, we attached greater importance to the deep cultivation of existing clients and lean operations. The Group not only provided "3+1" (i.e. tumor, infection, genetics and reproduction + precision medicine) technical system support but also provided support to the in-depth service system, including the operation of diagnostic centers under regional medical institution alliances, introduction of new technologies or new products, construction services for digital specialized clinical disciplines, medical cold chain logistics services, quality control services and supply chain services, so as to empower the demand and long-term development of hospitals with in-depth services.

  During the Reporting Period, our joint construction business with medical institution alliances was the largest source of revenue of the Group, contributing approximately 48.0% of our revenue. Without considering the impact of revenue from phased testing and screening services nationwide at the beginning of 2023, the diagnostic testing services segment provided by the Group for medical institution alliances continued to maintain high-quality growth.

- *Disease- and clinical-oriented development of high-quality products with continuously enhanced product competitiveness*

  The Group has always adhered to the "disease and clinical" oriented service concept and built a series of high-tech platforms including PCR, protein high-throughput sequencing, gene chip, molecular diagnosis, cytogenetic, digital remote pathology and ultra-micro pathology, which are capable of providing 3,500+ testing items, with an annual testing volume of more than tens of millions of specimens. Focusing on the core goal of "continuously improving product competitiveness", the Group continued to improve the core competitiveness of its products in total five dimensions, namely, product comprehensiveness, excellence, uniqueness, product classification management, and creating clinical scenario-based product solutions. We have developed diversified and targeted solutions and services for clinical application scenarios in different regions and different kinds of medical institutions, and established professional capabilities in multiple fields of diseases, including infectious diseases, reproductive health, genetic diseases, solid tumors, blood diseases, clinical immunology and endocrinology.

In recent years, the Group has continuously increased its investment in product research and development. In the first half of 2024, we launched more than 500 new testing items, far outpacing our peers in the launch of new items. New items launched during the Reporting Period with clinical needs as the core include 12 key featured products represented by dried blood spot vitamin D, allergy gene V2.0, urinary and fungal targeted next-generation sequencing (tNGS), as well as new items such as targeted sequencing of 158 respiratory pathogens, targeted sequencing of 265 common pathogens, intestinal flora detection (16srDNA sequencing), congenital adrenal hyperplasia (CAH) gene detection (third generation sequencing), and deafness gene screening (321 sites), which have been widely recognized by the market.

- *The joint innovation platform for diagnostic testing was replicated rapidly, and the product innovation + model innovation achieved remarkable results*

  In recent years, the Group pioneered the "joint innovation platform for diagnostic testing", aiming to promote technological innovation for clinical purposes. Since its establishment, the joint innovation platform for diagnostic testing has successfully developed testing products for different infection syndromes in various fields such as respiratory tract infections and central nervous system infections. During the Reporting Period, the Group continued to deepen its cooperation with many top hospitals such as Guangdong Provincial People's Hospital with which the Group has contracted and continued to develop new products and technologies and promote them to the market, which have been widely acclaimed by clinicians. At the same time, we attach great importance to the continued development of the joint innovation platform for diagnostic testing. Since the establishment of the joint innovation platform for diagnostic testing in August 2022, we have so far cooperated with dozens of top domestic medical institutions in this innovative model. By giving full play to the top hospitals' technological leadership, as well as leveraging on the Group's platform foundation and innovative integration advantages in cutting-edge biotechnology, AI, cloud computing, big data and other advanced digital technologies, we will jointly explore scientific research and achievement transformation in various clinical specialty areas.

  During the Reporting Period, the innovative products based on the joint innovation platform for diagnostic testing have exceeded the annual level of the previous year in terms of testing volume and testing revenue, which has injected new momentum into the Group's long-term high-quality growth.

- *Innovation in the medical technology industry to create a new model of innovative medical center*

  In terms of innovation in the medical technology industry, leveraging on its unique innovation on industrial model, the Group joins hands with various partners and lays emphasis on policy guidance, clinical development, technological breakthroughs, industrial services and application promotion in a bid to explore a new cooperation model for joint innovation and cooperation with medical schools, local governments and medical institutions.

Subsequent to the Reporting Period, we have signed strategic cooperation agreements with the People's Government of Ouhai, Wenzhou City and Wenzhou Medical University. In the future, all parties will focus on the core areas of the biopharmaceutical industry to orderly promote the establishment of several key projects such as joint innovation and transformation platforms, public service platforms, and medical big data research platforms, regional diagnosis sharing centers and innovative talents training base to promote the rapid transformation and industrial application of scientific research results and facilitate the construction of life and health industry.

As a leading medical operation service group in China, based on innovative multi-technology platforms, extensive service networks and the ability to integrate professional resources at home and abroad, the Group provides the platforms with core services featuring "standardization, specialization, intellectualization and collateralization". Based on the above, the Group will fully support Wenzhou Medical University and its affiliated hospitals, promote the transformation of scientific research results into practical applications, and strengthen the development of clinical disciplines and superior specialties, so as to truly improve the regional medical level. In addition, we will also capitalize on the network advantages of the medical institution alliances of the Group to assist in the early screening, diagnosis and intervention of major diseases and chronic diseases, and provide professional support for establishments such as Wenzhou as a Medical Treatment and Pandemic Prevention Integrated Pilot City (醫防融合試點城市), so as to make medical services more in line with the needs of the public.

- *Focusing on "AI + medical care" to promote high-quality development of the industry*

Over the years, based on its own advanced scientific research technology platform and well-established clinical service system and with a focus on digital technologies such as new medical technologies, cloud computing, big data, internet of things and 5G mobile networks, the Group has continuously improved its own medical testing technology research and development and digital application, further explored cutting-edge medical fields such as remote pathology, digital pathology, AI and built a professional service platform "AI + medical care". Combining with its top ten digital "cloud" operation systems, the Group helps partner hospitals to accomplish remote guidance, consultation, training and other services, accelerate the interconnection of information within the medical institution alliances, and distribute high-quality medical resources to underdeveloped areas, so as to benefit the majority of residents.

As at the end of the Reporting Period, the remote pathology consultation platform, a digital IT platform independently developed by the Group which owns all intellectual property rights thereon, has covered more than 600 medical testing items and has provided standardized and intelligent professional pathology technical services to nearly 300 medical institutions. It is one of the leading remote pathology platforms in China with the most access to hospitals. It assists medical institutions nationwide in improving examination quality and diagnosis efficiency and builds a digital pathology consultation system that efficiently empowers medical institutions at all levels.

In terms of the application of AI-assisted diagnosis, the Group adheres to the strategy of "introducing one item once it is mature", and closely follows the development trend of the industry. The Group has successfully introduced items such as pathological DNA polyploid AI-assisted diagnosis, cervical liquid-based cell AI-assisted diagnosis, chromosome AI analysis, leading to the great enhancement of diagnostic efficiency and the continuous emergence of application effects. Through the perfect combination of pathological AI-assisted diagnosis and remote pathology diagnosis platform, the Group has also realized the upgrade of the human-machine remote mode of "preliminary screening by AI and review by pathologist", significantly improving the efficiency of film reading.

2.2 Lean operations – continue to build lean operation capabilities to reduce costs and increase benefits

In the face of the complex external environment and fierce market competition, the Group is well aware that only those working hard to consolidate the overall strength can survive the crisis, thereby it has built a solid foundation to accumulate development strength. During the year, the Group made timely adjustments and changes to the Group's operations based on the core theme of "dredging for a deep bay or leave it as a shallow lake" to ensure the long-term and healthy development of the company.

During the Reporting Period, the Group launched Phase II of the Robust Project (強健工程), aiming to continue to deepen the results of the Phase I of the Project, consolidate the foundation of the Group's lean operations and management, and further improve the efficiency of the Group's use of resources to reduce costs and increase benefits through minimizing operating costs and optimizing operation platform. Through the perseverance and efforts of all employees of the Group, Phase II of the Robust Project systematically sorted out the operating data of each operating module of the Group. Through vertical penetration and horizontal comparison, we gained a deep insight into the nature of operational issues, identified key tasks, found basic solutions to the issues and achieved the following outcomes:

- we have improved the establishment of various operating rules and systems, optimized the core operation and management processes, further standardized the process supervision mechanism, and improved supervision efficiency;

- supported by the Group's "cloud" system, a structured operation data support system is established through IT-based means, and data penetrates through layers and can be traced to the bottom layer. Through data system monitoring and analysis, the root causes of operational issues were found and analyzed, and thus resolved from the source; and

- by means of lean management, we will comprehensively reduce costs and increase benefits from all aspects of corporate operations such as marketing, laboratories, supply chain, logistics and human resources, the outcomes of which will be seen in the second half of the year.

In the future, the Group will continue to promote the Robust Project and enhance the value and competitiveness of the Company through the all-process value chain management, thereby enhancing the market position and profitability of the Company.

FINANCIAL REVIEW

Overview

The financial summary set out below is extracted or calculated from the unaudited condensed consolidated financial statements of the Group for the Reporting Period which were prepared in accordance with the applicable disclosure provisions of the Listing Rules, including compliance with Hong Kong Accounting Standard 34 Interim Financial Reporting, issued by the Hong Kong Institute of Certified Public Accountants.

Revenue

During the Reporting Period, the Group recorded a revenue of RMB379.9 million, representing a decrease of 20.3% as compared to the same period in 2023. Among them, the revenue from diagnostic testing services for medical institution alliances amounted to RMB182.3 million, representing a decrease of 7.9% as compared to the same period in 2023; the revenue from diagnostic outsourcing services amounted to RMB179.6 million, representing a decrease of 29.4% as compared to the same period in 2023; the revenue from diagnostic testing services for non-medical institutions amounted to RMB18.1 million, representing a decrease of 26.5% as compared to the same period in 2023. The decrease in overall revenue and revenue from each business segment was mainly due to the impact of the overall economic environment, the profound reform in the medical service market and fierce market competition. During the Reporting Period, the growth in demand for routine testing services was slower than anticipated and the price of routine testing dropped due to market influence, which resulted in a decline in overall revenue from diagnostic testing services as compared to the same period last year. Nevertheless, without considering the impact of revenue from phased testing and screening services nationwide at the beginning of 2023, the diagnostic testing services segment provided by the Group for medical institution alliances maintained high-quality growth.

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

	For six months ended June 30,		
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)	Change
Diagnostic testing services for medical institution alliances	**182,272**	197,876	(7.9)%
Diagnostic outsourcing services	**179,614**	254,438	(29.4)%
Diagnostic testing services for non-medical institutions	**18,057**	24,551	(26.5)%
	379,943	476,865	(20.3)%

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, which primarily include outsourcing service fees paid; and (v) other costs, which are directly attributable to the generation of revenue.

The Group's cost of revenue decreased by 14.7% from RMB295.2 million for the six months ended June 30, 2023 to RMB251.7 million for the six months ended June 30, 2024, which was primarily attributable to the market demand for diagnostic testing services having grown slower than anticipated and the drop in the price of routine testing due to market influence, resulting in a decline in overall revenue and a corresponding decrease in cost of revenue.

Gross Profit and Gross Profit Margin

As a result of the aforementioned factors, the Group's gross profit decreased by 29.4% from RMB181.7 million for the six months ended June 30, 2023 to RMB128.2 million for the six months ended June 30, 2024. The Group's overall gross profit margin decreased from 38.1% for the six months ended June 30, 2023 to 33.7% for the six months ended June 30, 2024, primarily due to the market demand for diagnostic testing services having grown slower than anticipated, the reduction in business scale, the drop in the price of routine testing due to market influence and higher fixed costs, which resulted in a decline in the overall gross profit.

Other Income

Other income decreased by 82.9% from RMB6.1 million for the six months ended June 30, 2023 to RMB1.0 million for the six months ended June 30, 2024. The decrease was primarily due to the decrease in government grants received. The government grants mainly include those grants from the local government in recognition of the R&D projects of the Group. There are no unfulfilled conditions or other contingencies attached to these grants.

Other Gains, Net

Other gains, net decreased from RMB31.1 million for the six months ended June 30, 2023 to RMB6.6 million for six months ended June 30, 2024. The decrease was primarily attributable to (i) a decrease in exchange gains as a result of currency fluctuations during the Reporting Period; and (ii) a decrease in gains from redemption of financial assets at FVTPL.

Selling Expenses

The Group's selling expenses increased by 3.5% from RMB86.9 million for the six months ended June 30, 2023 to RMB89.9 million for the six months ended June 30, 2024, mainly due to the increase in related marketing expenses to facilitate business development and the recovery of trade receivables.

Administrative Expenses

The Group's administrative expenses increased by 23.8% from RMB80.5 million for the six months ended June 30, 2023 to RMB99.7 million for the six months ended June 30, 2024, primarily due to an increase in share award expenses of RMB17.7 million.

The Group's R&D expenses mildly decreased from RMB26.4 million for six months ended June 30, 2023 to RMB24.7 million for six months ended June 30, 2024, and the R&D expenses as a percentage of the total revenue increased from 5.5% for the six months ended June 30, 2023 to 6.5% for the six months ended June 30, 2024, mainly due to the Group's continued focus on R&D of medical technologies and operating systems.

Impairment Losses on Financial Assets

The Group's impairment losses on financial assets were mainly provisions for trade receivables. For the six months ended June 30, 2024, the Group's impairment losses on financial assets were approximately RMB52.4 million, representing an increase of provision of RMB48.1 million as compared to RMB4.3 million as at June 30, 2023, which was due to the fact that (i) certain trade receivables had a long recovery period arising from phased testing and screening services nationwide, and (ii) the recovery progress of trade receivables was slower than anticipated, which resulted in a significant amount of corresponding impairment losses on financial assets.

Finance Costs, Net

The Group's net finance costs increased from RMB15.1 million for the six months ended June 30, 2023 to RMB24.3 million for the six months ended June 30, 2024, primarily due to an increase in interest expense on interest-bearing borrowings.

(Loss)/Profit Before Income Tax

As a result of the aforementioned factors, the Group recorded a loss before income tax of RMB131.8 million for the six months ended June 30, 2024, as compared to a profit before income tax of RMB50.8 million for the six months ended June 30, 2023. This was mainly attributable to the demand for routine testing having grown slower than anticipated, the decrease in overall revenue from diagnostic services and higher fixed costs, which resulted in improminent economies of scale. Additionally, due to the longer recovery period of certain trade receivables, the amount of impairment losses on the corresponding financial assets was relatively large.

Income Tax Credits/(Expenses)

The Group recorded income tax credits of RMB5.7 million for the six months ended June 30, 2024, as compared to income tax expenses of RMB2.8 million for the six months ended June 30, 2023, primarily due to the turnaround from net profit to net loss.

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 RMB396.9 million as at December 31, 2023 to RMB369.3 million as at June 30, 2024, mainly due to depreciation and amortization of property and equipment.

Financial Assets Measured at Fair Value

The Group's financial assets measured at fair value comprise financial assets designated at FVTPL and financial assets designated at FVOCI.

As at June 30, 2024, the balance of financial assets at FVTPL was RMB577.4 million, representing a decrease of RMB211.5 million as compared to December 31, 2023, due to the redemption of structured notes during the Reporting Period.

As at June 30, 2024, the balance of financial assets at FVOCI was RMB79.5 million, representing an increase of RMB5.0 million as compared to December 31, 2023, due to the addition of an equity investment during the Reporting Period while changes in the fair value of financial assets at FVOCI were immaterial.

For more details of the Group's financial assets measured at fair value, please refer to note 16 to the interim condensed consolidated financial statements of this report.

Inventories

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

The Group's inventories decreased from RMB18.0 million as at December 31, 2023 to RMB15.5 million as at June 30, 2024, due to the decrease in the Group's procurement scale being in line with the reduction in its business scale, as well as the continued strengthening of inventory management.

Trade Receivables

The following table shows the loss allowance provision for the Group's trade receivables as at June 30, 2024:

	Public medical institutions RMB'000	Chinese Center for Disease Control and Prevention (中國疾病預防控制中心) RMB'000	Others RMB'000	Total RMB'000
Trade receivables as at June 30, 2024				
Gross carrying amount	1,118,658	489,457	135,946	1,744,061
Less: Loss allowance provision	(317,791)	(15,861)	(56,195)	(389,847)
	800,867	473,596	79,751	1,354,214
Bill receivables	844	–	–	844
	801,711	473,596	79,751	1,355,058

The Group's trade receivables decreased from RMB1,515.5 million as at December 31, 2023 to RMB1,355.1 million as at June 30, 2024, primarily due to (i) recovery of trade receivables; (ii) provision for trade receivables; and (iii) the impact of the reduction of revenue from diagnostic testing services. The credit period of the business of routine testing provided by the Group to customers is usually 180 days. The actual payback period for customers in certain regions will be lengthened due to the progress of approval for funding by the National Healthcare Security Administration (國家醫療保障局).

Affected by the market conditions of phased testing and screening services nationwide, most of the Group's trade receivables aged over one year. Customers in default of payment mainly include certain units of public hospitals and the Chinese Center for Disease Control and Prevention (中國疾病預防控制中心), the settlements of which are subject to government funding and long internal administrative procedures. The management of the Group applies the simplified approach under Hong Kong Financial Reporting Standard 9 Financial Instruments (HKFRS 9) to measure the expected credit losses ("**ECL**") on trade receivables, based on the lifetime ECL at the end of each reporting period. The management has performed a detailed analysis, taking into account the customers' aging, credit history, historical payment pattern and forward-looking information, to estimate the ECL on its trade receivables. As such, the Group is of the view that there is no material recoverability issue for its net trade receivables. Additionally, the Group seeks to maintain strict control over its outstanding receivables and has a credit control department. Overdue balances are also reviewed regularly by senior management to minimize credit risk. Specific actions include but not limited to ongoing negotiation and discussion with customers regarding repayment plans and, if necessary, pursuing legal actions. Trade receivables are in the progress of being recovered. Subsequent to the Reporting Period and up to the Latest Practicable Date, trade receivables of approximately RMB172.6 million had been settled, accounting for 12.7% of the Group's net trade receivables as at June 30, 2024.

The Group's trade receivables are relatively diversified. As at June 30, 2024, the balance of trade receivables from its single largest external customer did not exceed 5% of the Group's total trade receivables as at the same date. Therefore, any payment default by the single customer would not have a material adverse effect on the Group. In addition, the management of the Group has not identified any trade receivables from the single largest external customer that are subject to a significant risk of unrecoverability. Having considered all these factors, the Directors consider that the loss allowance as at June 30, 2024 was adequate.

Prepayments and Other Receivables

The Group's prepayments and other receivables decreased from RMB33.3 million as at December 31, 2023 to RMB24.6 million as at June 30, 2024, which was mainly due to the decrease in the related deposits as a result of the reduction in property leasing in order to reduce the operating costs and improve operating efficiency.

Trade and Other Payables

The Group's trade and other payables decreased from RMB975.5 million as at December 31, 2023 to RMB926.3 million as at June 30, 2024, primarily due to a decrease in the Group's procurement scale being in line with the contraction in revenue scale during the period.

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 increased from RMB1,244.1 million as at December 31, 2023 to RMB1,289.8 million as at June 30, 2024, primarily attributable to an increase in cash as a result of the Group's redemption of its investments in previous years. For details of the Group's borrowings, please refer to the item "Borrowings and Gearing Ratio" in this section.

Net Current Assets

The Group's net current assets decreased from RMB1,649.7 million as at December 31, 2023 to RMB1,445.7 million as at June 30, 2024.

Key Financial Ratios

The following table sets forth the Group's key financial ratios for the periods or as at the dates indicated.

	For the six months ended June 30, 2024	2023
Gross profit margin[(1)]	**33.7%**	38.1%

	As at June 30, 2024	As at December 31, 2023
Current ratio[(2)]	**1.74**	1.75
Quick ratio[(3)]	**1.73**	1.75
Debt to asset ratio[(4)]	**0.53**	0.53

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.

Contingent Liability

As at June 30, 2024, the contingent liability of RMB19,199,000 was related to a legal dispute against the Group initiated by a subcontracting service provider of the Group which remains outstanding as at the date of this report. The legal dispute is about disagreement on the (i) determination basis of certain subcontracting service fee and (ii) the related penalty for the delay in payment of such subcontracting service fee.

Financing and Treasury Policies

The Group adopts centralized financing and treasury policies in order to ensure the Group's funding is utilized efficiently. The Group's liquidity position remains healthy, and the Group possesses sufficient cash and available banking facilities to meet its commitments and working capital requirements.

The Group's primary objectives for managing its capital are to safeguard the Group's ability to provide returns to Shareholders and benefits for other stakeholders, by pricing products commensurately with the level of risk and by securing access to finance at a reasonable cost. The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder's returns that might be possible with higher level of borrowings and the advantage and security based on a sound capital position, and adjusts the capital structure in light of changes in economic conditions.

Foreign Exchange Risk

The Group mainly operates in China. The relevant foreign exchange risk arises from bank deposits and financial assets at FVTPL that are denominated in Hong Kong dollars or U.S. dollars, and borrowings that are denominated in U.S. dollars or Swiss francs. The Group has adopted forward foreign exchange currency swap arrangement for borrowings that are denominated in U.S. dollars or Swiss francs to mitigate exchange risk, other than which the 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

As at June 30, 2024, the Group had borrowings of RMB1,149.3 million (December 31, 2023: RMB1,347.8 million), of which RMB739.7 million were at fixed interest rates (December 31, 2023: RMB1,051.7 million). As at June 30, 2024, borrowings equivalent to approximately RMB27.4 million were originally denominated in U.S. dollars and borrowings equivalent to approximately RMB59.4 million were originally denominated in Swiss francs.

As at June 30, 2024, the gearing ratio of the Group (calculated as total interest-bearing borrowings and lease liabilities divided by total equity plus other financial liabilities as at the same date) decreased to 61.1%, compared to 65.6% as at December 31, 2023.

Pledge of Assets

As at June 30, 2024, borrowings of approximately RMB375.6 million (December 31, 2023: RMB497.0 million) were secured by certain of the Group's equipment and pledged by certain of the Group's time deposits.

Significant Investments, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures during the Reporting Period

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

Events after the Reporting Period

No important events affecting the Group have occurred since June 30, 2024 and up to the date of this report.

Future Plans for Material Investments and Capital Assets

The Group does not have any concrete committed plans for material investments and capital assets as at the date of this report.

Employees and Remuneration

As at June 30, 2024, the Group had 1,459 employees (as at June 30, 2023: 1,931). The total remuneration cost (including Directors' remuneration) incurred by the Group for the six months ended June 30, 2024 was RMB156.2 million (for the six months ended June 30, 2023: RMB153.6 million). The total remuneration of employees for the six months ended June 30, 2024 includes approximately RMB17.7 million of expenses related to restricted award shares (for the six months ended June 30, 2023: nil). 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. Apart from offering a competitive remuneration and benefits package, the Group provides corporate and vocational training to its employees according to the training and development policy of the Group.

The Company has also adopted a restricted share unit scheme on November 23, 2022 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 of the Company 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 announcements dated November 23, 2022 and July 28, 2023.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

(i) Interests in the Company

As at June 30, 2024, the interests and short positions of the Directors and chief executives of the Company and their associates in any of the Shares, underlying Shares and debentures of our Company or its associated corporations (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

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

(L) denotes a long position

Notes:

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

(2) The calculation is based on the total number of 621,250,500 Shares in issue as at June 30, 2024.

(ii) Interests in associated corporations of the Company

Name of Director/ chief executive	Name of associated corporation	Capacity/ nature of interest	Number of Shares in the associated corporation interested	Approximate percentage of shareholding in the associated corporation
Mr. Zhang Yong	Huizekx Limited	Beneficial owner	1 (L)	100.00%
Mr. Zhang Yong	YK Development	Interested in a controlled corporation	3,203,250 (L)	64.04%

(L) denotes a long position

Save as disclosed above, as at June 30, 2024, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or which would be required to be recorded in the register to be kept by the Company pursuant to Section 352 of the SFO, or which would be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at June 30, 2024, so far as the Directors are aware, the followings are the persons, other than the Directors or chief executives of the Company, who had interests or short positions in the Shares and underlying Shares which would be required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

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

(L) denotes a long position

Notes:

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

(2) YK Development is held as to approximately 23.47%, 6.95%, 3.04%, 0.50% and 2.00%, by Mouduans Limited, Tongfuzc Limited, WJJR Investment Limited, Jin Jun Ying Limited and Source Capital RW Limited, respectively. Pursuant to Chapter 1.1C of the Guide for New Listing Applicants, Huizekx Limited, Mouduans Limited, Tongfuzc Limited, WJJR Investment Limited, Jin Jun Ying Limited, Source Capital RW Limited and YK Development are a group of Controlling Shareholders of the Company.

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

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

(5) The calculation is based on the total number of 621,250,500 Shares in issue as at June 30, 2024.

Save as disclosed above, as at June 30, 2024, the Directors and chief executives of the Company were not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would be required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

2022 RSU SCHEME

On November 23, 2022 (the "**Adoption Date**"), the 2022 RSU Scheme was approved and adopted by the Company. Further details of the 2022 RSU Scheme are set out in the Company's announcements dated November 23, 2022 and July 28, 2023.

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

1. Purposes of the 2022 RSU Scheme

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

2. Selected Participants in the 2022 RSU Scheme

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

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

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

(3) other persons identified by the Board as a Selected Participant.

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

3. Total number of Shares under the 2022 RSU Scheme

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

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

On July 28, 2023, the Board resolved to increase the maximum number of Shares that can be awarded under the 2022 RSU Scheme from 3% to 10% of the issued Shares of the Company as at November 23, 2022, being 62,125,050 Shares, representing 10% of the issued Shares of the Company as at the date of this report. For more details, please refer to the announcement of the Company dated July 28, 2023.

The number of RSUs available for grant under the 2022 RSU Scheme was 62,125,050 Shares and 47,416,050 Shares (including RSUs that have lapsed and are available for re-granting) as at January 1, 2024 and June 30, 2024, respectively.

As of June 30, 2024, the Company had granted a total of 15,101,500 RSUs to Selected Participants under the 2022 RSU Scheme, of which 392,500 RSUs lapsed during the six months ended June 30, 2024. None of the grantees of the RSUs are Directors or core connected person(s) of the Company as at June 30, 2024.

4. **Maximum entitlement of each RSU Participant**

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

5. **Vesting**

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

6. **Acceptance of RSUs**

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

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

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

8. Remaining life

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

As at the date of this report, the remaining life of the 2022 RSU Scheme was approximately eight years and three months.

Details of movements in the RSUs granted under the 2022 RSU Scheme during the Reporting Period are as follows:

Category/name of grantee	Date of grant	Closing price of Shares immediately before the date on which the RSUs were granted (HK$)	Vesting period	Weighted average closing price of Shares immediately before the vesting date (HK$)	Purchase price (per Share) (HK$)	Performance target	Unvested as at January 1, 2024	During the Reporting Period				Unvested as at June 30, 2024	Fair value of RSUs at the date of grant (Note 2) (HK$)
								Granted	Vested	Lapsed	Cancelled		
Five highest paid individuals during the financial year in aggregate	January 23, 2024	11.22	6 years	N/A	0	Note 1	0	5,273,500	0	0	0	5,273,500	11.22
Employees in aggregate	January 23, 2024	11.22	6 years	N/A	0	Note 1	0	9,828,000	0	392,500	0	9,435,500	11.22
Total							**0**	**15,101,500**	**0**	**392,500**	**0**	**14,709,000**	

Notes:

(1) The vesting of the RSUs shall be subject to the grantee meeting the performance targets to be determined by the Company from time to time. The Company has established an appraisal mechanism to assess the fulfillment of performance targets by the grantee. The appraisal mechanism uses a grading system based on a matrix of qualitative and quantitative indicators that vary according to the roles and responsibilities of the grantee. The indicators include, but are not limited to, measures of work quality, efficiency, collaboration, management and strategy. The scoring system evaluates the grantee's regular duties and the strategic objectives or tasks assigned for the appraisal period. The Company intends to make reference to this appraisal mechanism to set and review the performance targets of the grantees periodically.

(2) Further details of the 2022 RSU Scheme are set out in note 18(b) to the interim condensed consolidated financial statements.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, at no time during the Reporting Period was the Company or any of its subsidiaries, a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of the Shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

COMPLIANCE WITH THE CODE PROVISIONS SET OUT IN PART 2 OF 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 the Shareholders and to enhance corporate value and accountability.

The Company has adopted the principles and code provisions set out in Part 2 of the Corporate Governance Code as the basis of the Company's corporate governance practices during the Reporting Period.

During the Reporting Period, the Company has complied with all applicable code provisions set out in Part 2 of the Corporate Governance Code except for the deviation from code provision C.2.1 of the Corporate Governance Code. Pursuant to code provision C.2.1 of the Corporate Governance Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established and set out in writing. Mr. Zhang Yong currently serves as the chairman of the Board and the chief executive officer of the Company. He joined the Group on May 28, 2008 and has been operating and managing the Group since then. The Directors believe that it is beneficial to the business operations and management of the Group that Mr. Zhang Yong continues to serve as both the chairman of the Board and the chief executive officer of the Company.

The Company 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

The Company has adopted the Model Code as its securities transaction 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 during the Reporting Period.

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any subsidiaries or consolidated affiliated entities of the Group purchased, redeemed or sold any of the listed securities of the Company during the Reporting Period.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of the Directors subsequent to the publication of the annual report of the Company for the year ended December 31, 2023 are set out below:

Since May 2024, Dr. Wang Ruihua has been appointed as an independent director of China Meheco Group Co., Ltd. (中國醫藥健康產業股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600056).

INTERIM DIVIDEND

The Board did not declare any interim dividend for the six months ended June 30, 2024 (for the six months ended June 30, 2023: nil).

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited condensed consolidated financial statements and the interim report for the six months ended June 30, 2024 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.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds from the Global Offering amounted to approximately HK$811.8 million ("**Net Proceeds**"). The original plan for utilization of the Net Proceeds had been disclosed in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

On June 28, 2024, the Company announced re-allocation of the use of the Net Proceeds and the extension of timing of the use of the Net Proceeds. For further details and reasons for such changes, please refer to the announcement of the Company dated June 28, 2024.

Details of the original allocation of the Net Proceeds, the revised allocation of the Net Proceeds and the utilization of the Net Proceeds are set out below:

	Allocation of Net Proceeds and the proportion as disclosed in the Prospectus HK$ million	Percentage	Net Proceeds utilized as at May 31, 2024 HK$ million	Unutilized balance of Net Proceeds after re-allocation as at May 31, 2024 HK$ million	Net Proceeds utilized as at June 30, 2024 HK$ million	Amounts not yet utilized as at June 30, 2024 HK$ million	Expected timeline of full utilization of the Net Proceeds
Expanding and deepening our medical institution alliance network	446.5	55.0%	220.1	184.0	229.0	175.1	By the end of 2026
Upgrading and enhancing our operational capabilities as a medical operation service provider	162.3	20.0%	130.4	59.4	131.5	58.3	By the end of 2026
Expanding our diagnostic capabilities and enriching our diagnostic testing portfolio	81.2	10.0%	31.7	22.0	32.8	20.9	By the end of 2026
Potential investment and acquisition opportunities	40.6	5.0%	-	55.0	-	55.0	By the end of 2026
Recruiting and training up our talent pool	40.6	5.0%	22.3	36.3	27.0	31.6	By the end of 2026
Working capital and general corporate purposes	40.6	5.0%	40.6	10.0	50.6	-	N/A
Total	811.8	100.0%	445.1	366.7	470.9	340.9	

The Company will continue to evaluate market conditions and adopt a prudent and flexible approach for utilizing the Net Proceeds and will ensure the Net Proceeds will be used effectively and efficiently for the long-term benefit and development of the Group. The expected timeline of full utilization set out above is based on the Directors' best estimation barring unforeseen circumstances, and is subject to change in light of future development of market conditions.

EVENT AFTER THE END OF THE REPORTING PERIOD

There has been no material event after the end of the Reporting Period and up to the date of this interim report which requires disclosure in this report.

By Order of the Board
Yunkang Group Limited
Zhang Yong
Chairman

Guangzhou, the PRC, August 28, 2024

Interim Condensed Consolidated Statement of Comprehensive Income

	Notes	Six months ended June 30, 2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Continuing operations			
Revenue	5	**379,943**	476,865
Cost of revenue	7	**(251,745)**	(295,200)
Gross profit		**128,198**	181,665
Selling expenses	7	**(89,945)**	(86,874)
Administrative expenses	7	**(99,706)**	(80,512)
Net impairment losses on financial assets		**(52,447)**	(4,274)
Other income		**1,034**	6,052
Other gains, net	6	**6,590**	31,091
Fair value changes on financial assets at fair value through profit or loss	16(b)	**(1,241)**	18,713
Operating (loss)/profit		**(107,517)**	65,861
Finance income	8	**3,628**	2,960
Finance costs	8	**(27,886)**	(18,012)
Finance costs, net	8	**(24,258)**	(15,052)
(Loss)/profit before income tax		**(131,775)**	50,809
Income tax credits/(expenses)	9	**5,720**	(2,782)
(Loss)/profit for the period		**(126,055)**	48,027
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss			
– Change in the fair value of financial assets at fair value through other comprehensive income, net of tax	16(a)	**–**	–
Total comprehensive (loss)/income for the period		**(126,055)**	48,027
(Loss)/profit attributable to:			
– Owners of the Company		**(126,129)**	48,715
– Non-controlling interests		**74**	(688)
		(126,055)	48,027
Total comprehensive (loss)/profit attributable to:			
– Owners of the Company		**(126,129)**	48,715
– Non-controlling interests		**74**	(688)
		(126,055)	48,027
(Loss)/earnings per share for (loss)/profit attributable to the owners of the Company			
Basic and diluted *(RMB)*	10	**(0.21)**	0.08

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

Interim Condensed Consolidated Statement of Financial Position

	Notes	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Assets			
Non-current assets			
Property and equipment	11	**369,288**	396,921
Intangible assets		**2,530**	3,368
Prepayments and other receivables	15	**5,509**	4,788
Financial assets at fair value through other comprehensive income ("**FVOCI**")	16(a)	**79,508**	74,508
Financial assets at fair value through profit or loss ("**FVTPL**")	16(b)	**163,115**	162,354
Deferred income tax assets		**52,220**	51,832
		672,170	693,771
Current assets			
Inventories	13	**15,544**	18,021
Trade receivables	14	**1,355,058**	1,515,500
Prepayments and other receivables	15	**19,106**	28,557
Financial assets at FVTPL	16(b)	**414,314**	626,608
Restricted cash	17	**304,201**	405,475
Cash and cash equivalents	17	**1,289,831**	1,244,120
		3,398,054	3,838,281
Total assets		**4,070,224**	4,532,052
Equity			
Equity attributable to owners of the Company			
Share capital and share premium	18	**610,390**	621,314
Shares held for employee share scheme	18	**(263,056)**	(188,524)
Other reserves	19	**947,384**	929,692
Retained earnings		**623,541**	749,670
		1,918,259	2,112,152
Non-controlling interests		**7,779**	7,705
Total equity		**1,926,038**	2,119,857

	Notes	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Liabilities			
Non-current liabilities			
Borrowings	21	**171,570**	193,594
Lease liabilities	12	**15,293**	25,882
Deferred income tax liabilities		**4,955**	4,088
		191,818	223,564
Current liabilities			
Borrowings	21	**977,772**	1,154,247
Trade and other payables	22	**926,316**	975,484
Current income tax liabilities		**35,188**	42,784
Lease liabilities	12	**13,092**	16,116
		1,952,368	2,188,631
Total liabilities		**2,144,186**	2,412,195
Total equity and liabilities		**4,070,224**	4,532,052

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

The interim condensed consolidated financial statements on pages 34 to 66 were approved by the Board of Directors of the Company on August 28, 2024 and were signed on its behalf by:

Zhang Yong Director	Xie Shaohua Director

Interim Condensed Consolidated Statement of Changes in Equity

	Notes	Attributable to owners of the Company						
		Share capital and share premium RMB'000	Shares held for employee share scheme RMB'000	Other reserves RMB'000	Retained earnings* RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance as at January 1, 2024		**621,314**	**(188,524)**	**929,692**	**749,670**	**2,112,152**	**7,705**	**2,119,857**
(Loss)/profit for the period		**–**	**–**	**–**	**(126,129)**	**(126,129)**	**74**	**(126,055)**
Other comprehensive income								
– Changes in fair value of equity investments at FVOCI, net of tax	16(a)	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income for the period		**–**	**–**	**–**	**(126,129)**	**(126,129)**	**74**	**(126,055)**
Transaction with owners:								
Share award expenses		**–**	**–**	**17,692**	**–**	**17,692**	**–**	**17,692**
Shares purchased under the 2022 RSU Scheme	18	**–**	**(74,532)**	**–**	**–**	**(74,532)**	**–**	**(74,532)**
Dividends	24	**(10,924)**	**–**	**–**	**–**	**(10,924)**	**–**	**(10,924)**
Total transactions with owners		**(10,924)**	**(74,532)**	**17,692**	**–**	**(67,764)**	**–**	**(67,764)**
(Unaudited) **Balance as at June 30, 2024**		**610,390**	**(263,056)**	**947,384**	**623,541**	**1,918,259**	**7,779**	**1,926,038**
Balance as at January 1, 2023		743,248	–	936,510	852,505	2,532,263	7,316	2,539,579
Profit for the period		–	–	–	48,715	48,715	(688)	48,027
Total comprehensive income for the period		–	–	–	48,715	48,715	(688)	48,027
Transaction with owners:								
Capital withdrawn from Non-controlling interests		–	–	–	–	–	19	19
Shares purchased under the 2022 RSU Scheme		–	(188,525)	–	–	(188,525)	–	(188,525)
Dividends		(116,738)	–	–	–	(116,738)	–	(116,738)
Total transactions with owners		(116,738)	(188,525)	–	–	(305,263)	19	(305,244)
(Unaudited) **Balance as at June 30, 2023**		626,510	(188,525)	936,510	901,220	2,275,715	6,647	2,282,362

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

Interim Condensed Consolidated Statement of Cash Flows

Items	Notes	Six months ended June 30, 2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Cash flows of operating activities			
Cash generated from operations		**89,347**	219,156
PRC enterprise income tax paid		**(1,752)**	(50,616)
Net cash generated from operating activities		**87,595**	168,540
Cash flows of investing activities			
Purchases of property and equipment		**(19,837)**	(45,480)
Payment of software and other intangible assets development costs		**(525)**	(1,202)
Prepayments for an investment		**–**	(169,999)
Payments for financial assets at FVOCI		**(5,000)**	–
Purchases of financial assets at FVTPL		**–**	(274,715)
Proceeds from redemption of financial assets at FVTPL		**212,660**	664,619
Net proceeds from disposal of property and equipment		**1,673**	973
Collection of loans receivable		**–**	100,864
Restricted cash released		**101,274**	17,053
Net cash generated from investing activities		**290,245**	292,113
Cash flows from financing activities			
Proceeds from borrowings		**377,643**	459,273
Repayments of borrowings		**(605,749)**	(232,580)
Interest paid		**(26,768)**	(16,004)
Principal elements and interest expenses of lease payments		**(3,903)**	(10,747)
Shares repurchased for the employee share award scheme	18	**(74,532)**	(188,525)
Net cash (used in)/generated from financing activities		**(333,309)**	11,417
Net increase in cash and cash equivalents		**44,531**	472,070
Cash and cash equivalents at beginning of the period		**1,244,120**	787,742
Effect of exchange rate changes on cash and cash equivalents		**1,180**	8,763
Cash and cash equivalents at end of the period	17	**1,289,831**	1,268,575

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

Notes to the Interim Condensed Consolidated Financial Statements

1 GENERAL INFORMATION

Yunkang Group Limited 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 are primarily engaged in the provision of diagnostic testing services in the People's Republic of China.

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

These financial statements are presented in Renminbi, unless otherwise stated.

These condensed interim financial statements were approved by the Board on August 28, 2024.

The financial statements have not been audited.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial statements of the Group for the six months ended June 30, 2024 have been prepared in accordance with the Listing Rules and Hong Kong Accounting Standard 34 Interim Financial Reporting ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

This financial information does not include all the notes of the type normally included in an annual report. Accordingly, this report should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") as issued by the HKICPA and any public announcements made by the Group during the interim reporting period.

The accounting policies applied in the preparation of this financial information are generally consistent with those applied in the previous financial year and the corresponding interim reporting period, except for the adoption of amended standards as set out below.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES *(Continued)*

(a) Amended standards and interpretation adopted by the Group

The following new standards and amendments to existing standards are mandatory for accounting periods beginning on or after January 1, 2024. 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:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback

(b) New standards, amendments and interpretations to standards that have been issued but are not effective

The following new and revised standards have been issued but are not effective for financial periods beginning on or after January 1, 2024 and have not been early adopted by the Group:

		Effective for annual periods beginning on or after
Amendments to HKAS 21	Lack of Exchangeability	January 1, 2025
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments	January 1, 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027
HKFRS 19	Subsidiaries without Public Accountability	January 1, 2027
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Company expects that the application of all other new HKFRSs and amendments thereto will have no material impact on the consolidated financial statements in the foreseeable future.

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the interim financial information in accordance with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.

In preparing this interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied in the Group's consolidated financial statements for the year ended December 31, 2023.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at December 31, 2023.

There have been no changes in the risk management policies approved by the Board since year end.

4.1.1 Liquidity risk

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

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

4 FINANCIAL RISK MANAGEMENT *(Continued)*

4.1 Financial risk factors *(Continued)*

4.1.1 Liquidity risk (Continued)

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
As at June 30, 2024					
Borrowings	**1,003,446**	**124,110**	**18,794**	**35,330**	**1,181,680**
Lease liabilities	**14,058**	**10,358**	**4,771**	**757**	**29,944**
Trade and other payables (excluding accrued staff costs, other taxes payable and dividends payable)	**862,602**	**–**	**–**	**–**	**862,602**
	1,880,106	**134,468**	**23,565**	**36,087**	**2,074,226**
As at December 31, 2023					
Borrowings	1,436,024	50,100	2,836	16,100	1,505,060
Lease liabilities	17,748	12,863	9,104	5,411	45,126
Trade and other payables (excluding accrued staff costs and other taxes payable)	905,587	–	–	–	905,587
	2,359,359	62,963	11,940	21,511	2,455,773

As at June 30, 2024, trade payables of RMB620,950,000 was attributable to purchase of raw materials from related parties of the Group. The Group has closely managed its liquidity risk and may delay its settlements with related parties when needed.

As at June 30, 2024, current and non-current borrowings of Group amounted to RMB977,772,000 and RMB171,570,000, respectively, which were mainly used to meet the Group's needs of working capital.

4 FINANCIAL RISK MANAGEMENT *(Continued)*

4.2 Fair value estimation

(a) Fair value hierarchy

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

(Unaudited) At June 30, 2024	**Level 1 RMB'000**	**Level 2 RMB'000**	**Level 3 RMB'000**	**Total RMB'000**
Financial assets				
Financial assets at FVTPL				
– Investment in private funds	**–**	**327,596**	**86,718**	**414,314**
– Structured notes	**–**	**–**	**–**	**–**
– Unlisted companies	**–**	**–**	**163,115**	**163,115**
Financial assets at FVOCI				
– Unlisted companies	**–**	**–**	**79,508**	**79,508**
Total financial assets	**–**	**327,596**	**329,341**	**656,937**

At December 31, 2023	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Financial assets at FVTPL				
– Investment in private funds	–	325,569	90,748	416,317
– Structured notes	–	210,291	–	210,291
– Unlisted companies	–	–	162,354	162,354
Financial assets at FVOCI				
– Unlisted companies	–	–	74,508	74,508
Total financial assets	–	535,860	327,610	863,470

4 FINANCIAL RISK MANAGEMENT *(Continued)*

4.2 Fair value estimation *(Continued)*

(a) Fair value hierarchy (Continued)

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

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

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

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

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the six months ended June 30, 2024 (2023: same).

During the six months ended June 30, 2024, the Group recognized total fair value losses on financial assets at FVTPL of RMB1,241,000 (six months ended June 30, 2023: total fair value gains of RMB18,713,000), which included gains of RMB2,028,000 and losses of RMB3,269,000 arising from financial assets at FVTPL in level 2 and in level 3, respectively.

4 FINANCIAL RISK MANAGEMENT *(Continued)*

4.2 Fair value estimation *(Continued)*

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

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
At FVOCI		
Balance at beginning of the period/year	**74,508**	84,341
Additions	**5,000**	–
Changes in fair value	**–**	(9,833)
Disposals	**–**	–
Balance at the end of the period/year	**79,508**	74,508
At FVTPL		
Balance at beginning of the period/year	**253,102**	401,645
Additions	**–**	352,611
Changes in fair value	**(3,269)**	15,405
Disposals	**–**	(516,559)
Balance at the end of the period/year	**249,833**	253,102

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

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

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

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

4 FINANCIAL RISK MANAGEMENT *(Continued)*

4.2 Fair value estimation *(Continued)*

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

There was no change to valuation techniques during the six months ended June 30, 2024 (2023: same).

If the fair value of the Group's financial assets at FVOCI had been 10% higher/lower, other comprehensive loss before income tax for the six months ended June 30, 2024 would have been approximately RMB7,950,800 lower/higher (2023: RMB8,434,100).

If the fair value of the Group's financial assets at FVTPL had been 10% higher/lower, the loss before income tax for the six months ended June 30, 2024 would have been approximately RMB57,742,900 lower/higher (2023: the profit before income tax would have been approximately RMB45,366,900 higher/lower).

5 SEGMENT AND REVENUE INFORMATION

(a) Description of segments

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

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 six months ended June 30, 2024 (2023: same).

(b) Revenue by business line

	Six months ended June 30,	
	2024 **RMB'000** **(Unaudited)**	2023 RMB'000 (Unaudited)
Recognized at a point in time:		
Diagnostic services	**379,943**	476,865

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

(c) Information about major customers

All the revenues derived from single external customers were less than 10% of the Group's total revenue during six months ended June 30, 2024 (2023: same).

(d) 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 to not disclose the remaining performance obligations for these types of contracts.

6 OTHER GAINS – NET

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Gains on redemption of financial assets at FVTPL	**2,369**	22,225
Gains on disposal of property and equipment	**3,282**	743
Exchange gain – net	**863**	9,179
Others	**76**	(1,056)
	6,590	31,091

7 EXPENSES BY NATURE

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

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of reagent and pharmaceuticals consumed	**104,114**	111,216
Staff costs	**138,532**	153,601
Share award expenses	**17,692**	–
Marketing and promotion expenses	**36,942**	43,681
Subcontracting costs	**44,499**	47,686
Depreciation and amortization charges	**33,131**	35,879
Transportation expenses	**9,677**	10,287
Office expenses	**7,996**	7,567
Travelling and entertainment expenses	**11,541**	11,931
Consultancy and professional service fees	**15,392**	14,547
Rental expenses	**3,718**	5,575
Outsourced R&D expenses	**1,763**	2,367
Other expenses	**16,399**	18,249

8 FINANCE COSTS – NET

	Six months ended June 30, 2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Finance income		
Bank interest income	**3,628**	2,960
Finance costs		
Interest on interest-bearing borrowings	**(25,831)**	(16,039)
Interest on lease liabilities	**(820)**	(1,973)
Other finance costs	**(1,235)**	–
	(27,886)	(18,012)
Finance costs – net	**(24,258)**	(15,052)

9 INCOME TAX CREDITS/(EXPENSES)

	Six months ended June 30, 2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Current income tax	**(213)**	(5,054)
Deferred income tax	**5,933**	2,272
	5,720	(2,782)

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%, since 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 six months ended June 30, 2024 (2023: same).

9 INCOME TAX CREDITS／EXPENSES *(Continued)*

PRC Corporate Income Tax ("CIT")

CIT was made on the estimated assessable profits of the entities within the Group incorporated in the PRC and was calculated in accordance with the relevant tax rules and regulations of the PRC after considering the available tax refunds and allowances. The general CIT rate is 25% for the six months ended June 30, 2024 (2023: same).

Certain of the Group's entities in the PRC which generated most of the Group's profits, have been approved as high technology enterprises under the relevant tax rules and regulations, and accordingly, are subject to a reduced preferential CIT rate of 15% for the six months ended June 30, 2024 (2023: same).

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

10 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The basic (loss)/earnings per share is calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the six months ended June 30, 2024, less the shares held under the 2022 RSU Scheme during the same period of approximately 22,796,346 shares (2023: 15,101,643).

	For the six months ended June 30,	
	2024 (Unaudited)	2023 (Unaudited)
(Loss)/profit attributable to owners of the Company (RMB'000)	**(126,129)**	48,715
Weighted average number of ordinary shares in issue less shares held under the 2022 RSU Scheme	**600,602,161**	619,248,072
Basic (loss)/earnings per share attributable to the owners of the Company (expressed in RMB per share)	**(0.21)**	0.08

(b) Diluted (loss)/earnings per share

Diluted (loss)/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 has no dilutive potential shares in issue during the six months ended June 30, 2024 and 2023. Therefore, the diluted (loss)/earnings per share for the six months ended June 30, 2024 and 2023 are the same as basic (loss)/earnings per share of the respective periods.

11 PROPERTY AND EQUIPMENT

	Property and equipment RMB'000	Right-of-use assets RMB'000	Total RMB'000
As at January 1, 2024			
Cost	**647,059**	**232,441**	**879,500**
Accumulated depreciation	**(255,468)**	**(48,068)**	**(303,536)**
Impairment	**(179,043)**	**–**	**(179,043)**
Net book amount	**212,548**	**184,373**	**396,921**
(Unaudited)			
Six months ended June 30, 2024			
Opening net book amount	**212,548**	**184,373**	**396,921**
Additions	**11,364**	**4,582**	**15,946**
Write offs/disposals	**(329)**	**(11,429)**	**(11,758)**
Depreciation charge	**(23,249)**	**(8,572)**	**(31,821)**
Closing net book amount	**200,334**	**168,954**	**369,288**
As at June 30, 2024			
Cost	**591,299**	**214,185**	**805,484**
Accumulated depreciation	**(235,182)**	**(45,231)**	**(280,413)**
Impairment	**(155,783)**	**–**	**(155,783)**
Net book amount	**200,334**	**168,954**	**369,288**
As at January 1, 2023			
Cost	729,392	293,875	1,023,267
Accumulated depreciation	(259,927)	(69,332)	(329,259)
Impairment	(273,406)	–	(273,406)
Net book amount	196,059	224,543	420,602
(Unaudited)			
Six months ended June 30, 2023			
Opening net book amount	196,059	224,543	420,602
Additions	26,990	13,901	40,891
Write offs/disposals	(230)	(16,282)	(16,512)
Depreciation charge	(22,233)	(11,844)	(34,077)
Closing net book amount	200,586	210,318	410,904
As at June 30, 2023			
Cost	744,649	291,494	1,036,143
Accumulated depreciation	(274,011)	(81,176)	(355,187)
Impairment	(270,052)	–	(270,052)
Net book amount	200,586	210,318	410,904

12 LEASES

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Right-of-use assets included in "Property and equipment"		
– Leased properties	**24,003**	37,241
– Leased equipment and motor vehicles	**2,088**	2,252
– Land use rights	**142,863**	144,880
	168,954	184,373
Lease liabilities		
– Current	**13,092**	16,116
– Non-current	**15,293**	25,882
	28,385	41,998

13 INVENTORIES

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Reagent and pharmaceuticals	**15,544**	18,021

14 TRADE RECEIVABLES

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Trade receivables		
– Third parties	**1,743,483**	1,850,931
– Related parties (Note 23(d))	**578**	477
	1,744,061	1,851,408
Less: allowance for impairment of trade receivables	**(389,847)**	(337,619)
	1,354,214	1,513,789
Notes receivables	**844**	1,711
	1,355,058	1,515,500

(a) At June 30, 2024 and December 31, 2023, the aging analysis of the trade receivables based on recognition date were follows:

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Up to 180 days	**285,807**	269,570
181 days to 1 year	**208,457**	264,210
1 to 2 years	**877,567**	1,194,507
2 to 3 years	**329,992**	98,027
More than 3 years	**42,238**	25,094
	1,744,061	1,851,408

(b) The Group's trade receivables were denominated in RMB and their carrying amounts approximated their fair values.

15 PREPAYMENTS AND OTHER RECEIVABLES

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Included in current assets		
Prepayments		
– Prepayments to third party suppliers	**5,027**	6,583
– Other tax recoverable	**2,657**	2,982
	7,684	9,565
Other receivables		
– Deposits with RSU Trustee	**2,745**	4,517
– Deposits receivables	**6,041**	12,591
– Cash advance to employees	**1,578**	710
– Amounts due from related parties (Note 23(d))	**1,415**	1,535
	11,779	19,353
Less: allowance for impairment of other receivables	**(357)**	(361)
	11,422	18,992
	19,106	28,557
Included in non-current assets		
Prepayments		
– Prepayment for equipment to third party suppliers	**2,178**	2,592
Other receivables		
– Deposits	**3,331**	2,196
	5,509	4,788
Total	**24,615**	33,345

(a) The Group's other receivables were denominated in RMB, and the carrying amounts of other receivables approximated their fair values.

16 FINANCIAL ASSETS AT FAIR VALUE

(a) Financial assets at FVOCI

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

Financial assets at FVOCI included the following:

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Unlisted		
– Private company A (Note (i))	**72,331**	72,331
– Private company B (Note (ii))	**2,177**	2,177
– Private company C (Note (iii))	**5,000**	–
	79,508	74,508

Notes:

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

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

(iii) Private Company C is engaged in investment activities, focusing on investing in projects related to the healthcare industry.

During the six months ended June 30, 2024, the fair value changes on financial assets measured at FVOCI are considered as immaterial.

16 FINANCIAL ASSETS AT FAIR VALUE *(Continued)*

(b) Financial assets at FVTPL

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

Financial assets measured at FVTPL include the following:

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Included in current assets		
Investment in private funds		
– Managed by investment manager A (Note (i))	**153,651**	152,701
– Managed by investment manager B (Note (i))	**173,945**	172,868
– Managed by investment manager C (Note (ii))	**86,718**	90,748
Structured notes (Note (iii))	**–**	210,291
	414,314	626,608
Included in non-current assets		
Unlisted companies (Note (iv))	**163,115**	162,354
	577,429	788,962

Notes:

(i) These investments represent two investment portfolios managed by two different investment managers. The investment objective is to invest in cash or cash equivalents, treasury bonds and other money market instruments.

(ii) A wholly-owned subsidiary of the Company subscribed a private fund. The investment objectives are primarily fixed-income products and cash or cash equivalents, as well as bonds and equity securities.

(iii) The investment is an investment in structured notes due on May 18, 2024. The structured notes relate to investments in funds in the market for the purpose of cash management, which have been redeemed upon maturity.

(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.

16 FINANCIAL ASSETS AT FAIR VALUE *(Continued)*

(b) Financial assets at FVTPL *(Continued)*

Amounts recognized in profit or loss

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fair value (losses)/gains recognized in profit or loss	**(1,241)**	18,713

(c) Fair value, impairment and risk exposure

Information about the methods and assumptions used in determining fair value have been set out in Note 4.2.

17 CASH AND CASH EQUIVALENTS

	As at June 30, 2024	As at December 31, 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Cash at bank	**1,594,032**	1,649,574
Cash on hand	**–**	21
	1,594,032	1,649,595
Less: restricted cash (Note (a))	**(304,201)**	(405,475)
Cash and cash equivalents	**1,289,831**	1,244,120

(a) As at June 30, 2024, the majority of the Group's restricted cash were deposits for bank borrowings.

18 SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR EMPLOYEE SHARE SCHEME

(a) Share capital and share premium

	Number of ordinary shares	Share capital USD	Equity equivalents RMB'000	Share premium RMB'000	Total RMB'000
Authorized					
As at January 1, 2024 and June 30, 2024	25,000,000,000	50,000	338		
Issued and paid					
Balance at January 1, 2024	621,250,500	1,242	9	621,305	621,314
Dividends (Note 24)	–	–	–	(10,924)	(10,924)
(Unaudited)					
Balance at June 30, 2024	621,250,500	1,242	9	610,381	610,390
Balance at January 1, 2023	621,250,500	1,242	9	743,239	743,248
Dividends	–	–	–	(116,738)	(116,738)
(Unaudited)					
Balance at June 30, 2023	621,250,500	1,242	9	626,501	626,510

(i) As at June 30, 2024, the total number of issued ordinary shares of the Company included 22,796,346 shares (December 31, 2023: 15,101,643 shares) held under the 2022 RSU Scheme (Note (b)).

18 SHARE CAPITAL, SHARE PREMIUM AND SHARES HELD FOR EMPLOYEE SHARE SCHEME *(Continued)*

(b) Shares held for employee share scheme

(i) On November 23, 2022, the Board approved the adoption of the 2022 RSU Scheme which was revised on July 28, 2023. Due to the implementation of the 2022 RSU Scheme of the Group, the Company has set up a structured entity ("**Share Scheme Trust**"), and its particulars are as follows:

Structured entity	Principal activities
Share Scheme Trust	Administering and holding the Company's shares acquired for the 2022 RSU Scheme which are set up for the benefits of Selected Participant(s) of the scheme

As the Company has the power to govern the financial and operating policies of the Share Scheme Trust and can derive benefits from the contributions of the Selected Participant(s) who are awarded with the shares by the 2022 RSU Scheme, the directors of the Company consider that it is appropriate to consolidate the Share Scheme Trust. The vesting condition of the 2022 RSU Scheme is that the employees remain in employment prior to the vesting date. The following table presents the changes in shares held for employee share scheme.

	Number of Ordinary shares	Cost of acquired shares RMB'000
Balance at January 1, 2024	**15,101,643**	**188,524**
Acquisition of shares by the Share Scheme Trust	**7,694,703**	**74,532**
(Unaudited)		
Balance at June 30, 2024	**22,796,346**	**263,056**

(ii) As at June 30, 2024, a total of 22,796,346 shares had been purchased from open market by the Share Scheme Trust at a total consideration of approximately HK$289,876,000 (equivalent to approximately RMB263,056,000) (December 31, 2023: 15,101,643 shares had been purchased from open market by the Share Scheme Trust at a total consideration of approximately HK$207,898,000 (equivalent to approximately RMB188,524,000)).

(iii) The consideration paid by the Share Scheme Trust for purchasing the Company's shares from the market, including any directly attributable incremental cost, is presented as "Shares held for employee share scheme" and the amount is deducted from total equity.

(iv) When the Share Scheme Trust transfers the Company's shares to the awardees upon vesting, the related costs of the awarded shares vested are credited to share award expenses, with a corresponding adjustment made to "OTHER RESERVES".

(v) On January 23, 2024, the Company granted a total of 15,101,500 Shares to selected participants under the 2022 RSU Scheme at a share price of RMB10.20 (equivalent to HK$11.22) per Share of the Company on the date of grant.

19 OTHER RESERVES

	Capitalization reserves (Note (a)) RMB'000	Reserves for financial assets at FVOCI RMB'000	Capital reserves (Note (b)) RMB'000	Total RMB'000
Balance at January 1, 2023	930,845	5,665	–	936,510
Changes in fair value of financial assets at FVOCI, net of tax	–	(7,375)	–	(7,375)
Transfer of gain on disposal of financial assets at fair value through other comprehensive income to retained earnings	–	576	–	576
Capital drawn from non-controlling interests (Note (b)(i))	–	–	(19)	(19)
Balance at December 31, 2023	930,845	(1,134)	(19)	929,692
Balance at January 1, 2024	930,845	(1,134)	(19)	929,692
Share award expenses (Note (b)(ii))	-	-	17,692	17,692
(Unaudited)				
Balance at June 30, 2024	930,845	(1,134)	17,673	947,384

Notes:

(a) the registered capital and capital premium of Yunkang Industry attributable to owners of the Company in aggregate of approximately RMB931 million as at January 1, 2018, as the Group obtained the equity interest in Yunkang Industry through a series of contractual arrangements other than any cash considerations, which were considered as deemed contribution from the Shareholders;

(b) Capital reserves comprise: (i) the difference between the amount by which non-controlling interests are adjusted for changes in the Group's interests in subsidiaries that do not result in a loss of control by the Group and the fair value of the consideration paid or received, and (ii) reserves arising from restricted share units granted by the Group under the 2022 RSU Scheme as detailed in note 20 to the interim condensed consolidated financial statements.

20 SHARE AWARD SCHEME

The Company has adopted the 2022 RSU Scheme on November 23, 2022 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 of the Company 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 announcements dated November 23, 2022 and July 28, 2023.

On January 23, 2024, the Company granted a total of 15,101,500 RSUs to 191 Selected Participants under the 2022 RSU Scheme. The share price of the Company's share on the grant date was RMB10.20 (equivalent to HK$11.22) per Share. The 15,101,500 Awarded Shares will be held by the Trustee on trust on behalf of the Selected Participants under the RSU Scheme and shall lapse until such shares are transferred to the Selected Participants of the Share Awards upon vesting. The Trustee will not be entitled to any voting rights. The Awarded Shares will be vested in 6 tranches, and the details of the grant are set out below:

Category of grantee	Date of grant	Category	Number of shares granted	Purchase price (HK$ per Share)	Vesting period
3 key management members	January 23, 2024	Restricted share unit	4,893,000	0	6 years
Other employees in aggregate	January 23, 2024	Restricted share unit	10,208,500	0	6 years
Total			15,101,500		

The number of RSUs granted to the Selected Participants to shall be vested based on 14%, 15%, 16%, 17%, 18% and 20% of the total number of RSUs granted on the first, second, third, fourth, fifth and sixth vesting anniversary dates upon vesting, respectively.

Other than the time-based vesting conditions for the Selected Participants, the vesting of the RSUs shall be subject to the grantee's fulfillment of the performance targets to be determined by the Company from time to time. The Company has established an appraisal mechanism to assess the fulfillment of performance targets by the grantee.

As of June 30, 2024, 392,500 RSUs granted had lapsed and none of the RSUs had been vested.

Share award expenses were approximately RMB17,692,000 (unaudited) for the six months ended June 30, 2024 (six months ended June 30, 2023: nil).

21 BORROWINGS

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Borrowings included in non-current liabilities:		
Bank borrowings		
– Guaranteed	**245,936**	334,133
Other borrowings		
– Secured and/or guaranteed	**164,360**	201,352
Less: current portion of non-current borrowings	**(238,726)**	(341,891)
	171,570	193,594
Borrowings included in current liabilities:		
Bank borrowings		
– Guaranteed	**702,558**	812,356
Other borrowings		
– Secured and/or guaranteed	**36,488**	–
Add: current portion of non-current borrowings	**238,726**	341,891
	977,772	1,154,247
Total borrowings	**1,149,342**	1,347,841

(a) As at June 30, 2024, the effective interest rate of the borrowings was 3.95% per annum (December 31, 2023: 4.31%).

22 TRADE AND OTHER PAYABLES

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Trade payables (Note (a))		
– Third parties	**166,818**	190,937
– Related parties (Note 23(d))	**620,950**	624,898
	787,768	815,835
Other payables		
– Related parties (Note 23(d))	**28,523**	35,148
– Marketing and promotion expenses payables	**6,975**	4,410
– Decoration expenses payables	**14,636**	12,858
– Accrued expenses	**22,781**	28,330
– Others	**1,919**	9,006
	74,834	89,752
Accrued staff costs	**40,122**	48,681
Other taxes payable	**12,668**	21,216
Dividend payables	**10,924**	–
	926,316	975,484

(a) The aging analysis of the trade payables based on goods and services received for the indicated period end was as follows:

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Up to 6 months	**113,128**	115,856
6 months to 1 year	**52,512**	49,623
1 to 2 years	**295,999**	562,902
2 to 3 years	**323,183**	84,531
More than 3 years	**2,946**	2,923
	787,768	815,835

(b) As at June 30, 2024, the trade and other payables are denominated in RMB and their carrying amounts approximated their fair values (December 31, 2023: same).

23 RELATED PARTY TRANSACTIONS

(a) Names of and relationships with related parties

Related parties refer to persons who have the ability to control, jointly control or exercise significant influence over another party's power to control the investee; who bear the risks or are entitled to the rights of variable returns from its involvement with the investee; and who can take advantage of its control over the investee to affect the amount of investor returns. Parties are also considered related parties if they are under common control or joint control. Related parties may be individuals or other entities.

Save as disclosed elsewhere in these consolidated financial statements, the directors of the Company are of the view that the related parties/companies that had transactions or balances with the Group as of the six months ended June 30, 2024 are as follows:

Name of related parties	**Relationship with the Group**
Mr. Zhang Yong	The controlling shareholder of the Group
Da An Gene and its subsidiaries ("**Da An Group**")	A shareholder with significant influence to the Group

(b) Key management compensation

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries, bonuses and other benefits	**1,599**	2,881
Expenses of contribution to pension scheme	**239**	232
Share award expenses	**6,365**	–
	8,203	3,113

23 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Transactions with related parties

	Six months ended June 30,	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from		
– Da An Group	**101**	191
Purchase of goods and services		
– Da An Group	**19,030**	16,813
Commercial property management service fee to related parties		
– Da An Group	**1,753**	1,732

All of the transactions above were carried out in the normal course of the Group's business and on terms as agreed between the transacting parties.

(d) Balances with related parties

	As at June 30, 2024	As at December 31, 2023
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Amounts due from related parties		
Trade		
Trade receivables		
– Da An Group	**578**	477
Other receivables		
– Da An Group	**1,415**	1,535
	1,993	2,012
Amounts due to related parties		
Trade		
Trade payables		
– Da An Group	**(620,950)**	(624,898)
Other payables		
– Da An Group	**(28,523)**	(35,148)
	(649,473)	(660,046)

23 RELATED PARTY TRANSACTIONS *(Continued)*

(d) Balances with related parties *(Continued)*

As at June 30, 2024, the balances due from/to related parties are unsecured, interest-free, and are denominated in RMB. Other receivables primarily include deposits in relation to transactions with related parties. Other payables primarily represent rental expenses and commercial property management service fees payable in relation to the leased offices.

(e) Guarantees from a related party

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Guarantees provided by		
– Zhang Yong	–	86,091

As at June 30, 2024, there were no guarantees or pledges provided to the related parties (December 31, 2023: same).

(f) Other information with the related parties

On December 9, 2015, Guangzhou Daan Clinical Laboratory Center Co. Ltd. ("**Guangzhou Daan**"), a subsidiary of the Group, Yunkang Industry, CDB Development Fund Co., Ltd. ("**CDB Development Fund**") and Da An Gene entered into an investment agreement ("**Investment Agreement**"). Pursuant to which CDB Development Fund agreed to contribute RMB40.0 million to Guangzhou Daan in exchange of 6.18% (it was diluted to 4.72% subsequently) of shareholding of Guangzhou Daan. Pursuant to the Investment Agreement, Yunkang Industry is obliged to repurchase the equity interest of Guangzhou Daan held by CDB Development Fund in accordance with the schedule stated in the Investment Agreement and/or Da An Gene may repurchase the relevant equity interest of Guangzhou Daan when Yunkang Industry is unable to repurchase the same in accordance with the provisions in the Investment Agreement.

24 DIVIDENDS

On June 28, 2024, the shareholders at the general meeting approved a final dividend for the year ended December 31, 2023 of HK$0.02 per share to shareholders whose name appeared on the register of members of the Company on July 5, 2024. Accordingly, cash dividends totalling HK$12,425,000 (equivalent to RMB11,340,000) were distributed on August 28, 2024, of which HK$456,000 (equivalent to RMB416,000) was attributable to the shares held by the trustee of the 2022 RSU Scheme. These dividends were distributed out of the Company's share premium.

The Board did not declare any interim dividend for the six months ended June 30, 2024 (June 30, 2023: nil).

25 COMMITMENTS

Significant capital expenditure contracted for at the end of the reporting period but not recognized as liabilities is as follows:

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Contracted but not provided for:		
– Property and equipment	**297,902**	298,187

As at June 30, 2024 and December 31, 2023, the Group's capital commitments mainly related to the construction on the land in Guangzhou acquired in 2019.

26 CONTINGENT LIABILITIES

As at June 30, 2024, the Group had the following contingent liabilities required to be disclosed:

	As at June 30, 2024 RMB'000 (Unaudited)	As at December 31, 2023 RMB'000 (Audited)
Legal claims	**19,199**	19,199

As at the date of this report, a legal dispute initiated by the Group's subcontracting service providers against the Group have not been resolved (the "**Legal Dispute**"). The Legal Dispute is a disagreement on the basis of determination of (i) the subcontracting service fee and (ii) the related penalties for delay in payment of the subcontracting service fee. The contingent liabilities amounting to RMB19,199,000 as at June 30, 2024 relate to the Legal Dispute, and such amount represents the difference between the amounts claimed by the supplier and the relevant trade payables recorded by the Group (December 31, 2023: same).

27 SUBSEQUENT EVENTS

There were no material subsequent events during the period from July 1, 2024, to the approval date of the Interim Financial Information.