Yunkang Group Limited
云康集团有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2325

2024
Annual Report

CONTENTS

Definitions and Glossary of Technical Terms

"2021 Negative List"	Special Administrative Measures (Negative List) for Foreign Investment Access (2021 Edition) (外商投資准入特別管理措施(負面清單) (2021 年版)) jointly issued by the National Development and Reform Commission and the Ministry of Commerce
"2022 RSU Scheme"	the 2022 restricted share unit scheme adopted by the Company on November 23, 2022
"AGM"	the annual general meeting of the Company to be held on Friday, June 27, 2025 at No. 9 Yayingshi Road, Science City, Huangpu District, Guangzhou, PRC or any adjournment thereof
"AI"	artificial intelligence
"Articles of Association"	the amended and restated articles of association of our Company adopted on April 20, 2022 and effective on May 18, 2022
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors of the Company
"Business Day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"CDC"	Chinese Center for Disease Control and Prevention at various levels (中國各級疾病預防控制中心)
"Chengdu Daan"	Chengdu Gaoxin Daan Medical Laboratory Co., Ltd. (成都高新達安醫學檢驗有限公司), a limited liability company established in the PRC on June 10, 2009 and a wholly-owned subsidiary of Yunkang Industry
"China" or "PRC"	the People's Republic of China and, except where the context requires, references in this annual report to the PRC or China exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan region of the PRC
"Companies Act"	the Companies Act, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company" or "Yunkang"	Yunkang Group Limited (云康集团有限公司), a company incorporated under the laws of the Cayman Islands with limited liability on July 20, 2018

"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"connected transaction(s)"	has the meaning ascribed thereto under the Listing Rules
"Consolidated Affiliated Entities"	the entities we control through the Contractual Arrangements, being Yunkang Industry, subsidiaries of Yunkang Industry and Guangzhou Clinic
"Contractual Arrangements"	the series of contractual arrangements entered into by, among others, WFOE, the Registered Shareholders and Yunkang Industry
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules, unless the context requires otherwise, refers to Mr. Zhang Yong, YK Development, Daan International, Guangzhou Daan Gene 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 a Registered Shareholder
"Da An Gene Group"	Da An Gene and its subsidiaries
"Daan International"	Daan International Holdings Limited (達安國際集團有限公司), a company incorporated in Hong Kong with limited liability on September 2, 2008, a subsidiary of Da An Gene and one of our Controlling Shareholders
"Director(s)"	director(s) of the Company
"DNA"	Deoxyribonucleic acid
"ESG"	environmental, social and governance
"Forvis Mazars"	Forvis Mazars CPA Limited (formerly known as "Mazars CPA Limited")
"FVOCI"	fair value through comprehensive income
"FVTPL"	fair value through profit or loss
"Gaoxin Yangguang"	Tianjin Gaoxin Yangguang Investment Co., Ltd. (天津高新陽光投資有限公司), previously known as Beijing Gaoxin Yangguang Investment Co., Ltd. (北京高新陽光投資有限公司), a limited liability company established in the PRC on December 14, 2007 and wholly-owned by Mr. Zhang Yong, a Registered Shareholder

"Global Offering"	the offer for subscription of Shares as described in the Prospectus
"Group"	our Company, all of our subsidiaries and the Consolidated Affiliated Entities
"Guangzhou Anjianxin"	Guangzhou Anjianxin Medical and Health Industry Equity Investment Fund (Limited Partnership) (廣州安健信醫療健康產業股權投資基金(有限合夥)), a limited partnership established in the PRC on December 2, 2014 and a Registered Shareholder
"Guangzhou Clinic"	Guangzhou Yunkang Clinic Co., Ltd. (廣州雲康門診有限公司), a limited liability company established in the PRC on January 29, 2019 ultimately controlled by WFOE and Yunkang Industry
"Guangzhou Daan"	Guangzhou Daan Clinical Laboratory Center Co. Ltd. (廣州達安臨床檢驗中心有限公司), a limited liability company established in the PRC on February 28, 2006 held by Yunkang Industry and CDB Development Fund as to 95.28% and 4.72%, respectively, as at the Latest Practicable Date
"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
"Guangzhou Huigang"	Guangzhou Huigang Investment Partnership (Limited Partnership) (廣州匯港投資合夥企業(有限合夥)), a limited partnership established in the PRC on May 14, 2015 and a Registered Shareholder
"Guangzhou Yunkang"	Guangzhou Yunkang Biological Technology Co., Ltd. (廣州雲康生物科技有限公司), a limited liability company established in the PRC on May 5, 2014 and a wholly-owned subsidiary of our Company
"Heyuan Rongwei"	Beijing Heyuan Rongwei Equity Investment Center (Limited Partnership) (北京合源融微股權投資中心(有限合夥)), a limited partnership established in the PRC on April 20, 2015 and a Registered Shareholder
"HK$", "HKD" or "Hong Kong Dollars"	Hong Kong dollars respectively, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Latest Practicable Date"	April 22, 2025, being the latest practicable date for the purpose of ascertaining certain information contained in this annual report prior to its publication
"Listing Date"	May 18, 2022, the date on which dealings in our Shares first commenced on the Main Board of the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"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
"Mouduanshan"	Zhuhai Hengqin Mouduanshan Enterprise Management Center (Limited Partnership) ((珠海橫琴謀斷山企業管理中心(有限合夥)), previously known as Zhuhai Hengqin Mouduanshan Investment Center (Limited Partnership) ((珠海橫琴謀斷山投資中心(有限合夥)), a limited partnership established in the PRC on June 5, 2015 and a Registered Shareholder
"Nomination Committee"	the nomination committee of the Board
"Non-competition Undertaking"	the non-competition undertaking dated September 3, 2021 entered into between the Company and Da An Gene
"PCR"	polymerase chain reaction
"Prospectus"	the prospectus of the Company dated May 5, 2022
"Registered Shareholder(s)"	the registered shareholder(s) of Yunkang Industry as defined in the Prospectus
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	Renminbi yuan, the lawful currency of the PRC
"Reporting Period"	the year ended December 31, 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
"Shanghai Daan"	Shanghai Daan Medical Laboratory Co., Ltd. (上海達安醫學檢驗所有限公司), a limited liability company established in the PRC on July 28, 2006 and a wholly-owned subsidiary of our Group
"Share(s)"	ordinary share(s) in the share capital of the Company with nominal value of US$0.000002 each
"Shareholder(s)"	shareholder(s) of the Company
"SPDB Guangzhou Wuyang Branch"	Guangzhou Wuyang Branch of Shanghai Pudong Development Bank Co., Ltd.
"Stock Exchange"	The Stock Exchange of Hong Kong Limited

"subsidiary(ies)"	has the meaning ascribed thereto under the Listing Rules
"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"tNGS"	Targeted Second-generation Sequencing
"Tongfu Zhongchuang"	Shenzhen Tongfu Zhongchuang Investment Management Co., Ltd. (深圳同福中創投資管理有限公司), a limited liability company established in the PRC on May 18, 2015 and a Registered Shareholder
"USD" or "US$"	United States dollars, the lawful currency of the United States
"we", "us" or "our"	the Company or the Group, as the context requires
"WFOE" or "Yunkang Technology"	Guangzhou Yunkang Health Technology Co., Ltd. (廣州雲康健康科技有限公司), a limited liability company established in the PRC on July 10, 2019 and a wholly-owned subsidiary of our Company
"YK Development"	YK Development Limited, a limited liability company duly incorporated in the British Virgin Islands on July 12, 2018 and one of our Company's Controlling Shareholders
"Yujiang Anjin"	Yujiang Anjin Venture Capital Center (Limited Partnership) (余江安進創業投資中心(有限合夥)), currently known as Guangzhou Jinan Investment Center (Limited Partnership (廣州進安投資中心(有限合夥)), a limited partnership established in the PRC on September 15, 2014 and a Registered Shareholder
"Yunkang Industry"	Yunkang Health Industry Investment Co., Ltd. (雲康健康產業投資股份有限公司), previously known as Gaoxin Da An Health Industry Investment Co., Ltd. (高新達安健康產業投資有限公司), a limited liability company established in the PRC on May 28, 2008 controlled by us through the Contractual Arrangements
"Yunkang Lingnan"	Yunkang Lingnan (Guangzhou) Medical Health Technology Development Co., Ltd. (蕓康嶺楠(廣州)醫療健康科技發展有限公司), a limited liability company established in the PRC on September 19, 2019 and a wholly-owned subsidiary of Yunkang Industry
"%"	per cent

Corporate Information

CORPORATE INFORMATION

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 *(passed away on January 11, 2025)*
Mr. Xie Shaohua
Dr. Dong Min *(appointed on April 10, 2025)*

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 *(ceased on April 10, 2025)*
Mr. Xie Shaohua
Dr. Dong Min *(appointed on April 10, 2025)*

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

No. 9 Yayingshi Road
Science City
Huangpu District
Guangzhou, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

4/F, Jardine House
1 Connaught Place
Central
Hong Kong

HONG KONG LEGAL ADVISER

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

AUDITOR

Forvis Mazars CPA Limited
42nd Floor, Central Plaza
18 Harbour Road
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

STOCK CODE

2325

COMPANY WEBSITE

www.yunkanghealth.com

Financial Highlights

	For the year ended December 31,		
	2024	2023	Change
	RMB'000	RMB'000	
Revenue	**711,884**	891,500	(20.1)%
Recognized at a point in time:			
– Diagnostic testing services for medical institution alliances	**377,315**	430,874	(12.4)%
– Diagnostic outsourcing services	**301,809**	413,615	(27.0)%
– Diagnostic testing services for non-medical institutions	**32,760**	47,011	(30.3)%
Cost of revenue	**(500,815)**	(565,714)	(11.5)%
Gross profit	**211,069**	325,786	(35.2)%
Loss before income tax	**(791,191)**	(86,811)	811.4%
Loss for the year	**(793,151)**	(101,889)	678.4%
Loss attributable to owners of the Company	**(791,682)**	(102,259)	674.2%

	For the year ended December 31,		
	2024	2023	Change
	RMB	RMB	
Loss per share for loss attributable to owners of the Company			
Basic	**(1.33)**	(0.17)	682.4%
Diluted	**(1.33)**	(0.17)	682.4%

During the Reporting Period, the Group recorded a revenue of RMB711.9 million, representing a decrease of 20.1% as compared to 2023. The Group recorded a net loss of RMB793.2 million, as compared to a net loss of RMB101.9 million for the year ended December 31, 2023.

The decrease in revenue and further increase in the loss of the Group were primarily attributable to the following reasons:

1. during the Reporting Period, factors such as changes in the macro-environment, intensified competition in the industry as well as the Group's strategic optimization of its customer structure and product mix has led to an overall decline in its revenue from diagnostic testing services as compared to the same period last year. Meanwhile, downward adjustment of market prices and higher fixed costs of enterprises have led to insignificant economies of scale, resulting in an overall decline in its gross profit of the products as compared to the same period last year. Faced with the challenging objective environment, the Group promptly adjusted its development strategy, focusing its advantageous resources on its core customers and core products. As a result, the Group's key customers experienced high-quality development, and the featured products in infection and other segments achieved rapid growth, laying a solid foundation for its long-term development;

2. during the Reporting Period, the Group continuously enhanced its operational and management capabilities and strengthened its cash flow management, with net cash generated from operating activities consistently maintaining at a favorable level of RMB258.8 million. However, due to the lengthening of the recovery period of some customers of the Group, the provision for credit impairment losses during the Reporting Period was approximately RMB536.2 million, representing a significant increase as compared to the same period of the previous year. In this regard, the management of the Group will resolutely safeguard the interests of the Company and its shareholders: for customers with good credit and new customers, the Group will tighten credit control and ramp up efforts in collection to reasonably control the level of accounts receivable; for accounts receivable that have not been collected for a long time, the Group will continue to put more efforts into collection and exhaust all feasible means to ensure the recovery of receivables;

3. during the Reporting Period, in order to optimize the allocation of resources and enhance the efficiency of resource use, the Group implemented strategic optimizations on those laboratories whose performance failed to meet expectations and made impairment provision for the relevant assets based on the principle of prudence, resulting in a decrease in its short-term profitability; and

4. during the Reporting Period, the Group continuously (i) increased its investment in research and development ("**R&D**"), exploring innovations in models and products, as well as R&D and application in AI digitalization, to build a disease- and clinical-oriented R&D system for high-quality products, (ii) enriched the customer service model and product matrix, and (iii) promoted technological innovation for clinical purposes. During the Reporting Period, R&D expenses amounted to approximately RMB53.0 million. R&D expenses as a percentage of total revenue increased from 6.2% for the year ended December 31, 2023 to 7.4% for the year ended December 31, 2024, which had a certain impact on the Group's profitability.

Chairman's Statement

Dear shareholders, partners, employees, and all our friends who care for and support the development of the Group,

In 2024, the global medical and healthcare industry experienced a "cold winter" of profound reform where it struggled with a combination of three pressures: economic cycle fluctuations, accelerated technology iteration and differentiated market demands. During the year, the medical industry felt challenges for the first time after over a decade of continuous growth; the third-party testing sector faced both opportunities and challenges in terms of policies and environment for its development; and the third-party testing sector's development mode was challenged. However, even in such a challenging environment, Yunkang adhered to "grow with resilience (韌性生長)" and achieved a strategic transformation from scale expansion to value creation. We not only managed to keep our fundamentals, but also forged an ability to navigate through cycles in the cold winter. In the current era of tumultuous changes, all Yunkang employees strived to grow and overcame the harsh winter with their strong resilience and solidarity, as well as unwavering organizational residence, laying a solid foundation for the future development of Yunkang.

RESILIENCE IS THE HIGHEST-LEVEL RULE OF SURVIVAL IN THE COLD WINTER

Facing the uncertainties in the external environment, Yunkang chose to restructure its competitiveness with "depth but not speed (深度而非速度)". During the Reporting Year, the Group focused on the transformation and strategically concentrated its resources more on the operating system for key customers that can create value. By focusing on the group-level major projects, cooperating with the external consultant team and learning from the model cases for development and operation of key customers, Yunkang took systematic marketing strategies and standardized marketing actions to gradually enhance the effectiveness of the Group's marketing system and meanwhile cut and optimize the low-value and high-risk customers in a timely manner, which may put the Group's performance under pressure in the short term, but has brought high-quality growth to the key customers.

During the Reporting Year, Yunkang echoed with the national hierarchical diagnosis and treatment strategy and accelerated its pace for intensive layout of regional resources. We officially constructed two major regional medical testing centers in Southwest and East China, and used them as a hub to establish the "3+N" distributed large-delivery operating system (with the three regional centers radiating N provincial satellite labs), extending its service reach to the primary medical institutions. Yunkang's "3+N" large-delivery operating system brings service closer to the customers, further improves customer satisfaction, and lays a solid foundation for strengthening the "last mile" defense line of Yunkang's "in-depth services" strategy.

During the Reporting Year, based on the "joint innovation platform for diagnostic testing" and adhering to the core concept of "one exploration, two developments and three outputs (一個探索、兩個發揮、三個產出)", Yunkang cooperated with leading medical institutions and upstream IVD enterprises to form an "R&D-transformation-application" alliance for the R&D and transformation of new medical diagnostic products, upgrading the single-point innovation to systematic innovation. Take the precision diagnostic products for infectious diseases for example, during the year, we cooperated with nine leading hospitals in four provinces in 11 projects, four of which have generated results that can be promoted widely.

Behind these profound changes and innovations are Yunkang people's commitment to "long-termism". We don't chase after emerging trends, but deep dive into our operation and service, and each of our efforts counts for the future development of Yunkang.

GEAR FOR THE FUTURE: PLANT A SEED OF SPRING IN THE COLD WAVE

Only those who can make changes promptly and seek innovations constantly can survive the evolving world. Our strategic build-up in 2024 not only attests to Yunkang's resilience to navigate through the cycle but also serves as the prelude to the next stage of growth. Looking into the future, we will take "breaking through technological barriers to reconstruct the value chain and upgrading modes to reshape ecological niche" as our guiding principle, using endogenous certainty to counter external uncertainties and fostering new quality productive forces in the cold winter.

Breaking through technological barriers: building a dual-wheel innovation-driven system of "Six-Force Model +AI Large Model".

Yunkang takes the "Six-Force Model" as its underlying logic, builds an open scientific and technological innovation platform, and supports the full-chain leap of technologies from the laboratory to industrialization:

Hardcore breakthrough: focusing on the typical application scenarios of "data elements x healthcare", Yunkang has broken through the boundaries of a single service and built a "healthcare data integration and empowerment platform"; by applying automated testing equipment and AI-assisted diagnostic technologies, Yunkang has reduced manual intervention through technological substitution, significantly enhancing the cost-effectiveness of its services. Meanwhile, from sample collection to report delivery, Yunkang has embedded a digital quality control system and manual review as dual guarantees, achieving 100% traceability of key links.

Scenarios implementation: Yunkang takes the application and transformation of scientific and technological achievements as the key point, uses testing as the entry point, data as the link, and innovation as the engine to provide in-depth services and value creation support for the full life cycle and full health scenarios. During the year, Yunkang made key layouts for the transformation of innovative diagnostic technologies in areas such as infections, tumors, personalized medication, and allergens. At the same time, it collaborated with international and domestic experts to empower standardization, led the formation of industry consensus and standard guidelines, and further transformed its technological dividends into a leading position in the industry.

Mode reconstruction: promote the "one horizontal and one vertical (一橫一縱)" strategy to upgrade the medical service ecosystem.

Yunkang has built an open and win-win medical service ecosystem with the "one horizontal and one vertical" strategy of "deepening the existing efficiency horizontally, expanding incremental value vertically (橫向深耕存量效率,縱向開拓增量價值)".

Horizontal consolidation: focus on the scenarios of county-level medical and health communities and urban medical groups, and achieve operational co-construction upgrades through the "regional testing center 3.0 model". With the co-construction standardization and operational intelligence as the core, Yunkang output a standardized service package of "hardware + software + service" and deployed the "smart middle platform for operation of medical institution alliances (醫聯體運營智慧中台)", which have not only realized the cross-institutional scheduling of testing resources, but also significantly expanded the testing items of primary medical institutions.

Vertical expansion: Yunkang has established in-depth cooperation with leading enterprises and expert teams in specific fields by building a "medical science and technology innovation consortium (醫學科技創新聯合體)". They set up joint laboratories and co-built technological highlands, and have gradually formed an ecological feedback through the implementation of Yunkang's industrial scenarios.

Chairman's Statement

Storing in winter is for growth in spring.

Yunkang has successfully evolved from a "medical operation service operator" to an "innovation platform for medical and healthcare industry" during the cold wave. When the technological barriers become a moat, and when the ecological synergy becomes a growth pole, the spring of the medical industry will definitely belong to those long-termists who persistently plant seeds in the cold winter.

In 2025, Yunkang will be a promoter of medical equity, a converter of technological dividends, and a guardian of healthy living. True growth never blossoms in good times, but takes root in the cold winter.

The cold winter will pass eventually, and we are ready for the spring.

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

Management Discussion and Analysis

BUSINESS OVERVIEW

We will focus on the discussion and analysis of the Company's management decisions and the impact of industry trends on our business.

1. INDUSTRY OVERVIEW

1.1 International and domestic macro situation

In 2024, faced with a complex environment of international turbulence and struggling economic globalization, China has adhered to the general principle of seeking progress with stability, and its economic operation has shown a trend of resilient growth. Domestically, the economic growth was in line with expectations. The government continued to promote new industrialization and accelerated strategic tasks such as building a country with strong strengths in manufacturing and quality. As an important part of the high-tech industry, medical care will remain an important engine driving a new round of economic growth. Internationally, the global economy remains complex and severe. However, China actively promoted international cooperation and conducted in-depth exchanges and cooperation with many countries in the fields of medical care and science and technology to jointly cope with global challenges. In terms of technological innovation and digitalization, China has been increasing its investment to promote the in-depth integration of AI technology into various industries and inject new impetus for economic development.

The macro-political and economic environment has created a positive impact on the medical and health industry as a whole. Driven by policy support and technological innovation, the medical and health industry has ushered in new development opportunities. At the same time, the development of cutting edge AI technologies has provided new technical means for the medical and health industry, promoting the transformation of healthcare model and the upgrading of healthcare services. In addition, the strengthened international cooperation has also brought more resources and technical support to the medical and health industry, promoting the sharing of medical resources and the exchange of technologies.

1.2 Third-party medical testing industry

China attaches great importance to the construction of a hierarchical diagnosis and treatment system, favorable policies promoting the further release of market demand

The construction of a hierarchical diagnosis and treatment system is an important arrangement for deepening the reform of the medical and health care system, as well as a fundamental solution to meet the people's demand for medical treatment. In recent years, various policies have been adopted at the national level to actively promote and accelerate the construction of the hierarchical diagnosis and treatment system. In December 2023, the National Health Commission issued the Guiding Opinions on Comprehensively Promoting the Construction of Closeknit 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》), which specifies the general requirements and supportive policies for the construction of county-level medical and health communities and proposes that by the end of 2025, more than 90% of China's counties and cities will have basically built closeknit county-level medical and health communities. In August 2024, the Decision of the Central Committee of the Communist Party of China on Further Comprehensively Deepening Reform and Advancing Chinese Modernization (《中共中央關於進一步全面深化改革、推進中國式現代化的決定》) passed at the Third Plenary Session of the 20th Central Committee of the Communist Party of China proposes "to promote the expansion and downward penetration and balanced regional layout of high-quality medical resources, accelerate the construction of a hierarchical diagnosis and treatment system, promote the construction of closeknit medical institution alliances, and strengthen the primary medical and healthcare services", which pointed out the direction and put forward clear requirements for further advancing the construction of a hierarchical diagnosis and treatment system. The National Health Commission has clearly pointed out that the next five years will be a critical period for accelerating the construction of the hierarchical diagnosis and treatment system. Focusing on the provincial-, municipal- and primary-level goals, China will accelerate to promote the expansion and downward penetration and balanced regional layout of high-quality medical resources to enhance the primary medical care service capabilities.

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

In 2024, China's LDT (Laboratory Developed Testing methods) pilots have progressed steadily and made significant progress. Pursuant to the Notice on the Launch of the Pilot Program for Medical Institutions to Self-Develop and Use In Vitro Diagnostic Reagents (《關於開展醫療機構自行研製使用體外診斷試劑試點工作的通知》) jointly issued by the National Medical Products Administration and the National Health Commission, the General Affairs Office of Guangzhou Municipal People's Government released the Several Policy Measures of Guangzhou to Promote High-Quality Development of the Biomedical Industry (《廣州促進生物醫藥產業高質量發展的若干政策措施》) in 2024, proposing to conduct LDT pilots of in vitro diagnostic reagents in batches, and encouraging collaboration between qualified medical institutions and key enterprises to launch LDT pilots for in vitro diagnostic reagents that do not have the same kind of products on the domestic market with great clinical need, mature technology and controllable risks, as well as encouraging pilot enterprises to formulate industry standards as a leading role to accelerate the upgrading of innovative products and technologies. Further, the Shanghai Children's Medical Center, affiliated with Shanghai Jiao Tong University, has gone through procedures for the first LDT project, marking the implementation of LDT reagents in the PRC. In addition, the Medicine Branch of Beijing Association of Medical Laboratory and the Medicine Specialty Branch of Shanghai Association of Medical Laboratory jointly released the Expert Consensus on Procedures and Management of Laboratory Developed Testing Methods in Clinical Laboratories (《醫療機構臨床實驗室自建檢測方法流程與管理專家共識》), offering clear guidance and advice for medical institutions to carry out LDT methods. The advancement of these policies and practices identified above provides guideline for the development of LDT compliance, accelerates technological innovation and clinical transformation, and jointly promotes the improvement of diagnosis and treatment quality and the standardization of market order for better implementation of precision medicine.

"Artificial intelligence +" application innovation and development, broadening the industry prospects

The in-depth integration of AI technology with the healthcare industry will become an important driving force for the transformation and upgrading of digital intelligence in the industry segments. In November 2024, the National Health Commission and other departments jointly issued the Reference Guidance for Artificial Intelligence Application Scenarios in the Healthcare Industry (《衛生健康行業人工智能應用場景參考指引》) and other documents, providing policy support and direction for the application of AI in the field of medical testing. AI technology has shown great potential in medical imaging diagnosis, disease prediction, drug research and development, etc., which has significantly improved the accuracy and efficiency of diagnosis, reduced medical costs, and accelerated the process of innovation and research and development. For the third-party medical testing industry, with the help of technologies such as big data and cloud computing, the application of AI technology has not only improved the intelligence level of testing services, promoted the automation and intelligence of testing processes, and improved operational efficiency, but also provided data support and decision-making basis for precise treatment, and promoted the transformation and upgrading and high-quality development of the industry with the continuous progress of technology and the in-depth development of its application.

2. BUSINESS REVIEW

The Group has been committed to promoting development with innovation and overcoming challenges with resilience. In the face of multiple difficulties, challenges and development opportunities brought about by the macro-environment, the Group adhered to its business philosophy of "in-depth services and lean operations", continued to strengthen clinical-empowered value, and constantly explored and deepened the new model of "product innovation + model innovation" with a focus on customers. Meanwhile, the Group actively applied fast-evolving AI technologies in various fields such as R&D, manufacturing, technology, marketing and services, which has not only improved the efficiency of internal operation and management, but has also better empowered clinical precision diagnosis and treatment.

During the Reporting Period, affected by factors such as changes in the macro-environment, intensified competition in the industry as well as the Group's strategic optimization of its customer structure and product mix, the Group recorded a revenue of RMB711.9 million from diagnostic testing services, representing a decrease of 20.1% as compared to the same period of the previous year. Despite the above challenges, the Group relied on its customer-oriented, innovative and coordinated development system to achieve many breakthroughs in product innovation, model innovation, AI + medical digital intelligence and other aspects during the Reporting Period. Our joint construction business with medical institution alliances remained the largest business segment of the Group, which accounted for 53.0% of the total revenue, representing an increase of 4.7% as compared to the same period of the previous year. In addition, the featured products in infection segment achieved rapid growth, laying a solid foundation for its long-term development.

During the Reporting Period, the Group achieved satisfactory results in the following aspects:

2.1 Innovate Yunkang to Empower High-quality Medical Development

The model of providing diagnostic testing services for medical institution alliances was developing healthily, with in-depth service empowering the customers

During the booming and high-quality development of the medical and healthcare sector, the construction of medical institution alliances has become a key initiative to address the imbalanced distribution of medical resources and boost the level of primary medical services. Yunkang has been committed to developing the innovative service mode for joint construction of medical institution alliances featuring "professionalism as the foundation, standardization as the core, digital intelligence as the means, synergization as the goal", and after years of innovation and practice in this field, it has accumulated rich experience in the construction and operation in major provinces and regions across the country. At present, the Group has provided over 1,500 medical institutions in collaboration with medical institution alliances from 430+ on-site diagnostic centers of medical institution alliances with medical technical service solutions to meet their core demands. Through close collaboration with regional leading medical institutions, the Group comprehensively improved the regional medical and treatment levels in terms of mutual recognition of testing results in different regions, helping hospitals to build specialty departments, improving the efficiency of hierarchical diagnosis and treatment, promoting scientific research and cooperation, etc., so as to provide the public with diagnostic and medical services with higher quality and improved efficiency.

Following the national direction of vigorously driving the medical reform, during the Reporting Period, Yunkang teamed up with province-level leading hospitals, regional county-level general hospitals to jointly build medical institution alliances to actively promote the construction of medical institution alliances as the bridge connecting regional testing centers and partner hospitals, which not only provided customers with "3+N" tumor, infection, reproductive genetics and +N technical system support, but also provided support from 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 specialty departments, medical cold chain logistics services, quality control services and supply chain services, so as to better empower the demand and long-term development of hospitals with in-depth services. Since becoming the largest business segment of the Group in 2023, the joint construction business of medical institution alliances has maintained high-quality development, and as of the Reporting Period, our joint construction business of medical institution alliances has remained the largest source of the Group's revenue, contributing about 53.0% of the revenue.

With disease- and clinical-oriented product development, the joint innovation for diagnostic testing achieved remarkable results

The Group has always adhered to the "clinical demands" oriented service concept and built a series of high-tech platforms including high-throughput sequencing, gene chip, high-sensitivity PCR, protein spectrometry, cytogenetic, digital remote pathology and ultra-micro pathology. During the Reporting Period, the Group introduced nearly 800 new testing items and was capable of providing about 3,800 clinical testing items, with an annual testing volume of more than 10 million specimens.

In terms of precision diagnosis and treatment, the Group carried out more than 500 precision diagnosis services using cutting-edge technologies such as high-throughput sequencing and protein spectrometry, covering five medical fields including infectious diseases, reproductive genetics, solid tumors, blood diseases and personalized medicine. During the Reporting Period, the Group focused on the construction and development of 58 new items in the fields including infection, tumor, rare genetic diseases and personalized medicine, providing medical institutions nationwide with a more comprehensive range of precision diagnosis solutions to drive the prevalence and development of the precision medicine. During the Reporting Period, the revenue from the Group's special testing items increased significantly year-on-year, with its percentage of the Group's overall revenue increasing further.

In recent years, the Group built the first-of-its-kind "joint innovation platform for diagnostic testing", which has played a vital role in expanding the Group's business and boosting competitiveness of the products. Through constant exploration and practice, the Group has collaborated with dozens of top medical institutions across the country in joint innovation for diagnostic testing and has successfully developed more than 10 testing products for different infection syndromes in various fields such as respiratory tract infections and central nervous system infections. In addition, upholding the core goal of "model innovation, complementary advantages and efficient output", under the "joint innovation platform for diagnostic testing", we not only cooperated with partner medical institutions to develop innovative products, but also applied for major scientific and technological projects and developed clinical service-based data information system together with them. Through making full use of their own strengths, all the partners worked together to explore scientific research and achievement transformation in various clinical specialty areas, so as to create a close-loop system of "prevention, screening, diagnosis, treatment and recovery" (防篩診治康).

During the Reporting Period, our innovative cooperation with Guangdong Provincial People's Hospital achieved further results. Under the cooperation model of "joint innovation platform for diagnostic testing", the two parties have successfully built and operated specialty customized targeted next-generation sequencing (tNGS) for multiple pathogens since 2022. After going through clinical verification and in-hospital use, these items have been gradually used in the medical institution alliance hospitals covered by Guangdong Provincial People's Hospital and replicated to other medical institution alliances across the country. We accumulated rich clinical experience during the process of these items' in-house testing and promotion, and under the active engagement and constant promotion of dozens of experts and scholars from the domestic testing industry, we reached the "Expert Consensus on the Application of tNGS for Clinical Standardization" 《tNGS 臨床規範化應用專家共識》 ("**Expert Consensus**"), which will be released in China in the first half of 2025. The release of the "Expert Consensus" will greatly promote the standardization and normalization of tNGS testing, which allows early clinical diagnosis and treatment on infectious diseases. During the Reporting Period, the innovative products developed based on the "joint innovation platform for diagnostic testing" recorded a rapid growth in terms of both testing volume and testing revenue, which have injected new momentum into the Group's long-term high-quality growth.

Collaborative and integrated development of "government, industry, academy, research, medicine, application" to facilitate industrial upgrading

During the Reporting Period, the Group explored a new model of joint innovation and cooperation with the People's Government of Ouhai, Wenzhou City and Wenzhou Medical University on the basis of a unique industrial model innovation to promote the high-quality development of the medical industry by focusing on policy leadership, clinical development, technology breakthroughs, industrial services and application promotion. During the year, we officially signed a strategic cooperation agreement with the People's Government of Ouhai, Wenzhou City and Wenzhou Medical University to promote the construction of a number of key projects relating to the core areas of the biomedical industry, including a joint innovation and transformation platform, a public service platform, a medical big data research platform, a regional diagnostic sharing center and a training base for innovative talents in an orderly manner, with a view to facilitating the rapid transformation of scientific research results and their industrial application, thereby creating a cluster effect across the entire industrial chain and helping to build a regional highland for life and health industries.

During the Reporting Period, the Group achieved further results in promoting research and development, deepening the integration of industry and education, and strengthening cooperation with industry partners. The Group signed a memorandum of understanding with the Zhangjiang Research Institute of Fudan University to jointly establish a 'Collaborative Innovation and Transformation Center' to promote the innovation and results transformation of medical diagnostic technologies; signed a cooperation agreement with the Central University of Finance and Economics, Greater Bay Area Research Institute to integrate resources and jointly build an industry-education fusion talent cultivation highland and an industry aggregation and incubation platform; and entered into cooperation with Mr. Carl D. Mottram, Honorary Professor of Mayo Clinic School of Medicine, a top international expert, and Dr. Patrick Mateta, chairman of the board of directors of the African Association of Laboratory Medicine, to leverage on the experts' profound academic accumulation and industry experience to develop global scientific research and innovation in the areas of innovation in medical diagnostic technology, international standardization and promotion, laboratory operation and management, and industry-academia-research collaboration.

In addition, the Group's product centers drove academic development and industry cooperation with innovation during the Reporting Period, participating in and co-organizing more than 100 academic conferences, including nearly 10 national first-class conferences, to promote technological advancement in the field of medical testing. The Group also organized a number of product innovation-themed public welfare activities and industry-academia-research exchange events between universities and enterprises to enhance the integration of research and industry.

2.2 Yunkang, with the Digital Intelligence Capabilities to Lead the Industry

Over the years, the Group has relied on its advanced scientific research and technology platform and comprehensive clinical service system to continuously improve the research and development of medical testing technologies and digital applications with a focus on new medical technologies, cloud computing, big data, Internet of Things, 5G mobile network and AI and other cutting-edge technologies. The Group has explored cutting-edge areas such as remote pathology, digital pathology and AI-assisted diagnosis, and has created an "AI + medical care" professional service platform, which is integrated with ten digital "cloud" operation systems to help partner hospitals 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.

Digitalized Operations

The Group has launched and continuously upgraded its top 10 digital "cloud" systems, covering core areas such as laboratory operations, sales management, human resources, staff training and customer services. At the same time, the Group has integrated AI technology into its "cloud" systems to create a one-stop intelligent medical diagnostic solution from "sample collection" to "report delivery". Internally, the Group uses digital insights to identify problems and opportunities, optimizes operational processes to reduce costs and improve quality, so as to digitalize all the scenarios of corporate management and upgrade the lean management. Externally, the Group is actively exploring the delivery of operational systems to its customers to enhance the efficiency and quality of customer services, and to facilitate customers' accurate decision-making and efficient collaboration.

Digitalized Business

The Group has comprehensively applied AI technology across its multi-technology platforms in medical laboratories, with the core concepts of "Internet+" and "precision diagnosis" to create a series of intelligent diagnostic platforms. Through the deep integration of AI large models and medical imaging AI technology, the multi-technology platforms of Yunkang have significantly enhanced capabilities in key dimensions such as data processing, in-depth film reading, disease analysis, and report interpretation. This not only markedly improves the efficiency of laboratory testing and greatly reduces report turnaround time, but also vigorously promotes the optimization and upgrading of Yunkang's intelligent diagnostic system, achieving diversified expansion of intelligent diagnostic service scenarios. As of the Reporting Period, the Group's self-developed digital platform with full intellectual property rights – the remote pathology consultation platform – has covered over 800 medical testing items, assisting nearly 300 medical institutions nationwide in enhancing their pathology diagnostic capabilities and benefiting more than 200 million rural patients in remote areas.

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 and chromosome AI analysis, which has greatly enhanced diagnostic efficiency, demonstrating application effects constantly. 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.

In recent years, the Group has gradually built the capability to assetize data and established a data asset security management system through measures such as data standardization, data resource accumulation, and data security and compliance management. During the Reporting Period, the Group focused on the field of infectious diseases and developed its first infectious disease data product, the "Yunkang Respiratory Pathogen Detection Positivity Rate Analysis Report." This product officially obtained its data product certification and was listed on the Guangzhou Data Exchange in January 2025. This marks a milestone step for the Group in the field of compliant data transactions, effectively unlocking the value of data.

Currently, the Group has officially accessed the DeepSeek large model, aiming to achieve a comprehensive innovation in medical testing and diagnostics through inclusive technology, precision service and intelligent management. This initiative will not only continue to drive cost reduction and efficiency improvement within the enterprise, but also actively promote the transformation of the medical industry into a "data + AI-driven" paradigm.

FINANCIAL REVIEW

Overview

The financial summary set out below is extracted or calculated from the audited 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 Financial Reporting Standards.

Revenue

Revenue of the Group amounted to RMB711.9 million for the Reporting Period, representing a decrease of 20.1% compared to RMB891.5 million for the year ended December 31, 2023. Such decrease was mainly due to a decline in the Group's overall revenue from diagnostic testing services as compared to last year, affected by factors such as changes in the macro-environment, intensified competition in the industry as well as the Group's strategic optimization of its customer structure and product mix.

In response to the challenging external environment, the Group promptly adjusted its development strategy, focusing its advantageous resources on its core customers and core products. The Group's key customers experienced high-quality development, and the featured products in infection and other segments achieved rapid growth, laying a solid foundation for its long-term development.

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

	For the year ended December 31,		
	2024 **RMB'000**	2023 RMB'000	Change
Recognized at a point in time:			
– Diagnostic testing services for medical institution alliances	**377,315**	430,874	(12.4)%
– Diagnostic outsourcing services	**301,809**	413,615	(27.0)%
– Diagnostic testing services for non-medical institutions	**32,760**	47,011	(30.3)%
	711,884	891,500	(20.1)%

Diagnostic Testing Services for Medical Institution Alliances

Revenue generated from diagnostic testing services for medical institution alliances decreased by 12.4% from RMB430.9 million for the year ended December 31, 2023 to RMB377.3 million for the year ended December 31, 2024. The decrease was primarily due to the fact that external factors such as changes in the macroenvironment and intensified industry competition that led to a decrease in revenue from diagnostic testing services for medical institution alliances during the Reporting Period. In addition, in order to sustain its advantage in the development of the diagnostic testing services for medical institution alliances in the long term, the Group modified the overall strategic layout and made structural adjustment to its services for medical institution alliances to optimize both customer and product structures, which led to short term pressure on revenue. However, during the Reporting Period, the Group has made numerous breakthroughs in product innovation, model innovation and "AI + medical care" digitalization by leveraging on the innovation and synergy of the service model for medical institution alliances, making the diagnostic testing services for medical institution alliances remain the Group's leading business segment, accounting for 53.0% of total revenue, representing a year-on-year increase of 4.7%.

Diagnostic Outsourcing Services

Revenue generated from diagnostic outsourcing services decreased by 27.0% from RMB413.6 million for the year ended December 31, 2023 to RMB301.8 million for the year ended December 31, 2024, mainly attributable to the slowdown in the growth of market demand and intensifying competition in the industry during the Reporting Period which led to a further decrease in the price of routine outsourcing testing, resulting in a decline in revenue from diagnostic outsourcing testing compared to last year. Additionally, in pursuit of enhanced overall operational efficiency, the Group strategically optimized its client base and divested from underperforming businesses, further leading to the decrease in the Group's revenue from diagnostic outsourcing services compared to last year.

Diagnostic Testing Services for Non-Medical Institutions

Diagnostic testing services for non-medical institutions are mainly provided through our outpatient clinics, serving individual customers. Revenue generated from diagnostic testing services for non-medical institutions decreased by 30.3% from RMB47.0 million for the year ended December 31, 2023 to RMB32.8 million for the year ended December 31, 2024, mainly due to the year-on-year decline in the Group's diagnostic testing services for non-medical institutions as a result of factors such as the changes in external market environment and intensified competition in the industry.

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 11.5% from RMB565.7 million for the year ended December 31, 2023 to RMB500.8 million for the year ended December 31, 2024, primarily attributable to the overall decline in business revenue compared to last year, and insignificant economies of scale and a relatively small decrease in cost of revenue as a result of higher fixed costs of the Group.

Gross Profit and Gross Profit Margin

As a result of the aforementioned factors, the Group's gross profit decreased by 35.2% from RMB325.8 million for the year ended December 31, 2023 to RMB211.1 million for the year ended December 31, 2024. The Group's overall gross profit margin decreased from 36.5% for the year ended December 31, 2023 to 29.6% for the year ended December 31, 2024, primarily due to intensified competition in the industry, further reductions in market prices for medical testing items and higher fixed costs for enterprises, which have led to insignificant economies of scale and a decline in overall gross profit as compared to last year.

Other Income

The Group's other income decreased by 85.9% to RMB1.3 million for the year ended December 31, 2024, as compared to RMB9.1 million for the year ended December 31, 2023. The decrease was mainly due to the decrease in government grants.

The government grants mainly include grants from the local governments in recognition of the R&D projects of the Group. There are no unfulfilled conditions or other contingencies attached to these grants.

Selling Expenses

The Group's selling expenses increased by 19.5% from RMB150.9 million for the year ended December 31, 2023 to RMB180.2 million for the year ended December 31, 2024, mainly due to:

(i) an increase of approximately RMB20.2 million in sales staff expenses and operational service expenses as a result of the Group's adoption of various measures to facilitate the recovery of trade receivables during the Reporting Period; and

(ii) an increase of approximately RMB12.9 million as one-off technical consulting service expense for further optimization of the marketing operations management system.

Administrative Expenses

The Group's administrative expenses increased by 38.2% from RMB191.6 million for the year ended December 31, 2023 to RMB264.8 million for the year ended December 31, 2024, primarily due to the following reasons:

(i) during the Reporting Period, the Group granted restricted share units to selected participants under the 2022 RSU Scheme. Under the above scheme, the expenses in connection with restricted share awards increased by RMB23.6 million during the year;

(ii) in order to enhance the overall operational efficiency, the Group conducted impairment tests on certain laboratory properties and medical equipment, and made provisions for impairment losses on assets amounting to RMB19.6 million (2023: Nil) during the Reporting Period, as follows:

   a. during the Reporting Period, the Group implemented a plan to optimize and adjust laboratories with low utilization efficiency, and made impairment provisions for the relevant leasehold improvement assets; and

   b. during the Reporting Period, the Group identified that certain medical equipment was at risk of idleness and obsolescence due to long acquisition time and outdated technical performance, rendering it unable to be used for its original purpose. Therefore, the Group conducted an impairment assessment on the medical equipment showing impairment indicators. The Group allocated these medical equipment to relevant cash-generating units and used the discounted cash flow model to recognize impairment losses for certain medical equipment. In addition, the Group engaged an independent third-party appraisal agency to evaluate the fair value of the medical equipment using the market approach. Since the results of the discounted cash flow model were greater than those obtained from the market approach, the Group used the results of the discounted cash flow model as the recoverable amounts;

(iii) during the Reporting Period, the Group engaged an independent third-party appraisal agency to evaluate a land-use-right asset located in Huangpu District, Guangzhou City, which was acquired in November 2020. After the appraisal, the recoverable amount of the land-use-right asset was lower than its carrying amount. Therefore, the Group made an impairment provision of RMB8.3 million (2023: Nil) for such land-use-right asset. The fair value of the land-use-right asset was determined using the market approach with reference to the market price of commercial land near the land; and

(iv) in recent years, in response to the complex and volatile external environment and to maintain its advantages in long-term development, the Group continuously increased expenditures in professional consulting and services related to the strategic development in areas such as operations and capitalization, which led to increased consulting service fees and a provision for a dispute as certain of services fell short of expectations.

The Group's R&D expenses decreased by 4.2% from RMB55.3 million for the year ended December 31, 2023 to RMB53.0 million for the year ended December 31, 2024, and the percentage of R&D expenses to total revenue increased from 6.2% for the year ended December 31, 2023 to 7.4% for the year ended December 31, 2024, primarily due to the Group's unwavering commitment to innovation in its development directions and continued to invest in innovation in terms of product, operating system and digitalization during the Reporting Period.

Impairment Losses on Financial Assets

For the year ended December 31, 2024, the Group's impairment losses on financial assets were approximately RMB536.2 million, representing an increase of 412.6% from RMB104.6 million for the year ended December 31, 2023. The Group's impairment losses on financial assets were mainly provisions for trade receivables. During the Reporting Period, the Group made a provision of RMB536.3 million for trade receivables, mainly due to the fact that the Group was not able to promptly recover trade receivables arising from COVID-19-related revenue in 2021 and 2022 as a result of the delay in financial payments from local government authorities and public medical institutions, which resulted in the extended aging of the receivables. As of the end of the Reporting Period, trade receivables with age between 2 to 3 years accounted for 56.3% of the total receivables, and those with age over 3 years accounted for 7.2%.

The Group assigned debtors of trade receivable to different groups based on their characteristics of risk and then calculated the expected credit losses of these debtors using a "simplified approach" permitted by Hong Kong Financial Reporting Standards by fully and carefully considering the impact of the aging of their accounts receivable, historical modes of payment and forward-looking factors, and recognized a provision for asset impairment losses of RMB525.8 million in 2024, which included a provision for expected credit losses of RMB207.4 million and RMB313.4 million due from public medical institutions and CDC customers, respectively. The primary reason for the increased provision for expected credit losses during the Reporting Period was the increase in the number of trade receivables aged over two years. In addition, the Group has increased the expected loss rate for each aging category of CDC customers after taking into account the following factors, which were also the key reasons for the increase in provision for related expected credit losses:

(i) the medical testing service industry as a whole is facing the difficulty of collecting trade receivables related to COVID-19 testing. As for the trade receivables arising from income from COVID-19 testing services, the Group was unable to collect the relevant receivables in a timely manner due to the delayed financial settlement by local government authorities. As a result, the aging status of the Group's trade receivables from CDC customers was extended. The proportion of trade receivables aged over two years from CDC customers as of December 31, 2024 was 96.0%, while the proportion of trade receivables aged over two years from CDC customers as of December 31, 2023 was 6.0%; and

(ii) as of December 31, 2022, the balance of trade receivables from the customer CDC was RMB641.0 million, of which approximately RMB152.1 million was collected in 2023. As of December 31, 2023, the balance of trade receivables from the customer CDC was RMB525.0 million, of which approximately RMB116.7 million was collected in 2024. In 2024, although the Group adopted a series of measures to collect these trade receivables, while the aging of these trade receivables continued to extend, the recovery scale has been also reduced further, resulting in the management of the Group lowering the expectation of recovering the relevant receivables.

In addition, the Group has individually assessed debtors of trade receivables that have been out of contact, insolvent or ceased operations. The risk of being unable to collect these trade receivables has increased significantly. After assessment, the Group's management considered that there was a credit impairment on these debtors. An impairment loss of RMB10.5 million was therefore fully provided for in 2024.

In this regard, the management of the Group will resolutely safeguard the interests of the Company and Shareholders: for customers with good credit and new customers, the Group will tighten credit control and ramp up efforts in collection to reasonably control the level of accounts receivable; for accounts receivable that have not been collected for a long time, the Group will continue to put more efforts into collection and exhaust all feasible means to ensure the recovery of receivables, including but not limited to the following means: (1) taking legal actions against defaulting customers; (2) visiting the offices of business environment leadership groups at various levels in all regions (各區域各級商業環境領導小組辦公室) to urge various levels of governmental authorities to formulate repayment plans; (3) petitioning through the Default Financing (Complaint) Platform for Small and Medium Enterprises (中小企業拖欠融資(投訴)平台) to urge various levels of governmental authorities to formulate repayment plans; and (4) arranging employees to visit customers in person to collect debts and to urge the defaulting customers to settle their amounts owed to the Group quickly.

Finance Costs, Net

The Group's net finance costs increased from RMB34.2 million for the year ended December 31, 2023 to RMB39.1 million for the year ended December 31, 2024, primarily due to an increase in interest expense on interest-bearing borrowings.

Loss Before Income Tax

As a result of the aforementioned factors, the Group's loss before income tax increased to RMB791.2 million for the year ended December 31, 2024 from RMB86.8 million for the year ended December 31, 2023. The loss before income tax of the Group for the year ended December 31, 2024 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 a significant decrease in its gross profit. Additionally, due to the longer recovery period of certain trade receivables, the amount of impairment losses on the corresponding financial assets was relatively large, and the Group optimized the strategic layout of its laboratories and made impairment provision for the related assets, contributing to the overall loss.

Income Tax Expenses

The Group recorded income tax expenses of RMB2.0 million for the year ended December 31, 2024 as compared to income tax expenses of RMB15.1 million for the year ended December 31, 2023, primarily due to the increase in loss for the period and the decrease in taxable income.

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 land use rights, and right-of-use assets of leased properties, equipment and vehicles.

The Group's property and equipment decreased from RMB396.9 million as of December 31, 2023 to RMB314.3 million as of December 31, 2024, primarily due to (i) depreciation of property and equipment; and (ii) the write-off and impairment of certain leasehold improvement assets in the Group's laboratories.

Financial Assets Measured at Fair Value

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

As of December 31, 2024, the balance of financial assets at FVTPL was RMB475.4 million, representing a decrease of RMB313.6 million compared to RMB789.0 million as of December 31, 2023, due to the redemption of structured notes and termination of investment in a non-listed company during the Reporting Period.

As of December 31, 2024, the balance of financial assets at FVOCI was RMB59.1 million, representing a decrease of RMB15.4 million compared to RMB74.5 million as of December 31, 2023. The decrease in the fair value of the investment was mainly attributable to the decrease in the appraised value of the Group's unlisted investee companies.

For more details of the Group's financial assets measured at fair value, please refer to Note 21 to the consolidated financial statements in this report.

Inventories

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

The Group's inventories decreased from RMB18.0 million as of December 31, 2023 to RMB16.1 million as of December 31, 2024, which was attributable 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

Our trade receivables mainly represent outstanding amounts due from hospital customers in relation to the diagnostic outsourcing services and diagnostic testing services for medical institution alliances. The following table sets forth our trade receivables as of the dates indicated:

	As of December 31,	
	2024	2023
	RMB'000	RMB'000
Third parties	**1,490,350**	1,850,931
Related parties	**403**	477
	1,490,753	1,851,408
Less: provision for impairment of trade receivables	**(866,283)**	(337,619)
	624,470	1,513,789
Bill receivables	**3,986**	1,711
Total	**628,456**	1,515,500

The Group's trade receivables decreased from RMB1,515.5 million as of December 31, 2023 to RMB628.5 million as of December 31, 2024. Such decrease was primarily due to (i) the collection of a portion of trade receivables; (ii) the significant impairment provision for trade receivables; and (iii) the impact of reduced revenue from diagnostic testing services. The credit term granted by the Group to customers is generally within 180 days. In accordance with industry practice, the settlement periods applicable to certain customers, such as public hospitals and the Chinese Center for Disease Control and Prevention, involve lengthy internal administrative procedures. The Group maintains stringent control over these outstanding receivables and operates a credit control department to mitigate credit risks. Senior management of the Company conducts regular reviews of overdue balances.

As of March 28, 2025, RMB141.9 million of trade receivables was recovered subsequent to the Reporting Period, accounting for 9.5% of the balance of trade receivables as of December 31, 2024.

Prepayments and other receivables

The Group's prepayments and other receivables increased from RMB33.3 million as of December 31, 2023 to RMB114.9 million as of December 31, 2024, primarily due to the Group's addition of interest-bearing note receivable totaling RMB87.8 million during the Reporting Period, which is a fixed income note redeemable at its face value.

Trade and Other Payables

The Group's trade and other payables decreased from RMB975.5 million as of December 31, 2023 to RMB970.2 million as of December 31, 2024. The change was not material during the Reporting 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 of December 31, 2023 to RMB1,321.4 million as of December 31, 2024, which was primarily due to the 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 headed "Borrowings and Gearing Ratio" in this section.

Net Current Assets

The following table sets forth a summary of our net current assets as of the dates indicated:

	For the year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Current assets		
Inventories	**16,075**	18,021
Trade and bill receivables	**628,456**	1,515,500
Prepayments and other receivables	**24,279**	28,557
Financial assets at FVTPL	**412,989**	626,608
Restricted cash	**256,297**	405,475
Cash and cash equivalents	**1,321,355**	1,244,120
Total current assets	**2,659,451**	3,838,281

	For the year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Current liabilities		
Borrowings	**902,575**	1,154,247
Trade and other payables	**970,158**	975,484
Current income tax liabilities	**34,747**	42,784
Lease liabilities	**8,955**	16,116
Total current liabilities	**1,916,435**	2,188,631
Net current assets	**743,016**	1,649,650

The Group's net current assets decreased from RMB1,649.7 million as of December 31, 2023 to RMB743.0 million as of December 31, 2024, mainly due to a significant decrease in trade receivables, following a significant impairment provision for trade receivables recognized during the Reporting Period. For details of the Group's trade receivables, please refer to "Impairment Losses on Financial Assets" and "Trade Receivables" in this section, and for the risks and uncertainties associated with it, please refer to the section headed "Directors' Report – Principal Risks and Uncertainties".

Our current cash and cash equivalents, together with our expected cash inflows from operations, are expected to be sufficient to meet our working capital needs, daily operating requirements and financial commitments.

Key Financial Ratios

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

	For the year ended December 31,	
	2024	2023
Gross profit margin[(1)]	**29.6%**	36.5%

	As of December 31,	
	2024	2023
Current ratio[(2)]	**1.39**	1.75
Quick ratio[(3)]	**1.38**	1.75
Debt to asset ratio[(4)]	**0.64**	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.

Capital Commitments

The Group's capital commitment in 2024 was mainly related to the construction of the land acquired by the Group in Guangzhou in 2019. The Group's capital commitment amounted to RMB74.2 million as of December 31, 2024 as compared to RMB298.2 million as of December 31, 2023. The decrease was mainly due to the fact that the Group re-planned the civil construction project, and terminated a general contractor contract with a contractor in 2021 and entered into a new construction contract with a new general contractor.

Contingent Liabilities

As of December 31, 2024, the Group did not have any contingent liabilities.

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 makes adjustments to 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, financial assets at FVTPL that are denominated in Hong Kong dollars or U.S. dollars, and borrowings that are denominated in U.S. dollars, Hong Kong 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 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 on 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 of December 31, 2024, the Group had borrowings of RMB1,053.9 million (December 31, 2023: RMB1,347.8 million), of which RMB697.5 million (December 31, 2023: RMB1,051.7 million) was at fixed interest rates. As of December 31, 2024, the borrowings equivalent to approximately RMB27.9 million were originally denominated in US dollars, the borrowings equivalent to approximately RMB56.1 million were originally denominated in Hong Kong dollars and the borrowings equivalent to approximately RMB59.3 million were originally denominated in Swiss francs.

The gearing ratio of the Group (calculated as total interest-bearing borrowings and lease liabilities divided by total equity plus other financial liabilities as of the same date) is set out in the table below:

	As of December 31, 2024 RMB'000	As of December 31, 2023 RMB'000
Interest-bearing borrowings	**1,053,914**	1,347,841
Lease liabilities	**19,030**	41,998
Total interest-bearing borrowings and lease liabilities	**1,072,944**	1,389,839
Total equity	**1,149,877**	2,119,857
Other financial liabilities	**–**	–
Total equity plus other financial liabilities	**1,149,877**	2,119,857
Gearing ratio	**93.3%**	65.6%

The gearing ratio of the Group (calculated as total interest-bearing borrowings and lease liabilities divided by total equity plus other financial liabilities as of the same date) increased to 93.3% as of December 31, 2024 as compared to 65.6% as of December 31, 2023, which was mainly attributable to a decrease in total equity of RMB970.0 million as of December 31, 2024 as compared to that as of December 31, 2023. The decrease in total equity was mainly attributable to (i) a decrease in retained earnings of RMB791.7 million as a result of the net loss recorded in 2024; and (ii) a decrease in total equity of RMB173.7 million as a result of the acquisition of shares under the 2022 RSU Scheme.

Pledge of Assets

As of December 31, 2024, the borrowings of approximately RMB515.1 million (December 31, 2023: RMB497.0 million) were secured by certain of the Group's equipment and were pledged by certain of the time deposits and trade receivables.

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

The Group did not make any significant 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 occurred since December 31, 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 of the date of this report.

Employess and Remuneration

As of December 31, 2024, the Group had 1,249 employees (December 31, 2023: 1,510). The total remuneration cost (including Directors' remuneration) incurred by the Group for the year ended December 31, 2024 was RMB299.8 million (for the year ended December 31, 2023: RMB299.7 million). The total remuneration of employees for the year ended December 31, 2024 includes approximately RMB23.6 million of expenses related to restricted award shares (for the year ended December 31, 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 the 2022 RSU Scheme to attract 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.

OTHER INFORMATION

Compliance with the Code Provisions set out in Part 2 of the Corporate Governance Code in the Appendix C1 of the Listing Rules (the "Corporate Governance Code")

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

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

Board of Directors and Senior Management

EXECUTIVE DIRECTOR

Mr. Zhang Yong (張勇), aged 54, joined our Group on May 28, 2008. He is the Chairman, executive Director and chief executive officer of our Company. He was appointed as our Director on July 20, 2018 and was re-designated as our executive Director and appointed as our chief executive officer on February 7, 2021. He is mainly responsible for overall management, strategic planning and decision-making of the Group.

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

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

NON-EXECUTIVE DIRECTORS

Ms. Huang Luo (黃珞), aged 44, was appointed as our non-executive Director on August 11, 2022. Ms. Huang Luo is primarily responsible for overseeing the management and strategic development of the Group. Ms. Huang Luo has extensive experience in business management.

From January 2016 to April 2021, Ms. Huang Luo served as the chairperson and general manager of Guangzhou Daan Chuanggu Enterprise Management Co., Ltd. (廣州市達安創谷企業管理有限公司), primarily responsible for its business operation and management. From March 2004 to December 2015, Ms. Huang Luo served as the human resources manager of Daan Gene Co., Ltd. (廣州達安基因股份有限公司).

Since August 2021, Ms. Huang Luo has been serving as the executive director and general manager of Guangzhou Daan Gene Technology Co., Ltd. (廣州市達安基因科技有限公司). Since June 2021, she has been serving as Party branch secretary and Youth League branch secretary, and supply chain director of Daan Gene Co., Ltd. (廣州達安基因股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002030). She is mainly responsible for national supply chain management. Since June 2022, she has been serving as a director and general manager. In addition, since February 2022, she has been serving as a director of Guangzhou Darui Biotechnology Co., Ltd. (廣州市達瑞生物技術股份有限公司), the shares of which are listed on the National Equities Exchange and Quotations (stock code: 832705). In July 2022, she has been appointed as the executive director, general manager and legal representative of Guangzhou Dayian Trading Co., Ltd. (廣州達醫安貿易有限公司). In September 2022, she has been appointed as the executive director, manager and legal representative of Guangzhou Anying Medical Equipment Co., Ltd. (廣州安贏醫療設備有限公司). In December 2022, she has been appointed as a director of Yunkang Health Industry Investment Co., Ltd. (雲康健康產業投資股份有限公司).

In June 2003, Ms. Huang Luo obtained her bachelor's degree in jurisprudence from Hunan Normal University (湖南師範大學). In June 2012, Ms. Huang Luo obtained her master's degree in business administration from Sun Yat-sen University (中山大學). In December 2004, Ms. Huang Luo joined the Chinese Communist Party.

Dr. Wang Pinghui (王憑慧), aged 65, was appointed as our non-executive Director on August 30, 2023. Dr. Wang Pinghui is primarily responsible for overseeing the management and strategic development of the Group.

Dr. Wang Pinghui is currently a foreign academician of the Russian Academy of Engineering, an academician of the International Academy of Astronautics, a National Leading Talent (國家級領軍人才) and the executive chairman of UNIDO's Expert Committee of Global Alliance for Science, Technology and Innovation (聯合國工業發展組織全球科技創新聯盟專家委員會).

Dr. Wang Pinghui has rich experience in technological research and product development in the field of aerospace, with the major research direction being the unmanned system technology, electronic technology, information perception and processing technology. From July 1983 to August 2005, Dr. Wang Pinghui served as a senior engineer of Beijing Institute of Aerospace Systems Engineering (北京航天系統工程研究所). From August 2005 to May 2017, Dr. Wang Pinghui served as a researcher of China Academy of Aerospace Electronics Technology (中國航天電子技術研究院) of China Aerospace Science and Technology Corporation (中國航天科技集團有限公司). Since May 2017, Dr. Wang Pinghui has been serving as a professor, doctoral supervisor and director of Aerospace Technology Innovation Center (航空航天技術創新中心) at Southern University of Science and Technology (南方科技大學).

Dr. Wang Ruihua (王瑞華), aged 63, was appointed as our non-executive Director on July 11, 2022. Dr. Wang Ruihua is primarily responsible for overseeing the management and strategic development of the Group.

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

Dr. Wang Ruihua has over 10 years of experience as director of listed companies. From March 2011 to June 2017 and from September 2019 to January 2025, Dr. Wang Ruihua served as an independent director of Anhui Gujing Distillery Company Limited (安徽古井貢酒股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000596). From March 2020 to September 2022, he served as an independent director of BCEG Environmental Remediation Co., Ltd. (北京建工環境修復股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 300958). Since December 2019, Dr. Wang Ruihua has been serving as an independent director of Bank of Beijing Co., Ltd. (北京銀行股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 601169). Since May 2024, Dr. Wang Ruihua has been serving 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).

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

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Yu Shiyou (喻世友), aged 69, was appointed as our independent non-executive Director on April 1, 2022. He is primarily responsible for supervising and providing independent judgement to the Board.

Mr. Yu Shiyou started to work at Lingnan (University) College of Sun Yat-sen University (中山大學嶺南(大學)學院) since June 1995 and was promoted as vice principal of Sun Yat-sen University (中山大學) in January 2009. He served as the principal of Nanfang College of Sun Yat-sen University (中山大學南方學院) from February 2013 to January 2024. From February 2018 to February 2024, Mr. Yu Shiyou served as the independent non-executive director of CSSC Offshore & Marine Engineering (Group) Company Limited (中船海洋與防務裝備股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 600685) and the Stock Exchange (stock code: 00317).

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

Mr. Xie Shaohua (謝少華), aged 54, was appointed as our independent non-executive Director on April 1, 2022. He is primarily responsible for supervising and providing independent judgement to the Board.

From August 2007 to June 2018, Mr. Xie Shaohua served as the vice general manager and chief finance officer at Sinotrans Shipping Limited (中外運航運有限公司). He has been serving as the chief finance officer at CM Energy Tech Co., Ltd. (華商能源科技股份有限公司), the shares of which are listed on the Stock Exchange (stock code: 00206), since July 2018.

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

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

Dr. Dong Min (董敏), aged 56, was appointed as our independent non-executive Director on April 10, 2025. She is primarily responsible for supervising and providing independent judgement to the Board.

Dr. Dong Min is the founder and the current chief executive officer of Bo'an Shining Biotechnology (Shanghai) Co., Ltd. (博安世寧生物技術(上海)有限公司). Dr. Dong Min has been appointed as an independent non-executive Director with effect from April 10, 2025.

Dr. Dong Min has rich experience in technological research and product development in the field of biomedicine. From August 2006 to February 2011, she worked at Novartis International AG as a senior scientist in its preclinical drug safety department. From March 2011 to October 2015, she held the position of director of global clinical development in the oncology translational medicine department of Novartis (China Shanghai) Biomedical Research Co., Ltd. (諾華(中國上海)生物醫學研究有限公司). From November 2015 to December 2016, she served as the chief scientist of the Group. From February 2017 to July 2018, she served as the senior vice president responsible for clinical development and regulatory affairs at EOC Pharma Co., Ltd. (億騰景昂藥業股份有限公司). From July 2018 to July 2021, she was the executive vice president responsible for global clinical development and regulatory affairs and the deputy general manager for Greater China at Clover Biopharmaceuticals Co., Ltd. (三葉草生物製藥有限公司). Between August 2021 and January 2023, she founded and served as the chief executive officer of SQZ Biotech (Shanghai) Co., Ltd. (斯摩夫生物科技(上海)有限公司).

In July 1991, Dr. Dong Min obtained her bachelor's degree from Beijing Medical University (北京醫科大學) (currently known as Peking University Health Science Center (北京大學醫學部)). In July 1999, Dr. Dong Min obtained her master's degree from Tsinghua University (清華大學). In September 2004, she obtained her Ph.D. degree from Massachusetts Institute of Technology (麻省理工學院) in the United States.

SENIOR MANAGEMENT

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

Mr. Wang Xubo (王旭波), aged 50, was appointed as the executive vice president of our Company on February 7, 2021 and as the executive president of our Company on October 10, 2024. He joined the Group in October 2008 and is primarily responsible for assisting the chief executive officer for the overall management, strategic planning and decision-making of the Group.

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

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

Mr. Lin Yingjia (林穎嘉), aged 46, was appointed as the chief financial officer and joint company secretary of our Company on February 7, 2021. He joined our Group in July 2009 and is primarily responsible for the overall management of financial, capital market and secretarial affairs of our Group.

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

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

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

Mr. Wang Tieding (王鐵丁), aged 58, was appointed as the vice president of our Company on February 7, 2021. He joined our Group in June 2011 and is mainly responsible for the business operation and management of our Company.

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

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

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

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

JOINT COMPANY SECRETARIES

Mr. Lin Yingjia (林穎嘉), is the joint company secretary and chief financial officer of our Company. Please see "Senior Management" in this section for details of his biography.

Ms. Lam Chi Ching Cecilia (林芷晴), was appointed as a joint company secretary on July 31, 2024.

Ms. Lam Chi Ching Cecilia is a solicitor qualified to practice in Hong Kong. Ms. Lam Chi Ching Cecilia is currently an associate of Zhong Lun Law Firm LLP, specializing in corporate finance including initial public offerings, mergers and acquisitions and post-listing compliance matters.

Ms. Lam Chi Ching Cecilia received her LLB degree from the University of Birmingham, United Kingdom in July 2017. Ms. Lam Chi Ching Cecilia graduated from the Chinese University of Hong Kong with a Master of Laws in International Economic Law in November 2019 and Postgraduate Certificate in Laws in August 2020, respectively.

Corporate Governance Report

The Board presents this corporate governance report in the Group's annual report for the year ended December 31, 2024.

COMPANY'S CULTURE

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

During 2024, the Company continued to strengthen its cultural framework by focusing on the following:

- vision: Yunkang, create a happy life
- mission: focus on the health needs of the public and strive to provide customers with professional, accurate, efficient and convenient medical and health services
- values: integrity, honesty and client-oriented
- code of conduct: the execution is of paramount importance

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

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

As a leading medical operation service provider in China, the Company has been committed to meeting the health needs of customers, providing efficient solutions through professional medical diagnostic services, strong standardization capabilities and innovative business models, and creating a better and healthier life for the public.

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

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

CORPORATE GOVERNANCE PRACTICES

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

The Company adopted the principles and code provisions of the Corporate Governance Code as the basis of the Company's corporate governance practices during the Reporting Period.

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

The Company regularly reviews its compliance with the Corporate Governance Code and the Board believes that save as disclosed above, the Company was in compliance with all applicable code provisions of the Corporate Governance Code during the Reporting Period.

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its securities code to regulate the dealing by the Directors in securities of the Company. Specific enquiries have been made to all Directors and the Directors have confirmed that they 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 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.

BOARD OF DIRECTORS

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

The composition of the Board is as follows:

Executive Director:

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

Non-Executive Directors:

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

Independent Non-Executive Directors:

Mr. Yu Shiyou
Mr. Lan Fenghui *(passed away on January 11, 2025)*
Mr. Xie Shaohua
Dr. Dong Min *(appointed on April 10, 2025)*

The biographical details of the Directors are set out in the section headed "Board of Directors and Senior Management" on pages 33 to 37 of this annual report.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

BOARD MEETINGS

Code provision C.5.1 of the Corporate Governance Code stipulates that board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communication. The Board held seven meetings during the Reporting Period.

Attendance record of Directors

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

	Number of meeting(s) attended/number of meeting(s) held during the year ended December 31, 2024				
Name of Director	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General Meeting**
Executive Director:					
Mr. Zhang Yong	7/7	N/A	1/1	1/1	2/2
Non-executive Directors:					
Ms. Huang Luo	7/7	N/A	N/A	N/A	1/2
Dr. Wang Pinghui	7/7	N/A	N/A	N/A	2/2
Dr. Wang Ruihua	7/7	2/2	N/A	N/A	2/2
Independent Non-executive Directors:					
Mr. Yu Shiyou	7/7	2/2	1/1	1/1	2/2
Mr. Lan Fenghui[Note] *(passed away on January 11, 2025)*	7/7	N/A	N/A	N/A	2/2
Mr. Xie Shaohua	7/7	2/2	1/1	1/1	2/2
Dr. Dong Min *(appointed on April 10, 2025)*	N/A	N/A	N/A	N/A	N/A

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the Reporting Period and, the Board at all times complied the requirements of Rule 3.10 of the Listing Rules in relation to the appointment of at least three independent non-executive Directors with at least one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

After the Reporting Period, on January 11, 2025, Mr. Lan Fenghui, an independent non-executive Director, passed away. Subsequent to the passing away of Mr. Lan Fenghui and up to April 10, 2025, the Company had two independent non-executive Directors with the number of independent non-executive Directors falling below the minimum number of three and did not meet the requirements under Rule 3.10(1) of the Listing Rules. On April 10, 2025, Dr. Dong Min was appointed as an independent non-executive Director to fill the vacancy. For details, please refer to the announcements of the Company dated January 13, 2025 and April 10, 2025, respectively.

During the Reporting Period, the Company complied with the requirement of Rule 3.10A of the Listing Rules relating to appointing the independent non-executive Directors representing at least one-third of the Board.

The Board has received from each of the independent non-executive Directors a written confirmation of his independence pursuant to Rule 3.13 of the Listing Rules and considers each of them to be independent. Independent non-executive Directors are required to inform the Company if there is any change that may affect his independence.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

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

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

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

Pursuant to Article 16.2 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his/her appointment and shall then be eligible for re-election at that meeting. Dr. Dong Min was appointed by the Board as an independent non-executive Director on April 10, 2025.

Accordingly, Dr. Dong Min shall retire at the AGM and, being eligible, will offer herself for re-election pursuant to Article 16.2 of the Articles of Association.

RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

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

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

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

BOARD COMMITTEES

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

Audit Committee

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

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

The Audit Committee held two meetings during the Reporting Period, in which the Audit Committee reviewed the Group's audited annual results and financial statements for the year ended December 31, 2024 and unaudited interim results and financial statements for the six months ended June 30, 2024 and approved re-appointment of Forvis Mazars as the Company's auditor for the year ended December 31, 2024.

The Group's annual results for the year ended December 31, 2024 have been reviewed by the Audit Committee and audited by the independent auditor of the Company, Forvis Mazars.

Remuneration Committee

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

The Remuneration Committee held one meeting during the Reporting Period. The Remuneration Committee has reviewed policy and structure for the remuneration of the Directors and senior management of the Company for the year ended December 31, 2024 and the remuneration proposal of the Directors and senior management of the Company for the year ending December 31, 2025. The Remuneration Committee has also reviewed and approved matters relating to the 2022 RSU Scheme.

Nomination Committee

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

The Nomination Committee held one meeting during the Reporting Period, in which the Nomination Committee reviewed and advised the Board on the re-appointment of Mr. Zhang Yong, Mr. Xie Shaohua, Dr. Wang Pinghui and Mr. Lan Fenghui as Directors.

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

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

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

DIVERSITY POLICY

Board Diversity

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

Purpose

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

Board Diversity Policy Statement

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

Measurable Objectives

Going forward and with a view to developing a pipeline of potential successors to our Board that may meet the targeted gender diversity ratio set out below, we will (i) make appointments based on merits with reference to board diversity as a whole; (ii) take steps to promote gender diversity at all levels of our Group by recruiting staff of different gender; and (iii) provide career development opportunities and more resources in training female staff with the aim of promoting them to the senior management or board of our Company so that we will have a pipeline of female senior management and potential successors to our Board in a few years' time. The Board is currently of the opinion that it generally meets the diversity requirements under the Listing Rules. As of the Latest Practicable Date, two out of our seven Directors are female, bringing the female representation to 28.6% of the Board.

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

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

Diversity at Work Force

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

Our employment profile as at December 31, 2024 is as follows:

Workforce as at December 31, 2024	No. of Headcount	Percentage of Total Headcount
By Gender		
Male	541	43.31%
Female	708	56.69%
By Age Group		
18 – 30 years old	520	41.64%
31 – 50 years old	699	55.96%
over 50 years old	30	2.40%

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

The Board is satisfied with the gender diversity of our employees and it expects to reach the diversity at work force at a more balanced level in year 2025.

CORPORATE GOVERNANCE FUNCTION

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

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

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

BOARD INDEPENDENCE

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

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

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

DIVIDEND POLICY

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2024.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

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

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

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

All new Directors receive a comprehensive, formal and tailored induction upon their appointments to the Board with the key objective of assisting them in understanding their duties and responsibilities for being a Director, the Company's business, risks, governance and Board and committee dynamics.

The Company appointed Dr. Dong Min as an independent non-executive Director with effect from April 10, 2025. Dr. Dong Min had on April 10, 2025 obtained legal advice referred to under Rule 3.09D of the Listing Rules from our Hong Kong legal adviser, Zhong Lun Law Firm LLP, a qualified solicitor as regards to the requirement under the Listing Rules that are applicable to them as a director of a listed company and the possible consequences of making a false declaration or giving false information to the Stock Exchange before his appointment became effective. Each of them confirmed that they understood their obligations as a director of a listed company.

AUDITOR'S RESPONSIBILITY AND REMUNERATION

The Company appointed Forvis Mazars as the external auditor for the year ended December 31, 2024. A statement issued by Forvis Mazars about their reporting responsibilities for the consolidated financial statements is included in the Independent Auditor's Report on pages 84 to 91.

Details of the fees paid/payable in respect of the audit and non-audit services provided by Forvis Mazars for the year ended December 31, 2024 are set out in the table below:

Services rendered for the Company	**Fees paid and payable** (RMB'000)
Audit service	2,330
Non-audit service	70
Total	2,400

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

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

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

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

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

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

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

JOINT COMPANY SECRETARIES

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

In order to uphold good corporate governance and ensure compliance with the Listing Rules and applicable Hong Kong laws, the Company has also engaged Ms. Lam Chi Ching Cecilia, an associate of Zhong Lun Law Firm LLP, as the joint company secretary to assist Mr. Lin Yingjia in discharging the duties of a company secretary of the Company. Her primary contact person at the Company is Mr. Lin Yingjia, the joint company secretary of the Company.

During the year ended December 31, 2024, Ms. Lam Chi Ching Cecilia and Mr. Lin Yingjia complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of the relevant professional training during the year.

CHANGES TO DIRECTORS' INFORMATION

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes of the information of the Directors subsequent to the publication of the interim report of the Company for the six months ended June 30, 2024 are set out below:

In January 2025, Dr. Wang Ruihua ceased to be an independent director of Anhui Gujing Distillery Company Limited (安徽古井貢酒股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000596).

The appointment letters of Mr. Zhang Yong, Mr. Yu Shiyou and Mr. Xie Shaohua were renewed with effect from February 20, 2025, April 1, 2025 and April 1, 2025, respectively, for another three-year appointment term.

With effect from April 10, 2025, Dr. Dong Min was appointed as an independent non-executive Director and a member of the Nomination Committee.

With effect from April 10, 2025, Mr. Yu Shiyou ceased to be a member of the Nomination Committee.

Save as disclosed above, there have been no other changes in the Directors' biographical details which are required to be disclosed in this annual report pursuant to Rule 13.51B(1) of the Listing Rules.

SHAREHOLDERS' RIGHTS

Convening of Extraordinary General Meetings by Shareholders

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

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

Putting Forward Proposals at General Meetings

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

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

Putting Forward Enquiries to the Board and Contact Details

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

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong at 4/F, Jardine House, 1 Connaught Place, Central, Hong Kong by post with attention to Ms. Lam Chi Ching Cecilia/Mr. Lin Yingjia, the joint company secretaries or email to **IR@yunkanghealth.com**, for the attention of the joint company secretaries.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavors to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. The Company's external auditor attended the last annual general meeting of the Company held on June 27, 2024 and will attend the forthcoming AGM, to answer any questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies applied and its independence. At the forthcoming AGM, Directors (or their delegates as appropriate) will be available to meet Shareholders and answer their enquiries.

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

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

CHANGES IN CONSTITUTIONAL DOCUMENTS

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

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

GOING CONCERN

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

Directors' Report

The Board is pleased to present this report of Directors together with the consolidated financial statements of the Group for the year ended December 31, 2024.

BOARD OF DIRECTORS

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

The Directors during the year ended December 31, 2024 and up to the Latest Practicable Date were:

Executive Director:

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

Non-Executive Directors:

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

Independent Non-Executive Directors:

Mr. Yu Shiyou
Mr. Lan Fenghui *(passed away on January 11, 2025)*
Mr. Xie Shaohua
Dr. Dong Min *(appointed on April 10, 2025)*

GENERAL INFORMATION

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

PRINCIPAL ACTIVITIES

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

RESULTS

The results of the Group for the year ended December 31, 2024 are set out in the consolidated statement of comprehensive income on pages 92 to 93 of this annual report.

BUSINESS REVIEW

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

- our financial prospects depends on the success of our service portfolio;
- if we cannot raise sufficient additional capital on acceptable terms while our operating activities put forward higher requirements for cash flow, our business, financial condition and prospects may be adversely affected;
- we face uncertainties in relation to the volume procurement policies in China;
- if we fail to keep up with industry and technology developments in a timely and cost-effective manner, we may be unable to compete effectively and demand for our services may decrease, which in turn may cause our business and prospects to suffer;
- if we cannot compete successfully with our competitors, we may be unable to increase or sustain our revenue or achieve and sustain profitability;
- our business may be adversely affected by impeding healthcare reforms in China; and
- if we are unable to substantially collect our trade receivables, our business, financial condition and results of operations may be adversely affected. For the impairment losses on financial assets recognized by the Group for the year ended December 31, 2024 and the measures adopted by the Group to facilitate the collection of trade receivables, please refer to the section headed “Management Discussion and Analysis – Financial Review – Impairment Losses on Financial Assets”.

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

We are subject to environmental protection and occupational health and safety laws and regulations in China. During the Reporting Period, we complied with the relevant environmental and occupational health and safety laws and regulations in China and we did not have any incidents or complaints, which had a material and adverse effect on our business, financial condition or results of operations. Please refer to the "Environmental, Social and Governance Report" of the Company for the year ended December 31, 2024 for details.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

EMPLOYEE AND REMUNERATION POLICIES

As of December 31, 2024, the Group had 1,249 employees (December 31, 2023: 1,510). The total remuneration cost (including Directors' remuneration) incurred by the Group for the year ended December 31, 2024 was RMB299.8 million (for the year ended December 31, 2023: RMB299.7 million). The total remuneration of employees for the year ended December 31, 2024 includes approximately RMB23.6 million of expenses related to restricted award shares (for the year ended December 31, 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 the 2022 RSU Scheme to attract 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. Please refer to the section headed "2022 RSU Scheme" in this annual report for further details.

During the Reporting Period, the Group did not experience any material labor disputes or strikes that may have a material and adverse effect on our business, financial condition or results of operations, or any difficulty in recruiting employees.

MAJOR SUPPLIERS AND PROCUREMENT

For the year ended December 31, 2024, our major suppliers primarily consisted of suppliers of testing kits, raw materials, machinery and equipment, labor outsourcing service provider, third-party marketing service providers and certain third-party laboratory subcontractors.

For the years ended December 31, 2023 and 2024, Da An Gene Group, our connected person was our largest supplier. Our purchase amounts from Da An Gene Group were RMB34.7 million and RMB52.1 million for the years ended December 31, 2023 and 2024, respectively, representing 5.7% and 9.5% of our total purchases for the same period, respectively. The increase in purchases from Da An Gene Group in 2024 was primarily because of the increased amount of reagents and consumables we purchased from Da An Gene Group in 2024 as we deepened our cooperation with Da An Gene on infectious diseases.

During the Reporting Period, our purchase amount from our five largest suppliers amounted to RMB97.1 million (2023: RMB106.9 million), accounting for approximately 17.7% (2023: 17.4%) of our total purchases.

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

MAJOR CUSTOMERS

For the year ended December 31, 2024, our customers primarily consisted of medical institutions (such as public hospitals, community health centers, private hospitals and clinics, as well as medical examination centers) and CDC. During the Reporting Period, a significant number of our customers were located in Guangdong province, accounting for 56.0% of our total customers for the year ended December 31, 2024.

During the Reporting Period, our revenue generated from our five largest customers accounted for less than 10% of our total revenue.

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

For the year ended December 31, 2024, save as disclosed in the section headed "Management Discussion and Analysis – Financial Review – Impairment Losses on Financial Assets", we did not experience any significant disputes with our customers.

KEY RELATIONSHIPS WITH STAKEHOLDERS

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

Relationship with Our Employees

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

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

Relationship with Customers, Suppliers and Subcontractors

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

Relationship with Shareholders

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

FINANCIAL SUMMARY

A summary of the audited consolidated results and the assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements, is set out on page 176 of this annual report. This summary does not form part of the audited consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 30 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property and equipment of the Company and the Group for the year ended December 31, 2024 are set out in Note 13 to the consolidated financial statements.

SHARE CAPITAL AND SHARES ISSUED

Details of movements in the share capital of the Company for the year ended December 31, 2024 and details of the Shares issued for the year ended December 31, 2024 are set out in Note 23 to the consolidated financial statements.

DONATION

For the year ended December 31, 2024, the Group donated a batch of equipment to schools with a net book value of RMB4,048 according to the accounting policy (2023: the Group donated a batch of equipment to schools and medical institutions with a net book value of nil according to the accounting policy).

DEBENTURE ISSUED

The Group did not issue any debenture for the year ended December 31, 2024.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group, or existed for the year ended December 31, 2024.

PERMITTED INDEMNITY

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

Such permitted indemnity provision has been in force for the year ended December 31, 2024. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

DISTRIBUTABLE RESERVES

The Company may pay dividends out of the share premium account, retained earnings and any other reserves provided that immediately following the payment of such dividends, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business. As at December 31, 2024, the Company had no distributable reserves arising from retained earnings and other reserves, while the Company had share premium amounting to RMB248.1 million (2023: RMB432.8 million).

Details of movements in the reserves of the Group and the Company during the year ended December 31, 2024 are set out in the consolidated statement of changes in equity on page 96 and notes 23(a), 23(b), 24 and 29(a) of this annual report respectively.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Group as at December 31, 2024 are set out in the section headed "Management Discussion and Analysis" in this annual report and Note 25 to the consolidated financial statements.

CONVERTIBLE BONDS

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

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

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

DIRECTORS' SERVICE CONTRACTS

Mr. Zhang Yong, an executive Director, has renewed his service contract for a term of three years with the Company with effect from the date of the service contract, which is renewable for successive terms of three years upon expiry and shall be terminable by either party giving no less than 30 days' notice in writing to the other. Each of Mr. Yu Shiyou, an independent non-executive Director and Mr. Xie Shaohua, an independent non-executive director, has renewed their appointment letters for a term of three years with the Company with effect from the date of their respective appointment letters, which is renewable for successive terms of three years upon expiry, and shall be terminable by either party giving no less than three-month notice in writing to the other. Other than the above, each of the non-executive Directors and independent non-executive Directors has entered into an appointment letter with the Company, with an initial term of three years commencing from their respective dates of appointment and shall be terminable by either party giving no less than three-month notice in writing to the other.

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

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in the Note 31 to the consolidated financial statements, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party subsisting during or at the end of the year ended December 31, 2024.

CONTRACTS WITH CONTROLLING SHAREHOLDERS

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

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

Save as disclosed in the Prospectus and save for their respective interests in the Group, none of the Directors and the Controlling Shareholders was interested in any business which competes or is likely to compete with the businesses of the Group for the year ended December 31, 2024.

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

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed for the year ended December 31, 2024.

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

As at December 31, 2024, the interests and short positions of the Directors and chief executives of our Company and their associates in any of the Shares, underlying Shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

(i) Interests in the Company

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 Yong. Therefore, Huizekx Limited and Mr. Zhang Yong are deemed to be interested in the Shares held by YK Development under the SFO. As of December 31, 2024, YK Development Limited had pledged a total of 201,108,000 Shares, including (1) 140,493,220 Shares pledged to China Construction Bank (Asia) Corporation Limited in favor of SPDB International (Hong Kong) Limited; and (2) 60,614,780 Shares pledged directly to SPDB Guangzhou Wuyang Branch.

(2) The calculation is based on the total number of 621,250,500 Shares in issue as at December 31, 2024.

(ii) Interest 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 December 31, 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 December 31, 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	201,108,000 (L)	32.37%
SPDB International Holdings Limited[4]	Interested in a controlled corporation	140,493,220 (L)	22.61%
SPDB International (Hong Kong) Limited[4]	Person having a security interest in shares	140,493,220 (L)	22.61%
SPBD Guangzhou Wuyang Branch[4]	Person having a security interest in shares	60,614,780 (L)	9.76%
Kastle Limited[5]	Trustee/interested in a controlled corporation	35,905,846 (L)	5.78%
YK Innovation Limited[5]	Beneficial owner	35,905,846 (L)	5.78%

(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. As of December 31, 2024, YK Development Limited had pledged a total of 201,108,000 Shares, including (1) 140,493,220 Shares pledged to China Construction Bank (Asia) Corporation Limited in favor of SPDB International (Hong Kong) Limited; and (2) 60,614,780 Shares pledged directly to SPDB 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 Guidance Letter HKEX GL89-16, Huizekx Limited, Mouduans Limited, Tongfuzc Limited, WJJR Investment Limited, Jin Jun Ying Limited, Source Capital RW Limited and YK Development are a group of Controlling Shareholders of the Company.

(3) Daan International is wholly-owned by Guangzhou Daan Gene 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. As of December 31, 2024, YK Development Limited had pledged a total of 201,108,000 Shares, including (1) 140,493,220 Shares pledged to China Construction Bank (Asia) Corporation Limited in favor of SPDB International (Hong Kong) Limited; and (2) 60,614,780 Shares pledged directly to SPDB Guangzhou Wuyang Branch.

(5) YK Innovation Limited is directly wholly owned by Kastle Limited. Kastle Limited is the trustee (which is independent and not a connected person of the Company) appointed by the Company for the administration of the 2022 RSU Scheme. Kastle Limited is therefore interested in the Shares held by YK Innovation Limited, the platform holding underlying Shares for the 2022 RSU Scheme.

(6) The calculation is based on the total number of 621,250,500 Shares in issue as at December 31, 2024.

Save as disclosed above, as at December 31, 2024, the Directors and chief executives of the Company are not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would be required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

2022 RSU SCHEME

On November 23, 2022 (the "**Adoption Date**"), the 2022 RSU Scheme was approved and adopted by the Company. Further details of the 2022 RSU Scheme are set out in the Company's 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 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 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 Latest Practicable Date. 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 49,670,550 Shares (including RSUs that have lapsed and are available for re-granting) as at January 1, 2024 and December 31, 2024, respectively.

As at January 23, 2024, the Company had granted a total of 15,101,500 RSUs to Selected Participants under the 2022 RSU Scheme, of which 2,647,000 RSUs lapsed during the year ended December 31, 2024. None of the grantees of the RSUs are Directors or core connected person(s) of the Company as at December 31, 2024. As at the Latest Practicable Date, the Trustee held 35,905,846 Shares under the 2022 RSU Scheme, representing approximately 5.78% of the total issued Shares of the Company on the same date.

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 Latest Practicable Date, the remaining life of the 2022 RSU Scheme is approximately seven years and seven 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$)	Performance target	Unvested as at January 1, 2024	Reporting Period (January 1, 2024 to December 31, 2024) Granted	Vested	Lapsed	Cancelled	Unvested as at December 31, 2024	Fair value of RSUs at the date of grant *(Note 2)* (HK$)
Five highest paid individuals in aggregate	January 23, 2024	11.22	6 years	N/A	0	Note 1	0	3,866,500	0	0	0	3,866,500	11.22
Employees (other grantees excluding five highest paid individuals) in aggregate	January 23, 2024	11.22	6 years	N/A	0	Note 1	0	11,235,000	0	2,647,000	0	8,588,000	11.22
Total							0	15,101,500	0	2,647,000	0	12,454,500	

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 23(b) to the 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.

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

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

Details of the remuneration of the Directors and the five highest paid individuals are set out in Note 31 and Note 9, respectively to the consolidated financial statements.

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

For the year ended December 31, 2024, none of the Directors was paid any discretionary bonus.

For the year ended December 31, 2024, the five highest paid individuals were paid discretionary bonus totalling RMB2.1 million.

Pursuant to code provision E.1.5 of the Corporate Governance Code, the remuneration of the members of senior management (including Mr. Zhang Yong) by band for the year ended December 31, 2024 is set out below:

Remuneration bands (HKD)	**No. of person(s)**
Nil - 1,000,000	1
1,000,001 - 1,500,000	1
3,500,001 - 4,000,000	1
4,500,001 - 5,000,000	1
Total	4

The range of the aforementioned remuneration includes senior management's salaries, discretionary bonuses, social security and housing provident funds, as well as share-based award expenses in relation to restricted shares.

CONNECTED TRANSACTIONS

Among the related party transactions disclosed in Note 28 to the consolidated financial statements, the following transactions constitute connected transactions for the Company under Rule 14A.23 of the Listing Rules and are required to be disclosed in this annual report in accordance with Rule 14A.71 of the Listing Rules. Please see below the information required to be disclosed in compliance with Chapter 14A of the Listing Rules.

The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

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

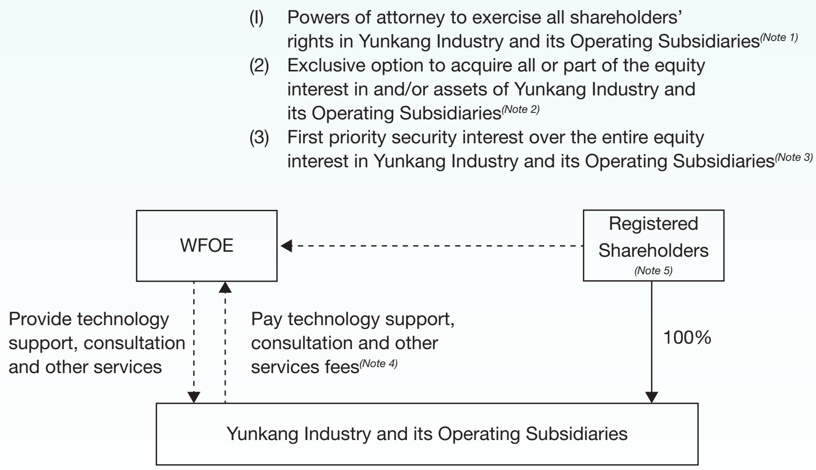
Contractual Arrangements

Overview

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

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

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



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

"- - - -▶" denotes contractual relationship

Notes:

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

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

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

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

(5) As at the Latest Practicable Date, the Registered Shareholders are the following persons who together hold the 100% equity interest of Yunkang Industry:

Shareholders	Registered Capital (RMB)	Approximate percentage of shareholding
Da An Gene	432,000,280	46.96%
Gaoxin Yangguang	303,899,320	33.03%
Mouduanshan	107,999,840	11.74%
Tongfu Zhongchuang	32,000,360	3.48%
Guangzhou Huigang	13,999,640	1.52%
Guangzhou Anjianxin	9,600,200	1.04%
Heyuan Rongwei	9,200,000	1.00%
Guangzhou Guoju Venture Capital Co., Ltd.	8,000,320	0.87%
Mr. Lan Fu	2,300,000	0.25%
Yujiang Anjin	1,000,040	0.11%

Summary of the Material Terms of the Contractual Arrangements

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

(1) Exclusive Consultancy and Service Agreement

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

(2) Exclusive Option Agreement

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

(3) Equity Pledge Agreement

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

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

(4) Shareholders' Voting Rights Entrustment Agreement

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

(5) Shareholders' Powers of Attorney

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

(6) Spouse Undertakings

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

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

Business Activities of Consolidated Affiliated Entities

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

Consolidated Affiliated Entities	**Principal Business**	**Basis to be controlled through the Contractual Arrangements**
Yunkang Industry	Planning to conduct commercial value-added telecommunication service	According to the 2021 Negative List, foreign investment is restricted for the companies engaged in commercial value-added telecommunication service
	Holding company of the Consolidated Affiliated Entities that are engaged in clinical genetic testing service	According to the 2021 Negative List, foreign investment is prohibited for the companies engaged in development and application of gene diagnosis and treatment technology, which forms part of clinical genetic testing

Consolidated Affiliated Entities	Principal Business	Basis to be controlled through the Contractual Arrangements
Guangzhou Daan, Chengdu Daan, Jiangxi Yunkang Daan Medical Laboratory Co., Ltd., Shanghai Daan, Hefei Daan Medical Laboratory Co., Ltd. and Kunming Gaoxin Daan Medical Laboratory Co., Ltd.	Diagnostic testing services including clinical genetic testing service	According to the 2021 Negative List, foreign investment is prohibited for the companies engaged in development and application of gene diagnosis and treatment technology, which forms part of clinical genetic testing
Guangxi Yunkang Daan Medical Laboratory Co., Ltd., Jinan Yunkang Daan Medical Laboratory Co., Ltd., Shenzhen Yunkang Daan Medical Laboratory, Guiyang Yunkang Daan Medical Laboratory Co., Ltd., Zhuhai Yunkang Daan Medical Laboratory Co., Ltd., Foshan Yunkang Daan Medical Laboratory Co., Ltd., Shantou Yunkang Daan Medical Laboratory Co., Ltd., Huizhou Yunkang Daan Medical Laboratory Co., Ltd., Dongguan Yunkang Daan Medical Laboratory Co., Ltd. and Guangzhou Baiyun Yunkang Daan Medical Laboratory Co., Ltd.	Planning to conduct diagnostic testing services including clinical genetic testing service	According to the 2021 Negative List, foreign investment is prohibited for the companies engaged in development and application of gene diagnosis and treatment technology, which forms part of clinical genetic testing
Guangzhou Clinic	Medical outpatient service	According to the 2021 Negative List, foreign investment is restricted for the companies engaged in medical outpatient service
Yunkang Lingnan	A project company for the development of the Group's global headquarters with no business operations	Yunkang Lingnan is held by Yunkang Industry and the transfer of equity interest in Yunkang Lingnan will constitute a breach of the Investment Agreement

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

Through our shareholdings and the Contractual Arrangements, our Company acquired effective control over Consolidated Affiliated Entities and, at our Company's sole discretion, can receive all of the economic interest returns generated by Consolidated Affiliated Entities. The total revenue and net assets of the Consolidated Affiliated Entities that are subject to the Contractual Arrangements amounted to approximately RMB695.8 million for the year ended December 31, 2024 and RMB884.4 million as at December 31, 2024, respectively.

Governing Framework

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Listing Rules Implications and Waivers from the Stock Exchange

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

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

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

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

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

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

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

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

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

Forvis Mazars, the Company's independent auditor, was engaged to report on the continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. Based on the results of the work performed, Forvis Mazars has issued a limited assurance report containing an unqualified conclusion in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules in confirming that:

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

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

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

Material Changes

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

During the Reporting Period, none of the Contractual Arrangements had been unwound on the basis that none of the restrictions that led to the adoption of the Contractual Arrangements had been removed. As at December 31, 2024, the Company had not encountered interference or encumbrance from any PRC governing bodies in operating its businesses through its Consolidated Affiliated Entities under the Contractual Arrangements.

Property Lease Agreement

Our Group entered into a property lease agreement with Da An Gene on January 1, 2021 (the "**Property Lease Agreement**"), pursuant to which Da An Gene agreed to let certain area with a total gross floor area of approximately 10,405.69 sq.m. located at No. 6, Lizhishan Road, Huangpu District, Guangzhou to our Group. Pursuant to the Property Lease Agreement, we also agreed to pay Da An Gene (i) property management fee; and (ii) water and electricity fees. The Property Lease Agreement has a term commencing from January 1, 2021 till December 31, 2022, which was renewed on January 1, 2023 on similar terms commencing from January 1, 2023 till December 31, 2023, and was further renewed on January 1, 2024 on similar terms commencing from January 1, 2024 till December 31, 2024. Please refer to the section headed "Connected Transactions" in the Prospectus for details.

The annual caps for the transactions under the Property Lease Agreement for the years ended December 31, 2022, 2023 and 2024 were RMB3,280,000, RMB3,572,000, and RMB3,890,000, respectively. The aggregate amount of property management fee and water and electricity fees incurred in accordance with the Property Lease Agreement for the year ended December 31, 2024 was RMB3,841,000.

On December 27, 2024, the Group entered into a property leasing agreement with Da An Gene (the "**2025 Property Leasing Agreement**"), the nature of which is substantially similar to the Property Lease Agreement, which expired on December 31, 2024. The 2025 Property Leasing Agreement has a term of one year from January 1, 2025 to December 31, 2025. Please refer to the Company's announcement dated December 27, 2024 for details.

The annual cap for the transactions under the 2025 Property Leasing Agreement for the year ending December 31, 2025 is RMB4,592,000.

Laboratory Testing Service Framework Agreement

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

The annual caps for the transactions under the Laboratory Testing Service Framework Agreement for the years ended December 31, 2022, 2023 and 2024 were RMB14,134,000, RMB15,830,000, and RMB17,729,000, respectively. The aggregate transaction amount incurred in accordance with the Laboratory Testing Service Framework Agreement for the year ended December 31, 2024 was RMB15,141,000.

On November 11, 2024, the Group entered into a laboratory testing service framework agreement with Da An Gene (the "**2025-2027 Laboratory Testing Service Framework Agreement**"), the nature of which is substantially similar to the Laboratory Testing Service Framework Agreement, which expired on December 31, 2024. The 2025-2027 Laboratory Testing Service Framework Agreement has a term of three years from January 1, 2025 to December 31, 2027. We have the right to terminate the 2025-2027 Laboratory Testing Service Framework Agreement by serving a thirty (30) Business Days' prior written notice to Da An Gene. Please refer to the Company's announcement dated November 11, 2024 for details.

The annual caps for the transactions under the 2025-2027 Laboratory Testing Service Framework Agreement for the years ending December 31, 2025, 2026 and 2027 are RMB16,807,000, RMB20,170,000 and RMB24,205,000, respectively.

Reagents, Consumables and Equipment Procurement Framework Agreement

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

The annual caps for the transactions under the Reagents, Consumables and Equipment Procurement Framework Agreement for the years ended December 31, 2022, 2023 and 2024 were RMB563,285,000, RMB591,450,000, and RMB621,022,000, respectively. The aggregate transaction amount incurred in accordance with the Reagents, Consumables and Equipment Procurement Framework Agreement for the year ended December 31, 2024 was RMB33,156,000.

On November 11, 2024, the Group entered into a reagents, consumables and equipment procurement framework agreement with Da An Gene (the "**2025-2027 Reagents, Consumables and Equipment Procurement Framework Agreement**"), the nature of which is substantially similar to the Reagents, Consumables and Equipment Procurement Framework Agreement, which expired on December 31, 2024. The 2025-2027 Reagents, Consumables and Equipment Procurement Framework Agreement has a term of three years from January 1, 2025 to December 31, 2027. We have the right to terminate the 2025-2027 Reagents, Consumables and Equipment Procurement Framework Agreement by serving a thirty (30) Business Days' prior written notice to Da An Gene. Please refer to the announcement of the Company dated November 11, 2024 and the circular of the Company dated December 4, 2024 for details.

The annual caps for the transactions under the 2025-2027 Reagents, Consumables and Equipment Procurement Framework Agreement for the years ending December 31, 2025, 2026 and 2027 are RMB41,083,000, RMB51,354,000 and RMB64,193,000, respectively.

The above continuing connected transactions have followed the policies and guidelines when determining the price and terms of the transactions conducted for the year ended December 31, 2024.

The auditor of the Company was engaged to review and report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the conclusions in respect of the abovementioned continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules that nothing has caused them to believe that the continuing connected transactions (i) had not been approved by the Board; (ii) were not in accordance with the Company's pricing policies; (iii) were not entered into in accordance with the agreement governing them; and (iv) had exceeded the annual cap.

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

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

Save for disclosed above, for the year ended December 31, 2024, we have not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the Rules 14A.49 and 14A.71 of the Listing Rules.

CONTRACT OF SIGNIFICANCE

Save as disclosed in Note 28 to the consolidated financial statements and in the section headed "Connected Transactions" above, no contract of significance was entered into between the Company, or one of its subsidiaries, and any of its Controlling Shareholders or subsidiaries from the Listing Date to December 31, 2024.

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

During the Reporting Period, neither the Company nor any subsidiaries or Consolidated Affiliate Entities of the Group purchased, redeemed or sold any of the listed securities of the Company or any of its subsidiaries (including sale of treasury shares). As of December 31, 2024, the Company did not hold any treasury shares.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration for the year ended December 31, 2024.

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 was 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 from the Global Offering in the proportion disclosed in the Prospectus		Net Proceeds utilized as at May 31, 2024	Unutilized balance of Net Proceeds after re-allocation as at May 31, 2024	Net Proceeds utilized as at December 31, 2024	Amounts not yet utilized as at December 31, 2024	Expected timeline of full utilization of the Net Proceeds
	HK$ million	Percentage	HK$ million	HK$ million	HK$ million	HK$ million	
Expanding and deepening our medical institution alliance network	446.5	55.0%	220.1	184.0	295.4	108.7	By the end of 2026
Upgrading and enhancing our operational capabilities of a medical operation service provider	162.3	20.0%	130.4	59.4	145.6	44.2	By the end of 2026
Expanding our diagnostic capabilities and enriching our diagnostic testing portfolio	81.2	10.0%	31.7	22.0	47.2	6.5	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	58.6	–	N/A
Our 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	597.4	214.4	

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

PUBLIC FLOAT

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

AUDITOR

Forvis Mazars has been appointed as the auditor of the Company with effect from November 23, 2023 to fill the vacancy following the resignation of PricewaterhouseCoopers on November 17, 2023. Save for the above, there has been no other change in the auditors in the past three years.

The consolidated financial statements of the Group for the year ended December 31, 2024 have been audited by Forvis Mazars, who will retire and, being eligible, offer themselves for re-appointment at the AGM.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

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

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, June 24, 2025 to Friday, June 27, 2025, both days inclusive, in order to determine the eligibility of the Shareholders to attend and vote at the forthcoming AGM. A notice of the AGM will be issued and delivered to the Shareholders in due course. In order to be eligible to attend and vote at the AGM, all transfer accompanied by the relevant share certificates and transfer forms must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong before 4:30 p.m. on Monday, June 23, 2025.

FINAL DIVIDEND AND THE RECORD DATE

The Board did not recommend the payment of a final dividend for the year ended December 31, 2024.

By order of the Board
Yunkang Group Limited
Zhang Yong
Chairman

Guangzhou, the PRC, March 28, 2025

Independent Auditor's Report

FORVIS MAZARS CPA LIMITED
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To the shareholders of Yunkang Group Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Yunkang Group Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 92 to 175, which comprise the consolidated statement of financial position as at December 31, 2024, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2024, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

Key Audit Matter	How our audit addressed the Key Audit Matter
Determination of whether the Group has control over consolidated affiliated entities under a series of contractual arrangements	
Refer to notes 2.2.1 (a) to the consolidated financial statements The Group, through its indirect wholly-owned subsidiary of the Company, which was a wholly foreign owned enterprise incorporated in the People's Republic of China (the "PRC") (the "WFOE"), entered into a series of contractual arrangements (the "Contractual Arrangements") with Yunkang Health Industry Investment Co., Ltd. ("Yunkang Industry") and its registered shareholders (the "Registered Shareholders"). The Group, through the Contractual Arrangements, has exposure and rights to variable returns from its involvement with Yunkang Industry and its subsidiaries (together "Yunkang Industry Group"). Therefore, the Group is considered to have control over Yunkang Industry Group.	Our key procedures, among others, included: – Evaluating the terms in the Contractual Arrangements in connection with the Group's control over Yunkang Industry Group; – Understanding how the Group controls the daily business operations and financing activities of Yunkang Industry Group; – Evaluating the management's assessment in relation to the control over Yunkang Industry Group according to HKFRS 10; – Obtaining a legal opinion from the Company's PRC legal counsel regarding whether the Contractual Arrangements are in compliance with the relevant PRC laws and regulations and are legally binding and enforceable; and – Evaluating the Company's PRC legal counsel's competence, capabilities and objectivity.

Key Audit Matter	How our audit addressed the Key Audit Matter
In determining the extent of the Group's involvement with and control over Yunkang Industry Group, the management considered a number of factors including whether the Group has: (i) exercised effective control over the Yunkang Industry Group; (ii) exercised equity holders' voting rights of the Yunkang Industry Group; (iii) received substantially all of the economic interests and returns generated by the Yunkang Industry Group in consideration for the technical support, consulting and other services provided exclusively by the WFOE, at the WFOE's discretion; (iv) obtained an irrevocable and exclusive right to purchase all equity interests in Yunkang Industry Group from its Registered Shareholders at a minimum purchase price permitted under the PRC laws and regulations unless the relevant government authorities request that another amount be used as the purchase consideration and in which case the purchase consideration shall be such amount. At the WFOE's request, the Registered Shareholders of Yunkang Industry Group will promptly and unconditionally transfer their respective equity interests of Yunkang Industry Group to the WFOE (or its designee within the Group) after the WFOE exercises its purchase right; and (v) obtained pledges over the entire equity interests in Yunkang Industry Group from its Registered Shareholders to secure, among others, performance of their obligations under the Contractual Arrangements, as appropriate. We identified the above matter as a key audit matter because Yunkang Industry Group is material to the Group and the determination of whether the Group has control over Yunkang Industry Group involves a significant degree of management's judgement.	

Key Audit Matter	How our audit addressed the Key Audit Matter
Expected credit loss assessment for trade receivables	
Refer to notes 3.1.2, 4(a), and 19 to the consolidated financial statements As at December 31, 2024, the Group had gross trade receivables of approximately RMB1,490,753,000, against which an expected credit loss allowance of RMB866,283,000 was recorded. Management applied the simplified approach under HKFRS 9 to calculate the expected credit loss ("ECL") for trade receivables which is based on lifetime ECL at each reporting date. Management performed a detailed analysis which considered customers' ageing profile, credit history, historical payment pattern and forward-looking information for the estimation of ECL on its trade receivables. We identified the impairment assessment of trade receivables as a key audit matter due to the significance of the balances. Furthermore, a significant degree of management estimation is required in assessing ECL of trade receivables which may affect their carrying amounts.	Our key procedures, among others, included: – Obtaining an understanding of the design and implementation of the Group's internal control and assessment process of the ECL of trade receivables; – Obtaining an understanding of management's rationale in the identification of individually credit-impaired trade receivables and the grouping of those trade receivables with similar credit risk characteristics for collective assessment; – Reviewing the valuation report from the valuer appointed by the management and discussing with the management and the valuer, if appropriate, to understand the basis and methodology used, and underlying assumptions applied to determine ECL; – Evaluating the objectivity, capabilities and competence of the valuer; – Assessing the reasonableness of assumptions, including both historical and forward-looking information used to determine the ECL, and the accuracy of the source data adopted by the management and the valuer; – Testing, on a sample basis, the grouping and accuracy of ageing analysis of trade receivables prepared by management by examining the underlying supporting documents; and – Inspecting subsequent cash receipts from customers relating to those balances on a sample basis.

Key Audit Matter	How our audit addressed the Key Audit Matter
Valuation of financial instruments measured at fair value	
Refer to notes 2.11, 21(a) and 21(b) to the consolidated financial statements As at December 31, 2024, the Group had financial assets at fair value through other comprehensive income ("FVOCI") and financial assets at fair value through profit or loss ("FVTPL") which were not quoted in an active market and measured at level 3 fair value hierarchy amounted to RMB192,309,000. The fair value assessment of the financial instruments that are measured at level 3 fair value hierarchy requires significant estimates, unobservable inputs, usually involves subjective judgement and assumptions, which include discount for lack of marketability, comparable price to book value or price to earnings multiples, discount rate, expected volatility, expected rate of return, market information of recent transactions (such as recent fund raising transactions undertaken by the investees) and other assumptions. Changes in these assumptions and estimates could materially affect the respective fair value of these investments. As such, we identified this as a key audit matter.	Our key procedures, among others, included: – Obtaining an understanding of the design and implementation of the Group's internal control and assessment process of the valuation of financial instruments measured at fair value; – Reviewing the valuation reports from the valuer appointed by the management and discussing with the management and the valuer, if appropriate, to understand the valuation basis and methodology used, and underlying assumptions applied; – Evaluating the objectivity, capabilities and competence of the valuer; – Assessing the reasonableness of assumptions, methodologies, significant unobservable inputs, if any, and the accuracy of the source data adopted by the management and the valuer; and – Checking arithmetical accuracy of the calculations in the valuation reports.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the Company's 2024 annual report but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

Forvis Mazars CPA Limited
Certified Public Accountants
42nd Floor, Central Plaza
18 Harbour Road
Wanchai, Hong Kong

March 28, 2025

The engagement director on the audit resulting in this independent auditor’s report is:
So Chun Wai
Practising Certificate number: P07513

Consolidated Statement of Comprehensive Income

	Note	Year ended December 31, 2024 RMB'000	2023 RMB'000
Revenue	5	**711,884**	891,500
Cost of revenue	8	**(500,815)**	(565,714)
Gross profit		**211,069**	325,786
Selling expenses	8	**(180,197)**	(150,855)
Administrative expenses	8	**(264,838)**	(191,636)
Net impairment losses on financial assets	3.1.2	**(536,182)**	(104,617)
Other income	6	**1,285**	9,127
Other gains – net	7	**24,973**	45,657
Fair value changes on financial assets at fair value through profit or loss	21(b)	**(8,178)**	13,962
Operating loss		**(752,068)**	(52,576)
Finance income	10	**10,159**	9,325
Finance costs	10	**(49,282)**	(43,560)
Finance costs – net		**(39,123)**	(34,235)
Loss before income tax		**(791,191)**	(86,811)
Income tax expenses	11	**(1,960)**	(15,078)
Loss for the year		**(793,151)**	(101,889)
Other comprehensive loss, net of tax			
Items that will not be reclassified to profit or loss			
– Changes in fair value of financial assets at fair value through other comprehensive income, net of tax	21(a)	**(15,748)**	(7,375)
Total comprehensive loss for the year		**(808,899)**	(109,264)

Consolidated Statement of Comprehensive Income

	Note	Year ended December 31, 2024 RMB'000	2023 RMB'000
(Loss) Profit attributable to:			
– Owners of the Company		**(791,682)**	(102,259)
– Non-controlling interests		**(1,469)**	370
		(793,151)	(101,889)
Total comprehensive (loss) income attributable to:			
– Owners of the Company		**(807,430)**	(109,634)
– Non-controlling interests		**(1,469)**	370
		(808,899)	(109,264)
Loss per share for loss attributable to owners of the Company			
– Basic (in RMB)	12	**(1.33)**	(0.17)
– Diluted (in RMB)	12	**(1.33)**	(0.17)

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

Consolidated Statement of Financial Position

	Note	As at December 31, 2024 RMB'000	2023 RMB'000
Assets			
Non-current assets			
Property and equipment	13	**314,340**	396,921
Intangible assets	14	**2,259**	3,368
Prepayments and other receivables	20	**90,613**	4,788
Financial assets at fair value through other comprehensive income ("**FVOCI**")	21(a)	**59,066**	74,508
Financial assets at fair value through profit or loss ("**FVTPL**")	21(b)	**62,411**	162,354
Deferred income tax assets	16	**40,196**	51,832
		568,885	693,771
Current assets			
Inventories	17	**16,075**	18,021
Trade and bill receivables	19	**628,456**	1,515,500
Prepayments and other receivables	20	**24,279**	28,557
Financial assets at FVTPL	21(b)	**412,989**	626,608
Restricted cash	22	**256,297**	405,475
Cash and cash equivalents	22	**1,321,355**	1,244,120
		2,659,451	3,838,281
Total assets		**3,228,336**	4,532,052
Equity			
Equity attributable to owners of the Company			
Share capital and share premium	23(a)	**610,358**	621,314
Shares held for employee share scheme	23(b)	**(362,241)**	(188,524)
Other reserves	24	**937,536**	929,692
(Accumulated losses) Retained earnings		**(42,012)**	749,670
		1,143,641	2,112,152
Non-controlling interests		**6,236**	7,705
Total equity		**1,149,877**	2,119,857

Consolidated Statement of Financial Position

	Note	As at December 31, 2024 RMB'000	2023 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	25	**151,339**	193,594
Lease liabilities	15(a)	**10,075**	25,882
Deferred income tax liabilities	16	**610**	4,088
		162,024	223,564
Current liabilities			
Borrowings	25	**902,575**	1,154,247
Trade and other payables	26	**970,158**	975,484
Current income tax liabilities		**34,747**	42,784
Lease liabilities	15(a)	**8,955**	16,116
		1,916,435	2,188,631
Total liabilities		**2,078,459**	2,412,195
Total equity and liabilities		**3,228,336**	4,532,052

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

The consolidated financial statements on pages 92 to 175 were approved by the Board of Directors of the Company on March 28, 2025 and were signed on its behalf by:

Zhang Yong
Director

Xie Shaohua
Director

Consolidated Statement of Changes in Equity

		Attributable to owners of the Company						
	Note	Share capital and share premium RMB'000 (Note 23(a))	Shares held for employee share scheme RMB'000 (Note 23(b))	Other reserves RMB'000 (Note 24)	Retained earnings (Accumulated losses)* RMB'000	Sub-total 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 for the year		–	–	–	(791,682)	(791,682)	(1,469)	(793,151)
Other comprehensive loss								
– Changes in fair value of financial assets at FVOCI, net of tax	24	–	–	(15,748)	–	(15,748)	–	(15,748)
Total comprehensive loss for the year		–	–	(15,748)	(791,682)	(807,430)	(1,469)	(808,899)
Transactions with owners:								
Share award expenses	23(b)	–	–	23,592	–	23,592	–	23,592
Shares purchased under the 2022 RSU Scheme	23(b)	–	(173,717)	–	–	(173,717)	–	(173,717)
Dividends	32	(10,956)	–	–	–	(10,956)	–	(10,956)
Total transactions with owners		(10,956)	(173,717)	23,592	–	(161,081)	–	(161,081)
Balance as at December 31, 2024		610,358	(362,241)	937,536	(42,012)	1,143,641	6,236	1,149,877

Consolidated Statement of Changes in Equity

	Note	Share capital and share premium RMB'000 (Note 23(a))	Shares held for employee share scheme RMB'000 (Note 23(b))	Other reserves RMB'000 (Note 24)	Retained earnings (Accumulated losses)* RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
		Attributable to owners of the Company						
Balance as at January 1, 2023		743,248	–	936,510	852,505	2,532,263	7,316	2,539,579
Loss for the year		–	–	–	(102,259)	(102,259)	370	(101,889)
Other comprehensive loss								
– Changes in fair value of financial assets at FVOCI, net of tax	24	–	–	(7,375)	–	(7,375)	–	(7,375)
Transfer of loss on disposal of financial assets at FVOCI to retained earnings	24	–	–	576	(576)	–	–	–
Total comprehensive loss for the year		–	–	(6,799)	(102,835)	(109,634)	370	(109,264)
Transactions with owners:								
Capital withdrawn from non-controlling interests	24	–	–	(19)	–	(19)	19	–
Shares purchased under the 2022 RSU Scheme	23(b)	–	(188,524)	–	–	(188,524)	–	(188,524)
Dividends	32	(121,934)	–	–	–	(121,934)	–	(121,934)
Total transactions with owners		(121,934)	(188,524)	(19)	–	(310,477)	19	(310,458)
Balance as at December 31, 2023		621,314	(188,524)	929,692	749,670	2,112,152	7,705	2,119,857

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

* According to the PRC Company Law, the PRC subsidiaries of the Group (excluding foreign investment enterprises) are required to transfer 10% of their profit after taxation, as determined under the PRC Accounting Regularities, to the statutory reserve until the reserve balance reached 50% of their registered capital. The transfer to statutory reserve must be made before distribution of a dividend to shareholders. As at December 31, 2024, the statutory reserve of approximately RMB65,126,000 (2023: RMB65,126,000) was grouped under retained earnings (accumulated losses).

Consolidated Statement of Cash Flows

	Note	Year ended December 31, 2024 RMB'000	2023 RMB'000
Cash flows of operating activities			
Cash generated from operations	27(a)	**260,985**	385,067
PRC enterprise income tax paid		**(2,145)**	(51,224)
Net cash generated from operating activities		**258,840**	333,843
Cash flows of investing activities			
Purchases of property and equipment		**(29,604)**	(60,993)
Proceeds from disposal of property and equipment		**–**	2,890
Purchases of intangible assets		**(853)**	(1,221)
Purchases of financial assets at FVTPL		**–**	(883,208)
Proceeds from redemption of financial assets at FVTPL		**323,870**	947,277
Collection of loans receivable		**–**	100,864
Restricted cash – deposits of investment funds		**–**	114,644
Decrease (Increase) in pledged time deposits for bank loans		**148,384**	(374,193)
Payments for note receivables		**(87,773)**	–
Net cash generated from (used in) investing activities		**354,024**	(153,940)
Cash flows of financing activities			
Proceeds from borrowings	27(b)	**965,150**	1,093,322
Repayments of borrowings	27(b)	**(1,257,836)**	(449,265)
Interest paid	27(b)	**(47,606)**	(36,057)
Principal elements and interest expenses of lease payments	27(b)	**(10,664)**	(21,067)
Dividend paid		**(10,956)**	(121,934)
Shares repurchased for employee share reward scheme	23(b)	**(173,717)**	(188,524)
Net cash (used in) generated from financing activities		**(535,629)**	276,475
Net increase in cash and cash equivalents		**77,235**	456,378
Cash and cash equivalents at beginning of year		**1,244,120**	787,742
Cash and cash equivalents at end of year	22	**1,321,355**	1,244,120
Major non-cash transactions:			
Transfer from lease liabilities to other payable		**527**	15,375

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

Notes to the Consolidated Financial Statements

1 GENERAL INFORMATION

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

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

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

2.1 Basis of preparation

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

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets at FVOCI and financial assets at FVTPL which are measured at fair value as explained in the accounting policies set out below.

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

The following new amendments to existing standards are effective for annual reporting periods beginning on or after January 1, 2024. The adoption of these new 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 HK Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

Amendments to HKAS 1: Classification of Liabilities as Current or Non-current

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the consolidated statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 1: Non-current Liabilities with Covenants

The amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the consolidated financial statements.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HK Interpretation 5: Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

This Interpretation is revised as a consequence of the above Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

The adoption of the amendments on this Interpretation does not have any significant impact on the consolidated financial statements.

Amendments to HKAS 7 and HKFRS 7: Supplier Finance Arrangements

The amendments introduce new disclosure requirements to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

Amendments to HKFRS 16: Lease Liability in a Sale and Leaseback

The amendments require a seller-lessee to subsequently determine lease payments arising from a sale and leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease.

The adoption of the amendments does not have any significant impact on the consolidated financial statements.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

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

At the date of authorization of these consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKAS 21	Lack of Exchangeability[1]
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[2]
Annual Improvements to HKFRSs	Volume 11[2]
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity[2]
HKFRS 18	Presentation and Disclosure in Financial Statements[3]
HKFRS 19	Subsidiaries without Public Accountability: Disclosures[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]

[1] Effective for annual periods beginning on or after January 1, 2025

[2] Effective for annual periods beginning on or after January 1, 2026

[3] Effective for annual periods beginning on or after January 1, 2027

[4] The effective date to be determined

The directors do not anticipate that the adoption of the new/revised HKFRSs in future periods will have any material impact on the results of the Group.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries

2.2.1 Consolidation

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

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

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

(a) Subsidiaries controlled through Contractual Arrangements

A wholly-owned subsidiary of the Company, which was a wholly foreign owned enterprise incorporated in the PRC (the "WFOE"), has entered into a series of contractual arrangements with Yunkang Health Industry Investment Co., Ltd. ("Yunkang Industry") and its registered shareholders on October 22, 2019 ("2019 Contractual Arrangements"), on December 29, 2020 ("2020 Contractual Arrangements"), and February 24, 2021 ("2021 Supplemental Contractual Arrangements") respectively (collectively "Contractual Arrangements"), which enable the WFOE and the Group to:

- Exercise effective control over the entities the Group controls through the Contractual Arrangements, being Yunkang Industry, subsidiaries of Yunkang Industry and Guangzhou Yunkang Clinic Co., Ltd. ("Consolidated Affiliated Entities");

- Exercise equity holders' voting rights of the Consolidated Affiliated Entities;

- Receive substantially all of the economic interests and returns generated by the Consolidated Affiliated Entities in consideration for the technical support, consulting and other services provided exclusively by the WFOE, at the WFOE's discretion;

- Obtain an irrevocable and exclusive right to purchase all equity interests in Yunkang Industry from its registered shareholders at a minimum purchase price permitted under PRC laws and regulations unless the relevant government authorities request that another amount be used as the purchase consideration and in which case the purchase consideration shall be such amount. At the WFOE's request, the Registered Shareholders of Yunkang Industry will promptly and unconditionally transfer their respective equity interests of Yunkang Industry to the WFOE (or its designee within the Group) after the WFOE exercises its purchase right; and

- Obtain pledges over the entire equity interests in Yunkang Industry from its registered shareholders to secure, among others, performance of their obligations under the Contractual Arrangements.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.1 Consolidation (Continued)

(a) Subsidiaries controlled through Contractual Arrangements *(Continued)*

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

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

2.2.2 Associates

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

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

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

2.2.3 Changes in ownership interests

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

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

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

2.3 Business combination

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

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.3 Business combination *(Continued)*

Acquisition-related costs are expensed as incurred.

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

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

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

2.4 Separate financial statements

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

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

2.5 Segment reporting

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.6 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

Foreign exchange gains and losses that relate to borrowings are presented as finance costs – net. All other foreign exchange gains and losses are presented on a net basis within other gains – net.

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

(c) Group entities

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

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.7 Property and equipment

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

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

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

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

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

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

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.8 Intangible assets

(a) Software

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

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

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

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

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

(b) Research and development

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

(c) Amortisation methods and periods

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

– Software	3-5 years

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.9 Impairment of non-financial assets

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

2.10 Government grants

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

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

2.11 Financial assets

2.11.1 Classification

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

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

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

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.11 Financial assets *(Continued)*

2.11.2 Recognition and derecognition

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

2.11.3 Measurement

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

(a) Debt instruments

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

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

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

(b) Equity instruments

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.11 Financial assets *(Continued)*

2.11.4 Impairment

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

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

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

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

2.12 Offsetting financial instruments

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

2.13 Inventories

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

2.14 Contract assets and contract liabilities

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.15 Trade and bill receivables and other receivables

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

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

2.16 Cash and cash equivalents

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

2.17 Share capital

Ordinary shares are classified as equity.

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

2.18 Trade and other payables

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.19 Borrowings

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

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

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

2.20 Borrowing costs

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

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

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

2.21 Current and deferred income tax

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

(a) Current income tax

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.21 Current and deferred income tax *(Continued)*

(b) Deferred income tax

Inside basis differences

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

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

Outside basis differences

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

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

(c) Offsetting

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.22 Employee benefits

(a) Pension obligations

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

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

No forfeited contributions for the above plans may be used by the employer to reduce the existing level of contributions.

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

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

(c) Short-term obligations

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

(d) Bonus plan

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.22 Employee benefits *(Continued)*

(e) Termination benefits

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

(f) Share-based payment transactions

The Group's employees, including directors, receive remuneration in the form of share-based payment transactions, whereby the employees rendered services in exchange for shares or rights over shares. The cost of such transactions with employees is measured by reference to the fair value of the equity instruments at the grant date. The fair value of share awards under 2022 RSU scheme granted to employees is recognised as an employee cost with a corresponding increase in a reserve within equity. The fair value is reference to the market price of the Company's shares, taking into account any market conditions and non-vesting conditions.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the vesting conditions are to be fulfilled, ending on the date on which the entitlement of relevant employees to the award is no longer conditional on the satisfaction of any non-market vesting conditions. During the vesting period, the number of share options that is expected to vest ultimately is reviewed. Any adjustment to the cumulative fair value recognised in prior periods is charged/credited to profit or loss for the year of review, with a corresponding adjustment to the reserve within equity.

2.23 Provisions

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

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.24 Revenue recognition

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

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

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

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

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

Revenue from diagnosis testing business is recognized at a point in time when diagnostic testing reports were delivered and accepted by customer.

2.25 Interest income

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

2.26 Leases

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.26 Leases *(Continued)*

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

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

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

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

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

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

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

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

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

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.27 Dividend distribution

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

2.28 Related parties

A related party is a person or entity that is related to the Group.

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of the parent of the Group.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. If the Group is itself such a plan, the sponsoring employers are also related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES *(Continued)*

2.28 Related parties *(Continued)*

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(a) that person's children and spouse or domestic partner;

(b) children of that person's spouse or domestic partner; and

(c) dependents of that person or that person's spouse or domestic partner.

In the definition of a related party, an associate includes subsidiaries of the associate and a joint venture includes subsidiaries of the joint venture.

3 FINANCIAL RISK MANAGEMENT

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

3.1 Financial risk factors

3.1.1 Market risk

(i) Foreign exchange risk

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

The Group principally operates in Mainland China with most of the transactions being settled in RMB, which is the functional currency of the group entities operated in Mainland China. Foreign exchange risk arises from the recognized assets and liabilities in foreign currencies other than their functional currencies, primarily with respect to CHF, HK$ and USD. The Group seeks to limit its exposure to foreign currency risk by closely monitoring and minimizing its net foreign currency position.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.1 Market risk (Continued)

(i) Foreign exchange risk *(Continued)*

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

	As at December 31, 2024			As at December 31, 2023		
	CHF RMB'000	**HK$ RMB'000**	**USD RMB'000**	CHF RMB'000	HK$ RMB'000	USD RMB'000
Prepayments and other receivables	**–**	**88,209**	**14,723**	–	3,337	–
Financial assets at FVTPL	**–**	**–**	**342,157**	–	–	728,236
Cash and cash equivalents	**–**	**2,599**	**101,063**	–	1,002	154,112
Restricted cash	**–**	**2,409**	**–**	–	–	–
Borrowings	**(59,185)**	**(56,126)**	**(27,675)**	–	(86,091)	–
Trade and other payables	**–**	**(46)**	**(7,188)**	–	(427)	(85)
	(59,185)	**37,045**	**423,080**	–	(82,179)	882,263

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

	Year ended December 31,	
	2024 RMB'000	2023 RMB'000
	Increase (Decrease) in post-tax loss	Increase (Decrease) in post-tax loss
5% appreciation in RMB against CHF	**(2,959)**	–
5% depreciation in RMB against CHF	**2,959**	–
5% appreciation in RMB against HK$	**1,852**	(4,109)
5% depreciation in RMB against HK$	**(1,852)**	4,109
5% appreciation in RMB against USD	**21,154**	44,113
5% depreciation in RMB against USD	**(21,154)**	(44,113)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.1 Market risk (Continued)

(ii) Cash flow and fair value interest rate risk

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

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

As at December 31, 2024, borrowings of the Group which were bearing at floating rates amounted to approximately RMB356,365,000 (December 31, 2023: RMB296,095,000). For the year ended December 31, 2024, if the floating interest rate on borrowings had been higher/lower by 0.5% with all other variables held constant, the post-tax loss would have changed mainly as a result of higher/lower interest expenses on floating rate borrowings.

Details of changes are as follows:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
	Increase (Decrease) in post-tax loss	Increase (Decrease) in post-tax loss
– 0.5% higher	**541**	640
– 0.5% lower	**(541)**	(640)

The interest rates are disclosed in Note 25.

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk

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

(i) Risk management

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

Majority of the Group's trade receivables are from providing diagnostic testing service to the medical institutions and Chinese Center for Disease Control and Prevention ("CDC") at various levels, financial or insurance institutions. The Group has granted credit terms of 0-180 days and would follow up actively on the settlement with respective counter-parties to avoid any overdue receivables. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimize credit risk. Overdue balances are reviewed regularly by senior management. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are reviewed and analysed.

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

(ii) Impairment

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

- internal credit rating
- external credit rating

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

(ii) Impairment *(Continued)*

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

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

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

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

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

(ii) Impairment *(Continued)*

Cash deposits and balances at banks

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

Trade receivables

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

Other receivables

For other receivables and amounts due from related parties, management makes periodic collective assessments as well as individual assessment on the recoverability of such receivables based on historical settlement records and past experience. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables and amounts due from related parties as the Group closely monitors their repayment. A reversal of impairment loss of RMB145,000 (2023: Impairment loss of RMB64,000) was made in respect of the other receivable as a result of the ECL assessment conducted by the management of the Company.

The Group considers that the other receivables and amounts due from related parties have low credit risk based on the counterparties' strong capacity to meet their contractual cash flow obligations in the near term and low risk of default.

The management of the Group considers the ECL of the deposits and debtors to be insignificant so no loss allowance was recognized in this respect.

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

(ii) Impairment *(Continued)*

Bill receivables

The directors of the Company considered that the bill receivable is immaterial to the Group, and therefore, no ECL assessment conducted by the management of the Company.

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

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

During the years ended December 31, 2024 and 2023, the Group had adjusted the forward-looking information and the expected credit loss to reflect the fluctuations of future economic conditions.

The following table shows the loss allowance provision for the Group's trade receivables, based on recognition date, as of December 31, 2024 and 2023.

Trade receivables	**Up to 180 days**	**181 days to 1 year**	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Total**
At December 31, 2024						
Public medical institutions						
Expected loss rate	**6.30%**	**14.43%**	**33.36%**	**79.28%**	**100.00%**	
Gross carrying amount (RMB'000)	**228,026**	**116,401**	**128,422**	**426,543**	**65,605**	**964,997**
Loss allowance provision (RMB'000)	**(14,355)**	**(16,783)**	**(42,789)**	**(335,279)**	**(57,933)**	**(467,139)**
Individually impaired receivables (RMB'000)	**(139)**	**(114)**	**(158)**	**(3,653)**	**(7,672)**	**(11,736)**
Others						
Expected loss rate	**1.39%**	**18.22%**	**61.23%**	**97.38%**	**100.00%**	
Gross carrying amount (RMB'000)	**32,247**	**9,556**	**12,451**	**48,312**	**14,032**	**116,598**
Loss allowance provision (RMB'000)	**(448)**	**(1,741)**	**(7,601)**	**(40,464)**	**(7,990)**	**(58,244)**
Individually impaired receivables (RMB'000)	**–**	**(1)**	**(37)**	**(6,757)**	**(6,042)**	**(12,837)**
CDC						
Expected loss rate	**5.94%**	**13.55%**	**64.50%**	**76.26%**	**100.00%**	
Gross carrying amount (RMB'000)	**344**	**543**	**15,639**	**364,370**	**28,262**	**409,158**
Loss allowance provision (RMB'000)	**(20)**	**(74)**	**(10,088)**	**(277,883)**	**(28,259)**	**(316,324)**
Individually impaired receivables (RMB'000)	**–**	**–**	**–**	**–**	**(3)**	**(3)**
						(866,283)

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk (Continued)

Trade receivables	Up to 180 days	181 days to 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
At December 31, 2023						
Public medical institutions						
Expected loss rate	3.13%	16.67%	26.04%	70.53%	100.00%	
Gross carrying amount (RMB'000)	223,287	199,144	658,160	61,202	15,138	1,156,931
Loss allowance provision (RMB'000)	(6,946)	(32,796)	(169,815)	(43,024)	(7,178)	(259,759)
Individually impaired receivables (RMB'000)	(1,523)	(2,414)	(6,027)	(202)	(7,960)	(18,126)
Others						
Expected loss rate	1.54%	15.72%	43.52%	99.52%	100.00%	
Gross carrying amount (RMB'000)	33,133	42,178	78,791	6,245	9,170	169,517
Loss allowance provision (RMB'000)	(511)	(6,630)	(34,293)	(5,881)	(3,154)	(50,469)
Individually impaired receivables (RMB'000)	–	–	–	(336)	(6,016)	(6,352)
CDC						
Expected loss rate	0.06%	0.49%	0.42%	2.78%	–	
Gross carrying amount (RMB'000)	13,150	22,888	457,557	31,365	–	524,960
Loss allowance provision (RMB'000)	(8)	(112)	(1,918)	(872)	–	(2,910)
Individually impaired receivables (RMB'000)	–	–	–	(3)	–	(3)
						(337,619)

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

	Trade receivables RMB'000	Other receivables RMB'000	Total RMB'000
At January 1, 2024	**337,619**	**361**	**337,980**
Impairment losses (Reversal of impairment losses) recognized in profit or loss	**536,327**	**(145)**	**536,182**
Written off	**(7,663)**	**(4)**	**(7,667)**
At December 31, 2024	**866,283**	**212**	**866,495**
At January 1, 2023	240,126	297	240,423
Impairment losses recognized in profit or loss	104,553	64	104,617
Written off	(7,060)	–	(7,060)
At December 31, 2023	337,619	361	337,980

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.3 Liquidity risk

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

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
At December 31, 2024					
Borrowings	**776,974**	**106,435**	**179,038**	**34,152**	**1,096,599**
Lease liabilities	**8,955**	**6,933**	**2,231**	**986**	**19,105**
Trade and other payables (excluding accrued staff costs and other taxes payable)	**910,307**	**–**	**–**	**–**	**910,307**
	1,696,236	**113,368**	**181,269**	**35,138**	**2,026,011**
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

3.2 Capital management

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

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.2 Capital management *(Continued)*

The Group monitors capital on the basis of the gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net (cash)/debt is calculated as total borrowings and lease liabilities less cash and cash equivalents. Total capital comprises all components of equity as shown in the consolidated statements of financial position plus net (cash)/debt. As at December 31, 2024 and 2023, the gearing ratio of the Group was as follows:

	Year ended December 31,	
	2024	2023
Net (cash)/debt (RMB'000)	**(248,411)**	145,719
Total capital (RMB'000)	**901,466**	2,265,576
Gearing ratio	**N/A**	6.43%

3.3 Fair value estimation

(a) Fair value hierarchy

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

At December 31, 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	**–**	**342,157**	**70,832**	**412,989**
– Unlisted companies	**–**	**–**	**62,411**	**62,411**
Financial assets at FVOCI				
– Unlisted companies	**–**	**–**	**59,066**	**59,066**
Total financial assets	**–**	**342,157**	**192,309**	**534,466**

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 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 techniques which maximise the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

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

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year ended December 31, 2024 (2023: same).

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

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Financial assets at FVOCI		
Balance at beginning of the year	**74,508**	84,341
Changes in fair value to other comprehensive income	**(15,442)**	(9,833)
Balance at end of the year	**59,066**	74,508
Financial assets at FVTPL		
Balance at beginning of the year	**253,102**	401,645
Additions	**–**	352,611
Changes in fair value to profit or loss	**(8,644)**	15,405
Disposals	**(111,215)**	(516,559)
Balance at end of the year	**133,243**	253,102

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

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

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

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

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

There was no change to valuation techniques during the year end December 31, 2024 (2023: same).

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

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

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

	Fair value As at December 31, 2024 RMB'000	Fair value As at December 31, 2023 RMB'000	Significant unobservable input	Range of inputs As at December 31, 2024	Range of inputs As at December 31, 2023	Relationship of unobservable input to fair value
Investments in unlisted companies and a limited liability partnership measured at FVOCI	59,066	74,508	Discounted for lack of marketability ("DLOM")	10% – 29%	10% – 29%	The higher the DLOM, the lower the fair value
			Price to book value ("P/B") multiple	1.01 – 3.74	1.45 – 4.60	The higher the P/B multiple, the higher the fair value
Investment in an unlisted company measured at FVTPL	62,411	60,726	DLOM	10% – 29%	10% – 29%	The higher the DLOM, the lower the fair value
			Price to earnings ("P/E") multiple	28.91	26.35	The higher the P/E multiple, the higher the fair value
			P/B multiple	2.06	2.51	The higher the P/B multiple, the higher the fair value
			Expected volatility	27.38% – 56.92%	33.13%-36.87%	The higher the expected volatility, the lower the fair value
Investment in an unlisted company measured at FVTPL	–	101,628	DLOM	–	20.5%	The higher the discount rate, the lower the fair value
			Weighted average cost of capital	–	16.8%	The higher the discount rate, the lower the fair value
Investment in private funds	70,832	90,748	Net asset value	N/A	N/A	The higher the net asset value, the higher the fair value
	192,309	327,610				

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.3 Fair value estimation *(Continued)*

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

If the fair value of the Group's financial assets at FVOCI had been 10% higher/lower, other comprehensive loss before income tax for the year ended December 31, 2024 would have been approximately RMB5,907,000 (2023: RMB7,451,000) lower/higher.

If the fair value of the Group's financial assets at FVTPL had been 10% higher/lower, the loss before income tax for the year ended December 31, 2024 would have been approximately RMB47,540,000 lower/higher (2023: RMB78,896,000 lower/higher).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

(a) Provision for expected credit losses of trade receivables

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

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

(b) Fair value measurement of financial assets at FVOCI and FVTPL

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(c) Impairment of property and equipment (including land use rights)

As at December 31, 2024, the Group's carrying value of property and equipment ("PP&E") before impairment provision was RMB476,572,000 (2023: RMB575,964,000). Management assesses related assets for potential impairment whenever there are indications that the carrying value of an asset or a group of assets may not be recoverable.

Determining an appropriate amount of an impairment requires an estimation of recoverable amounts of relevant PP&E or the respective cash generating unit ("CGU") to which PP&E belong, which is the higher of value in use and fair value less cost of disposal.

The Group estimates the fair value of land use rights (for impairment purpose) with reference to valuations performed by an independent professional valuer. The valuation of land use rights is performed using the direct comparison approach. The direct comparison approach requires adjustments to transaction price of similar land regarding differences in key valuation attributes such as size, location, shapes and conditions, etc. between the land under appraisal and the comparable. Based on the impairment test as at December 31, 2024, RMB8,265,000 (2023: Nil) of impairment of right-of-use assets for land use rights was recognized by management.

The management performed impairment assessment on PP&E excluding the right-of-use assets for land use rights with impairment indications at the level of cash generating unit ("CGU") to which these PP&E was allocated to the relevant CGU using discounted cash flow model. Based on the impairment test as at December 31, 2024, RMB153,967,000 (2023: RMB179,043,000) of impairment of PP&E excluding the right-of-use assets for land use rights was recognized by management.

(d) Subsidiary governed under contractual arrangements

When preparing the consolidated financial statements, the management applied HKFRS 10 to determine whether the Group has "control" over the entities considered to be subsidiaries. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity, has the power to direct the relevant activities of the entity, and has the ability to affect those returns through its power over the entity. Key factors used in determining control and whether the entities are subsidiaries include whether the Group has power over the entities either through voting rights or contractual arrangements and whether it has the rights to obtain the majority of benefits or is exposed to the majority of ownership risks.

When the above factors are met, the management determines that the Group has control over the entities include them as subsidiaries in the Company's consolidated financial statements. For the entities where the Group holds no equity interest but are subject to contractual arrangements, significant judgments are necessary as to whether the contracts give the Group the ability to exercise control over those entities, including consideration of the PRC legal and regulatory requirements, foreign exchange control, or other influences, such as, force majeure, etc.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS *(Continued)*

(e) Current and deferred income tax

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

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

5 REVENUE

(a) Description of principal activities

The Group has only one single operating segment – diagnostic services. The principal operating entities of the Group are domiciled in the PRC. Accordingly, all (2023: all) of the Group's revenue were derived from the PRC during the year ended December 31, 2024.

(b) Revenue by business line

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Recognized at a point in time:		
Diagnostic services	**711,884**	891,500

(c) Revenue by region

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Southern China	**565,055**	732,061
Eastern China	**72,166**	71,036
Southwestern China	**69,206**	73,749
Other regions in mainland China	**5,457**	14,654
	711,884	891,500

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

5 REVENUE *(Continued)*

(d) Information about major customers

All (2023: All) the revenues derived from single external customers were less than 10% of the Group's total revenue during the year ended December 31, 2024.

(e) Unsatisfied performance obligations

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

6 OTHER INCOME

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Government grants (Note (a))	**1,008**	8,797
Others	**277**	330
	1,285	9,127

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

7 OTHER GAINS – NET

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Gains on redemption of financial assets at FVTPL	**19,796**	36,561
Exchange gains – net	**2,233**	5,286
(Losses) Gains on disposal of equipment	**(3,824)**	1,396
Gains on lease modification	**5,038**	–
Others	**1,730**	2,414
	24,973	45,657

8 EXPENSES BY NATURE

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

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Cost of reagent and pharmaceuticals consumed (Note 17)	**208,563**	222,967
Staff costs (Note 9)	**299,819**	299,662
Marketing and promotion expenses	**68,926**	62,377
Subcontracting costs	**81,933**	86,067
Depreciation and amortization charges (Notes 13 and 14)	**73,391**	68,320
Impairment of properties and equipment (Note 13)	**27,891**	–
Written down of inventories (Note 17)	**112**	388
Medical disposal expenses	**1,602**	5,623
Transportation expenses	**19,410**	22,882
Office expenses	**17,491**	18,659
Other expenses	**20,493**	27,812
Travelling and entertainment expenses	**26,583**	31,177
Consultancy and professional service fees (Note (a))	**69,600**	43,945
Software development fee	**19,659**	–
Rental expenses (Note 15)	**7,456**	8,877
Outsourced research and development expenses	**–**	6,684
Insurance	**521**	165
Auditor's remuneration		
– Audit services	**2,330**	2,600
– Non-audit services	**70**	–
	945,850	908,205

Research and development expenses during the year ended December 31, 2024 were RMB52,955,000 (2023: RMB55,311,000), which mainly included cost of reagent and pharmaceuticals consumed, related staff costs and outsourced research and development expenses. Research and development activities included internal-use software upgrade and maintenance, improvement in advanced diagnostic testing practice. No research and development expenses had been capitalized for the year ended December 31, 2024 (2023: same).

(a) Consultancy and professional service fees includes consultancy fee and professional service fees, and provisions for disputes arising from the professional services not yet completed as expected.

9 STAFF COSTS

		Year ended December 31,	
	Note	**2024**	2023
		RMB'000	RMB'000
Salaries, bonuses and other benefits		**242,574**	258,745
Social security and provident fund		**33,653**	40,917
Equity-settled share award expenses	24	**23,592**	–
		299,819	299,662

Five highest paid individuals

No director was included in the five highest paid individuals and the emoluments payable to the five highest paid individuals during the years ended December 31, 2024 and 2023, respectively are as follows:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Basic salaries, housing benefits, other allowances and benefit in kind	**2,888**	4,787
Discretionary bonus	**2,134**	–
Social security and provident fund	**572**	482
Equity-settled share award expenses	**6,040**	–
	11,634	5,269

9 STAFF COSTS *(Continued)*

Five highest paid individuals *(Continued)*

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

Number of individuals

	Year ended December 31,	
	2024	2023
Emolument bands (HK$)		
Nil – 1,000,000 (equivalent to RMB926,040)	**–**	2
1,000,001 (equivalent to RMB926,041) – 1,500,000 (equivalent to RMB1,389,060)	**3**	3
1,500,001 (equivalent to RMB1,389,061) – 2,000,000 (equivalent to RMB1,852,080)	**–**	–
3,500,001 (equivalent to RMB3,241,141) – 4,000,000 (equivalent to RMB3,704,160)	**1**	–
4,500,001 (equivalent to RMB4,167,181) – 5,000,000 (equivalent to RMB4,630,200)	**1**	–
	5	5

Directors' emoluments are detailed in Note 31.

No performance related bonus was paid or payable by the Group to any of the highest paid non-director employees during the years ended December 31, 2024 and 2023.

No emolument was paid or payable by the Group to any of the highest paid non-director employees as inducement to join or upon joining the Group or as compensation for loss of office during the years ended December 31, 2024 and 2023. The highest paid non-director employees did not waive any emoluments during the years ended December 31, 2024 and 2023.

10 FINANCE COSTS – NET

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Finance income		
Interest income from bank deposits	**10,159**	9,325
Finance costs		
Interest expense on borrowings	**(48,021)**	(40,672)
Interest expense on lease liabilities (Note 15)	**(1,261)**	(2,888)
	(49,282)	(43,560)
Finance costs – net	**(39,123)**	(34,235)

11 INCOME TAX EXPENSES

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Current income tax	**47**	9,291
Overprovision for prior years	**(5,939)**	(716)
	(5,892)	8,575
Deferred income tax (Note 16)	**7,852**	6,503
	1,960	15,078

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, the two-tiered profits tax regime took effect, under which the tax rate is 8.25% for assessable profits on the first HK$2 million and 16.5% for any assessable profits in excess of HK$2 million. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the year ended December 31, 2024 (2023: same).

11 INCOME TAX EXPENSES *(Continued)*

PRC corporate income tax ("CIT")

CIT was made on the estimated assessable profits of the entities within the Group incorporated in the PRC and was calculated in accordance with the relevant tax rules and regulations of the PRC after considering the available tax refunds and allowances. The general CIT rate is 25% (2023: 25%) for the year ended December 31, 2024.

Certain of the Group's entities in the PRC, which generated most of the Group's profit, have been approved as high technology enterprises under the relevant tax rules and regulations, and accordingly, are subjected to a reduced preferential CIT rate of 15% (2023: 15%) for the year ended December 31, 2024.

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 are subjected to a reduced CIT rate of 20%.

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

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Loss before income tax	**(791,191)**	(86,811)
Tax calculated at statutory CIT rate of 25% (2023: 25%)	**(197,798)**	(21,703)
Effect of preferential tax rates	**54,181**	(5,529)
Expenses not deductible for tax purposes	**2,410**	2,538
Super deduction on research and development expenses (Note (a))	**(7,943)**	(8,296)
Effect of income not subjected to income tax	**(1,130)**	(6,330)
Tax allowance for employment of people with disabilities	**(187)**	(342)
Overprovision for prior year	**(5,939)**	(716)
Utilisation of previously unrecognized tax losses	**(905)**	(5,939)
Tax losses and deductible temporary differences for which no deferred income tax assets were recognized	**159,271**	61,395
Income tax expenses	**1,960**	15,078

(a) According to the relevant laws and regulations promulgated by the State Council of the PRC, during years ended December 31, 2024 and 2023, enterprises engaging in research and development activities are entitled to claim 200% of their research and development expenses incurred as tax deductible expenses when determining their assessable profits for that year ("super deduction"). The Group has made its best estimate for the super deduction to be claimed for the Group's entities in ascertaining their assessable profits during the year ended December 31, 2024 (2023: same).

12 LOSS PER SHARE

(a) Basic loss per share

The basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year ended December 31, 2024, less the shares held under the restricted share unit scheme adopted by the Company on November 23, 2022 (the "2022 RSU Scheme") during the year of approximately 35,905,846 shares (2023: approximately 15,101,643 shares).

	Year ended December 31,	
	2024	2023
Loss attributable to owners of the Company (RMB'000)	**(791,682)**	(102,259)
Weighted average number of ordinary shares in issue	**595,862,981**	611,140,135
Basic loss per share attributable to owners of the Company (expressed in RMB per share)	**(1.33)**	(0.17)

(b) Diluted loss per share

The calculation of diluted loss per share is based on the loss attributable to owners of the Company, and the weighted average number of ordinary shares in issue during the year, as used in the basic loss per share calculation, adjusting the effect of unvested share awards, calculated as follows:

	Year ended December 31,	
	2024	2023
Weighted average number of ordinary shares in issue for calculating basic loss for the year	**595,862,981**	611,140,135
Effect of unvested share awards (Note)	**–**	–
Weighted average number of ordinary shares in issue used in calculating basic loss for the year	**595,862,981**	611,140,135

Note:

The computation of diluted loss per share for the year ended December 31, 2024 did not assume the vesting of the Company's outstanding share awards (Note 23(b)) as that would decrease the loss per share for the year presented.

No outstanding share awards during the year ended December 31, 2023 and hence the basic loss per share was same as diluted loss per share.

13 PROPERTY AND EQUIPMENT

	Properties and building RMB'000	Medical equipment RMB'000	Vehicles, furniture and office equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Right-of-use assets for land use rights RMB'000	Right-of-use assets for leased properties, equipment and motor vehicles RMB'000	Total RMB'000
As at January 1, 2024								
Cost	46,809	445,569	34,307	67,561	52,813	157,653	74,788	879,500
Accumulated depreciation	(20,850)	(190,802)	(19,100)	(24,716)	–	(12,773)	(35,295)	(303,536)
Impairment	–	(173,011)	–	(6,032)	–	–	–	(179,043)
Net book amount	25,959	81,756	15,207	36,813	52,813	144,880	39,493	396,921
Year ended December 31, 2024								
Opening net book amount	25,959	81,756	15,207	36,813	52,813	144,880	39,493	396,921
Additions	–	11,273	2,825	6,661	7,804	–	4,725	33,288
Write-off/Disposals	–	(1,683)	(2,131)	(10)	–	–	(12,725)	(16,549)
Transfer	–	–	–	10,533	(10,533)	–	–	–
Depreciation charge	(1,095)	(25,315)	(5,496)	(22,404)	–	(4,034)	(13,085)	(71,429)
Impairment	–	(5,480)	–	(14,146)	–	(8,265)	–	(27,891)
Closing net book amount	24,864	60,551	10,405	17,447	50,084	132,581	18,408	314,340
As at December 31, 2024								
Cost	46,809	385,386	30,851	78,258	50,084	157,653	48,337	797,378
Accumulated depreciation	(21,945)	(185,014)	(20,446)	(46,665)	–	(16,807)	(29,929)	(320,806)
Impairment	–	(139,821)	–	(14,146)	–	(8,265)	–	(162,232)
Net book amount	24,864	60,551	10,405	17,447	50,084	132,581	18,408	314,340

13 PROPERTY AND EQUIPMENT *(Continued)*

	Properties and building RMB'000	Medical equipment RMB'000	Vehicles, furniture and office equipment RMB'000	Leasehold improvements RMB'000	Construction in progress RMB'000	Right-of-use assets for land use rights RMB'000	Right-of-use assets for leased properties, equipment and motor vehicles RMB'000	Total RMB'000
As at January 1, 2023								
Cost	46,809	446,713	29,961	159,575	46,334	157,653	136,222	1,023,267
Accumulated depreciation	(19,383)	(182,361)	(15,139)	(43,044)	–	(8,638)	(60,694)	(329,259)
Impairment	–	(188,360)	–	(85,046)	–	–	–	(273,406)
Net book amount	27,426	75,992	14,822	31,485	46,334	149,015	75,528	420,602
Year ended December 31, 2023								
Opening net book amount	27,426	75,992	14,822	31,485	46,334	149,015	75,528	420,602
Additions	–	29,364	7,841	10,302	13,486	–	11,169	72,162
Write-off/Disposals	–	(112)	(1,382)	–	–	–	(27,638)	(29,132)
Transfer	–	–	–	7,007	(7,007)	–	–	–
Depreciation charge	(1,467)	(23,488)	(6,074)	(11,981)	–	(4,135)	(19,566)	(66,711)
Closing net book amount	25,959	81,756	15,207	36,813	52,813	144,880	39,493	396,921
As at December 31, 2023								
Cost	46,809	445,569	34,307	67,561	52,813	157,653	74,788	879,500
Accumulated depreciation	(20,850)	(190,802)	(19,100)	(24,716)	–	(12,773)	(35,295)	(303,536)
Impairment	–	(173,011)	–	(6,032)	–	–	–	(179,043)
Net book amount	25,959	81,756	15,207	36,813	52,813	144,880	39,493	396,921

Depreciations charged to different expenses categories in the consolidated statement of comprehensive income were as follow:

	Year ended December 31,	
	2024 RMB'000	2023 RMB'000
Cost of revenue	**46,282**	40,493
Administrative expenses	**24,260**	25,050
Selling expenses	**887**	1,168
	71,429	66,711

All the properties and buildings were located in the PRC. No buildings were pledged for the Group's borrowings as at December 31, 2024 (2023: same).

As at December 31, 2024, medical equipment with carrying amount of RMB38,820,000 (2023: RMB51,715,000) were pledged to secure the other borrowings of the Group (Note 25(a)).

13 PROPERTY AND EQUIPMENT *(Continued)*

Impairment testing for property and equipment

Due to a decline in market demand, certain testing equipment could not be used for its original purposes, and hence, impairment indicator existed. The Group have engaged an independent professional valuer to assess the recoverable amounts of the right-of-use assets for land use rights which was determined as the fair value less costs of disposal because the fair value less costs of disposal was higher than the value in use as at December 31, 2024.

The fair value less costs of disposal of the right-of-use assets for land use rights was performed using the direct comparison approach with reference to the market price of land for commercial usage in nearby locations and was categorised as Level 3 fair value measurement. Since the fair value less costs of disposal of the right-of-use assets for land use rights as at December 31, 2024 of approximately RMB132,581,000 was less than its carrying amount, provision of impairment of RMB8,265,000 was made for the right-of-use assets for land use rights for the year ended December 31, 2024 (2023: Nil).

When any indicators of impairment are identified, property and equipment are reviewed for impairment based on each CGU. The CGU is an individual plant or entity. Except for the right-of-use assets for land use rights, the carrying values of these individual plants or entities were compared to the recoverable amounts of the CGUs, which were based predominantly on value-in-use.

Since the recoverable amount of the property and equipment under medical equipment and leasehold improvements as at December 31, 2024 of approximately RMB77,998,000 was less than their carrying amount, provision of impairment of RMB19,626,000 was made for these property and equipment for the year ended December 31, 2024 (2023: Nil). The discount rate used in the value-in-use calculation is 3.77% (2023: 4.31%) during the year ended December 31, 2024.

14 INTANGIBLE ASSETS

	Software RMB'000
Year ended December 31, 2024	
Opening net book amount	**3,368**
Additions	**853**
Amortization charge	**(1,962)**
Closing net book amount	**2,259**
As at December 31, 2024	
Cost	**47,529**
Accumulated amortization	**(45,270)**
Net book amount	**2,259**
Year ended December 31, 2023	
Opening net book amount	3,756
Additions	1,221
Amortization charge	(1,609)
Closing net book amount	3,368
As at December 31, 2023	
Cost	46,908
Accumulated amortization	(43,540)
Net book amount	3,368

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

	Year ended December 31,	
	2024 RMB'000	2023 RMB'000
Cost of revenue	**130**	6
Administrative expenses	**1,759**	1,564
Selling expenses	**73**	39
	1,962	1,609

15 LEASES

(a) Amounts recognized in the consolidated statement of financial position

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Right-of-use assets included in "Property and equipment"		
– Leased properties	**16,713**	37,241
– Leased equipment and motor vehicles	**1,695**	2,252
– Land use rights	**132,581**	144,880
	150,989	184,373
Lease liabilities		
– Current	**8,955**	16,116
– Non-current	**10,075**	25,882
	19,030	41,998

(b) Amounts recognized in profit or loss

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Depreciation charge of right-of-use assets		
– Leased properties	**12,057**	18,699
– Leased equipment and motor vehicles	**1,028**	867
– Land use rights	**4,034**	4,135
	17,119	23,701
Interest expense (included in finance costs)	**1,261**	2,888
Expenses relating to short term and low-value leases (included in cost of revenue and administrative expenses)	**7,456**	8,877

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

The total cash outflow for leases (including short-term leases) during the year ended December 31, 2024 amounted to RMB18,120,000 (2023: RMB30,357,000).

At December 31, 2024, the Group was committed to RMB1,408,000 (2023: RMB1,397,000) for short-term leases.

16 DEFERRED INCOME TAX

The movements of the Group's net deferred tax assets are as follows:

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
At January 1,	**47,744**	51,789
Charged to profit or loss	**(7,852)**	(6,503)
(Charged) Credited to other comprehensive income	**(306)**	2,458
	39,586	47,744

Recognized deferred tax assets and liabilities:

	Assets		Liabilities	
	2024	2023	**2024**	2023
	RMB'000	RMB'000	**RMB'000**	RMB'000
Impairment of PP&E and writedown of inventories	**102**	30,752	**–**	–
Depreciation allowance	**–**	–	**375**	36,509
Expected credit loss on receivables	**39,600**	56,510	**–**	
Leases	**1,011**	976	**824**	–
Fair value changes of financial assets at FVOCI and FVTPL	**542**	–	**470**	4,157
Tax losses	**–**	172	**–**	–
	41,255	88,410	**1,669**	40,666
Offsetting	**(1,059)**	(36,578)	**(1,059)**	(36,578)
Deferred tax assets, net	**40,196**	51,832	**610**	4,088

16 DEFERRED INCOME TAX *(Continued)*

As at December 31, 2024, the Group did not recognize deferred income tax assets in respect of cumulative tax losses of RMB1,165,802,000 (December 31, 2023: RMB293,845,000), as it is not probable that future taxable profits will be available in the relevant tax jurisdiction and entity to utilise these tax losses.

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

	As at December 31,	
	2024	2023
Expiry year	**RMB'000**	RMB'000
2024	**–**	4,058
2025	**3,065**	3,481
2026	**2,640**	2,676
2027	**2,492**	3,365
2028	**274,824**	280,265
2029	**882,781**	–
	1,165,802	293,845

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

As at December 31, 2024, the Group has unrecognized deferred income tax liabilities amounting to RMB65,126,000 (2023: RMB65,353,700), which arise from undistributed profits from the Group's subsidiaries in the PRC. No provision has been made in respect of such withholding tax as the directors of the Company have confirmed that such profits will not be distributed in the foreseeable future. Unremitted earnings of these subsidiaries in the PRC amounted to approximately RMB651,260,000 (2023: RMB653,537,000).

17 INVENTORIES

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Reagent and pharmaceuticals	**16,075**	18,021

Inventories consumed recognized as expenses and included in "cost of revenue" and "administrative expenses" were as follows:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Cost of revenue	**190,567**	203,954
Administrative expenses	**17,996**	19,013
	208,563	222,967

During the year ended December 31, 2024, write-downs of inventories to net realisable value amounted to RMB112,000 (2023: RMB388,000). These were recognized as an expense during the years ended December 31, 2024 and 2023 and included in "cost of revenue" in the consolidated statement of comprehensive income.

18 FINANCIAL INSTRUMENTS BY CATEGORY

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost:		
Trade and bill receivables (Note 19)	**628,456**	1,515,500
Other receivables (Note 20)	**97,080**	21,188
Restricted cash (Note 22)	**256,297**	405,475
Cash and cash equivalents (Note 22)	**1,321,355**	1,244,120
	2,303,188	3,186,283
Financial assets at fair value:		
Financial assets at FVOCI (Note 21(a))	**59,066**	74,508
Financial assets at FVTPL (Note 21(b))	**475,400**	788,962
	534,466	863,470
	2,837,654	4,049,753
Financial liabilities		
Financial liabilities at amortised cost:		
Trade and other payables excluding non-financial liabilities (Note 26)	**910,307**	905,587
Borrowings (Note 25)	**1,053,914**	1,347,841
	1,964,221	2,253,428

19 TRADE AND BILL RECEIVABLES

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Trade receivables		
– Third parties	**1,490,350**	1,850,931
– Related parties (Note 28(d))	**403**	477
	1,490,753	1,851,408
Less: allowance for impairment of trade receivables (Note 3.1.2)	**(866,283)**	(337,619)
	624,470	1,513,789
Bill receivables	**3,986**	1,711
	628,456	1,515,500

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

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Up to 180 days	**260,617**	269,570
181 days to 1 year	**126,500**	264,210
1 to 2 years	**156,512**	1,194,507
2 to 3 years	**839,225**	98,027
More than 3 years	**107,899**	25,094
	1,490,753	1,851,408

(b) The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. Please refer to Note 3.1.2 for detailed information.

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

(d) As at December 31, 2024, trade receivables with carrying amount of RMB200,420,000 (2023: Nil) were pledged to secure the bank borrowing of the Group (Note 25(a)).

20 PREPAYMENTS AND OTHER RECEIVABLES

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Included in current assets		
Prepayments		
– Prepayments to third party suppliers	**11,395**	6,583
– Other tax recoverable	**3,577**	2,982
	14,972	9,565
Other receivables		
– Interest receivables	**193**	–
– Monies kept in RSU Trustee	**225**	4,517
– Deposits receivables	**8,349**	12,591
– Cash advance to employees	**355**	710
– Amounts due from related parties (Note 28(d))	**397**	1,535
	9,519	19,353
Less: allowance for impairment of other receivables (Note 3.1.2)	**(212)**	(361)
	9,307	18,992
	24,279	28,557
Included in non-current assets		
Prepayments		
– Prepayment for equipment to third party suppliers	**2,840**	2,592
Other receivables		
– Note receivable (Note (b))	**87,773**	–
– Deposits	**–**	2,196
	90,613	4,788
Total	**114,892**	33,345

(a) Save as disclosed in Note 3.1.1, the Group's other receivables are denominated in RMB. The carrying amounts of other receivables approximated their fair values.

(b) The note receivable represented a note with fixed interest rate of 5% per annum with maturity date on 28 October 2026 which can be early redeemed upon application by the Group upon 6-month locking period.

21 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 measured at FVOCI included the following:

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Unlisted		
– Private company A (i)	**55,668**	72,331
– Private company B (ii)	**3,398**	2,177
	59,066	74,508

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

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

The table below shows the amounts recognized in other comprehensive loss:

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Losses recognized in other comprehensive loss	**(15,442)**	(9,833)
Income tax impact (Note 16)	**(306)**	2,458
	(15,748)	(7,375)

21 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 amortised cost or FVOCI.

Financial assets measured at FVTPL include the following:

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Included in current assets		
Investment in private funds		
– Managed by investment manager A (Note (i))	**160,481**	152,701
– Managed by investment manager B (Note (i))	**181,676**	172,868
– Managed by investment manager C (Note (ii))	**70,832**	90,748
Structured notes (Note (iii))	**–**	210,291
	412,989	626,608
Included in non-current assets		
Unlisted companies (Note (iv))	**62,411**	162,354
	475,400	788,962

(i) The investments represented two (2023: two) portfolios managed by two (2023: two) different investment managers. Investment objectives were to invest in cash or cash equivalents, national debt and other money market instruments.

(ii) A wholly-owned subsidiary of the Company subscribed to a private fund. The investment objectives were mainly to invest in products with fixed revenue type and cash or cash equivalents and bonds and equity securities.

21 FINANCIAL ASSETS AT FAIR VALUE *(Continued)*

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

(iii) The structured note was related to the investment in funds in the markets and with a purpose of cash management. In May 2024, the Group redeemed the structured notes. The gains on redemption of financial assets at FVTPL were recognized as other gains – net in Note 7 to the consolidated financial statements.

(iv) Investments in unlisted companies included investments in three (2023: four) private companies, which are principally engaged in research and sales of medical instruments, provision of consultancy services and investment management. In October 2024, the Group disposed of an investment in a private company. The gains on redemption of financial assets at FVTPL were recognized as other gains – net in Note 7 to the consolidated financial statements.

Amounts recognized in profit or loss

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Fair value (losses) gains recognized in profit or loss	**(8,178)**	13,962

(c) Fair value, impairment and risk exposure

Information about the methods and assumptions used in determining fair value have been set out in Note 3.3.

21 FINANCIAL ASSETS AT FAIR VALUE *(Continued)*

(d) Structured entities

The Group is principally involved with structured entities through financial investments in private funds. The Group determines whether or not to consolidate these structured entities depending on whether the Group has control over them.

(i) Unconsolidated structured entities

The Group invests in certain unconsolidated structured entities mainly consisting of private funds managed and operated by other independent third parties. These structured entities generally finance the purchase of assets by issuing units of the products. The Group does not control these structured entities and therefore, these structured entities are not consolidated.

The table below sets out the carrying amount of interests in unconsolidated structured entities held by the Group through investment:

	As at December 31, 2024	
	Carrying value RMB'000	**Maximum exposure to loss RMB'000**
Financial assets at FVTPL – Investment in private funds	**412,989**	**412,989**

	As at December 31, 2023	
	Carrying value RMB'000	Maximum exposure to loss RMB'000
Financial assets at FVTPL – Investment in private funds	416,317	416,317

22 CASH AND CASH EQUIVALENTS

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Cash at bank	**1,577,652**	1,649,574
Cash on hand	**–**	21
	1,577,652	1,649,595
Less: Restricted cash in relation to:		
– Pledged time deposits for bank loans (Note 25)	**(225,809)**	(374,193)
– Deposits for letter of guarantee	**(20,563)**	(20,766)
– Others	**(9,925)**	(10,516)
	(256,297)	(405,475)
Cash and cash equivalents	**1,321,355**	1,244,120

All cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods from one month to three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates.

23 SHARE CAPITAL AND SHARE PREMIUM AND SHARES HELD FOR EMPLOYEE SHARE SCHEME

(a) Share capital and share premium

	Number of ordinary shares	Par value of each share USD	Share capital USD	Equivalent share capital RMB'000	Share premium RMB'000	Total RMB'000
Authorised						
As at December 31, 2023 and 2024	25,000,000,000	0.000002	50,000	338		
Issued and paid						
Balance at January 1, 2023	621,250,500	0.000002	1,242	9	743,239	743,248
Dividends (Note 32)	–	N/A	–	–	(121,934)	(121,934)
Balance at December 31, 2023	621,250,500	0.000002	1,242	9	621,305	621,314
Dividends (Note 32)	–	N/A	–	–	(10,956)	(10,956)
Balance at December 31, 2024 (Note (i))	621,250,500	0.000002	1,242	9	610,349	610,358

(i) As at December 31, 2024, the total number of issued ordinary shares of the Company included 35,905,846 shares (2023: 15,101,643 shares) held under the 2022 RSU Scheme (Note 23(b)).

(b) Shares held for employee share scheme

(i) On November 23, 2022, the Board approved the adoption of the 2022 RSU Scheme which was amended 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

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

(b) Shares held for employee share scheme *(Continued)*

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 following table presents the changes in shares held for the employee share scheme.

	Number of Ordinary shares	Cost of acquired shares RMB'000
Balance at January 1, 2023	**–**	**–**
Acquisition of shares by the Share Scheme Trust	**15,101,643**	**188,524**
Balance at December 31, 2023 and at January 1, 2024	**15,101,643**	**188,524**
Acquisition of shares by the Share Scheme Trust	**20,804,203**	**173,717**
Balance at December 31, 2024	**35,905,846**	**362,241**

(ii) During the year ended December 31, 2024, 20,804,203 shares (2023: 15,101,643 shares) were purchased from open market by the Share Scheme Trust at a total consideration of approximately HK$190,134,000 (equivalent to approximately RMB173,717,000) (2023: 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 "Shares held for employee share scheme", with a corresponding adjustment made to "Share premium".

(v) On January 23, 2024, 15,101,500 shares were granted to employees of the Group with a vesting period of 6 years from the grant date. The vesting conditions include the results of annual appraisal of employees and remaining of employment to the vesting date. The fair value of the Company's share on the grant date was HK$11.22 (equivalent to RMB10.20) per share. The fair value of the awarded shares was calculated based on the market price of the Company's shares at the respective grant date.

24 OTHER RESERVES

	Capitalisation reserves (Note (a)) RMB'000	Share award reserve (Note (c)) RMB'000	Reserves for financial assets at FVOCI RMB'000	Capital reserve (Note (b)) RMB'000	Total RMB'000
Balance at January 1, 2023	930,845	–	5,665	–	936,510
Capital withdrawn from non-controlling interests	–	–	–	(19)	(19)
Changes in fair value of financial assets at FVOCI, net of tax	–	–	(7,375)	–	(7,375)
Transfer of loss on disposal of financial assets at FVOCI to retained earnings	–	–	576	–	576
Balance at December 31, 2023 and at January 1, 2024	930,845	–	(1,134)	(19)	929,692
Changes in fair value of financial assets at FVOCI, net of tax	–	–	(15,748)	–	(15,748)
Share award expenses	–	23,592	–	–	23,592
Balance at December 31, 2024	930,845	23,592	(16,882)	(19)	937,536

Notes:

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

(b) Capital reserve includes the difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received, on changes in the Group's interests in subsidiaries that do not result in the Group losing control.

(c) The share award reserve comprises the fair value of share-based payment transactions and is dealt with in accordance with the accounting policies as set out in Note 2 to the consolidated financial statements. 2,647,000 share awards were lapsed and no share awards were exercised and forfeited during the year ended December 31, 2024. At December 31, 2024, none of the share awards were vested.

25 BORROWINGS

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Borrowings included in non-current liabilities:		
Bank borrowings		
– Secured and/or guaranteed (Note (a))	**108,851**	334,133
Other borrowings		
– Secured and/or guaranteed (Note (a))	**170,242**	201,352
Less: current portion of long-term borrowings	**(127,754)**	(341,891)
	151,339	193,594
Borrowings included in current liabilities:		
Bank borrowings		
– Secured and/or guaranteed (Note (a))	**767,325**	812,356
Other borrowings		
– Secured and/or guaranteed (Note (a))	**7,496**	–
Current portion of long-term borrowings	**127,754**	341,891
	902,575	1,154,247
Total borrowings	**1,053,914**	1,347,841
Bank borrowings repayable		
– Within 1 year	**800,595**	1,077,789
– Between 1 and 2 years	**56,631**	50,300
– Between 2 and 5 years	**18,950**	18,400
	876,176	1,146,489
Other borrowings repayable		
– Within 1 year	**101,980**	76,458
– Between 1 and 2 years	**23,721**	78,033
– Between 2 and 5 years	**21,037**	14,861
– Over 5 years	**31,000**	32,000
	177,738	201,352

25 BORROWINGS *(Continued)*

(a) The secured and guaranteed situations of the bank and other borrowings are as follows:

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Bank borrowings		
Guaranteed by a subsidiary of the Group	**480,326**	813,878
Guaranteed by a subsidiary of the Group and secured by time deposit	**210,637**	246,520
Guaranteed by a subsidiary of the Group and secured by trade receivables (Note 19(d), Note (c))	**185,213**	–
Guaranteed by a shareholder and a subsidiary of the Group and secured by time deposit (Note 28(e))	**–**	86,091
	876,176	1,146,489
Other borrowings		
Guaranteed by a subsidiary of the Group	**7,173**	–
Guaranteed by a third party	**15,003**	–
Guaranteed by a subsidiary of the Group and secured by property and equipment (Note 13)	**119,242**	164,352
Others (d)	**36,320**	37,000
	177,738	201,352

(b) As at December 31, 2024, the effective interest rate of the borrowings was 3.77% per annum (December 31, 2023: 4.31%).

(c) Pursuant to banking facilities (the "Loan Facilities") entered into with a bank (the "Lender"), the Group is required to comply with the covenants including transfer of settlements, if any, from the pledged trade receivables of RMB200 million to a bank account which is designated by the Lender.

As at the end of reporting period, the Group has already received certain amounts of the pledged trade receivables. Pursuant to the Loan Facilities and related pledge agreement, upon recovery of the pledged receivables, the Lender has the right to require prioritized use of such recovered amounts for loan repayment or require remedial measures such as providing new sufficient and valid collateral. For receivables already recovered as at the end of reporting period, the Group will provide new sufficient trade receivables as collateral as required under the Loan Facilities and related pledge agreement. Therefore, until the Group provides new sufficient trade receivables as collateral to the Lender, the related loans are classified as current liabilities.

(d) Pursuant to terms as stipulated in the relevant investment agreement, Yunkang Industry does not have any unconditional right not to delivering cash to settle the repurchase obligation. As such, the investment made by CDB Development Fund Co., Ltd. ("CDB Development Fund") in Guangzhou Daan Clinical Laboratory Center Co. Ltd. ("Guangzhou Daan"), a subsidiary of the Group, has fulfilled the criteria of financial liabilities under relevant accounting standards and has been recognized as a borrowing in these consolidated financial statements and the Group has 100% equity interests in Guangzhou Daan. As at December 31, 2024, the outstanding balance of the relevant borrowing was RMB36,320,000 (2023: RMB37,000,000) and the registered interest held by CDB Development Fund in Guangzhou Daan was 4.72% (2023: 4.72%).

26 TRADE AND OTHER PAYABLES

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Trade payables (Note (a))		
– Third parties	**147,785**	190,937
– Related parties (Note 28(d))	**631,579**	624,898
	779,364	815,835
Other payables		
– Related parties (Note 28(d))	**32,154**	35,148
– Marketing and promotion expenses payables	**14,513**	4,410
– Decoration expenses payables	**19,981**	12,858
– Accrued expenses (Note (c))	**53,791**	28,330
– Deferred revenue	**380**	–
– Others	**10,124**	9,006
	130,943	89,752
Accrued staff costs	**48,551**	48,681
Other taxes payable	**11,300**	21,216
	970,158	975,484

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

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Up to 180 days	**110,020**	115,856
181 days to 1 year	**55,625**	49,623
1 to 2 years	**39,346**	562,902
2 to 3 years	**487,808**	84,531
More than 3 years	**86,565**	2,923
	779,364	815,835

(b) As at December 31, 2024, the carrying amounts of trade and other payables approximated their fair values (December 31, 2023: same).

(c) Accrued expenses refer to the various administrative operating costs, sales service fees, consulting service fees, and provisions for disputes arising from the professional services not yet completed as expected that the Group is obligated to pay but has not yet settled.

27 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended December 31,	
	2024	2023
	RMB'000	RMB'000
Loss before income tax	**(791,191)**	(86,811)
Adjustments for:		
– Finance costs	**49,282**	43,560
– Net impairment losses on financial assets	**536,182**	104,617
– Depreciation of property and equipment	**71,429**	66,711
– Amortisation of intangible assets	**1,962**	1,609
– Fair value (gains) losses on financial assets at FVTPL	**8,178**	(13,962)
– Impairment of property and equipment	**27,891**	–
– Written down of inventories	**112**	388
– Gains on redemption of financial assets at FVTPL	**(19,796)**	(36,561)
– (Gains) Losses on lease modification	**(5,038)**	19
– Losses (Gains) on disposal of equipment	**3,824**	(1,396)
– Effect of foreign exchange rate changes	**(346)**	5,354
– Equity-settled share award expenses	**23,592**	–
	(93,919)	83,528
Changes in working capital:		
– Inventories	**1,834**	22,908
– Trade and bill receivables	**350,717**	812,112
– Prepayments and other receivables	**6,929**	134
– Restricted cash	**794**	–
– Trade and other payables	**(5,370)**	(531,970)
– Deferred revenue	**–**	(1,645)
Cash generated from operations	**260,985**	385,067

27 CASH FLOW INFORMATION *(Continued)*

(b) The reconciliation of liabilities arising from financing activities is as follow:

	Borrowings and interest payables RMB'000	Lease liabilities RMB'000	Total RMB'000
As at January 1, 2024	**1,347,841**	**41,998**	**1,389,839**
Additions of leases	**–**	**4,725**	**4,725**
Accrued interest expense	**48,021**	**1,261**	**49,282**
Termination of leases	**–**	**(17,763)**	**(17,763)**
Transfer to other payables	**–**	**(527)**	**(527)**
Effective of foreign exchange rate changes	**(1,656)**	**–**	**(1,656)**
Cash flows, net	**(340,292)**	**(10,664)**	**(350,956)**
As at December 31, 2024	**1,053,914**	**19,030**	**1,072,944**
As at January 1, 2023	691,888	94,335	786,223
Additions of leases	–	8,836	8,836
Accrued interest expense	40,672	2,888	43,560
Termination of leases	–	(27,619)	(27,619)
Transfer to other payables	–	(15,375)	(15,375)
Effective of foreign exchange rate changes	7,281	–	7,281
Cash flows, net	608,000	(21,067)	586,933
As at December 31, 2023	1,347,841	41,998	1,389,839

28 RELATED PARTY TRANSACTIONS AND BALANCES

(a) Names and relationships with related parties

Save as disclosed elsewhere in these consolidated financial statements, the directors of the Company are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the years ended December 31, 2024 and 2023:

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 substantial shareholder with significant influence to the Group

28 RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(b) Key management compensation (including directors)

	Year ended December 31, 2024 RMB'000	2023 RMB'000
Salaries, bonuses and other benefits	**4,652**	2,914
Contribution to pension scheme expenses	**350**	468
Equity-settled share-based payment expenses	**5,240**	–
	10,242	3,382

(c) Transactions with related parties

	Year ended December 31, 2024 RMB'000	2023 RMB'000
Revenue from		
– Da An Group	**256**	136
Purchase of goods		
– Da An Group	**33,156**	17,945
Purchase of services		
– Da An Group	**15,141**	13,256
Commercial property related fee to related parties		
– Da An Group	**3,841**	3,501

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.

28 RELATED PARTY TRANSACTIONS AND BALANCES *(Continued)*

(d) Balances with related parties

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Amounts due from related parties		
Trade		
Trade receivables		
– Da An Group	**403**	477
Other receivables		
– Da An Group	**397**	1,535
	800	2,012
Amounts due to related parties		
Trade		
Trade payables		
– Da An Group	**(631,579)**	(624,898)
Other payables		
– Da An Group	**(32,154)**	(35,148)
	(663,733)	(660,046)

As at December 31, 2024, the balances due from/to related parties are unsecured, interest-free, and no fixed repayment term, and are denominated in RMB. Other receivables primarily include deposits in relation to transactions with related parties. Other payables primarily represent commercial property related fees payable in relation to the leased offices and amount payable for equipment purchased from Da An Group.

(e) Guarantees from the related parties

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Guarantees provided by		
– Zhang Yong	**–**	86,091

As at December 31, 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, a subsidiary of the Group, Yunkang Industry, CDB Development Fund and Da An Gene entered into an investment agreement ("Investment Agreement"). Pursuant to which CDB Development Fund agreed to contribute RMB40 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.

29 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2024 RMB'000	2023 RMB'000
		As at December 31,	
Assets			
Non-current assets			
Investment in a subsidiary		**805,465**	805,465
Prepayments and other receivables		**87,773**	–
Financial assets at FVTPL		**–**	101,629
		893,238	907,094
Current assets			
Prepayments and other receivables		**105,715**	10,489
Financial assets at FVTPL		**342,157**	535,860
Restricted cash		**2,409**	–
Cash and cash equivalents		**129,820**	263,346
		580,101	809,695
Total assets		**1,473,339**	1,716,789
Equity			
Equity attributable to owners of the Company			
Share capital and share premium	23(a)	**610,358**	621,314
Shares held for employee share scheme	23(b)	**(362,241)**	(188,524)
Other reserves	29(a)	**784,346**	784,346
Share award reserve		**23,592**	–
Accumulated losses		**(43,798)**	(37,101)
Total equity		**1,012,257**	1,180,035
Liabilities			
Current liabilities			
Borrowings		**210,637**	334,215
Amount due to subsidiaries		**250,445**	202,539
		461,082	536,754
Total liabilities		**461,082**	536,754
Total equity and liabilities		**1,473,339**	1,716,789

The statement of financial position of the Company was approved by the Board of Directors of the Company on March 28, 2025 and were signed on its behalf by:

Zhang Yong Director	Xie Shaohua Director

29 STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

(a) Reserve movements of the Company

	Share award reserve RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Total RMB'000
As at January 1, 2023	–	784,346	(62,988)	721,358
Total comprehensive income				
Profit for the year	–	–	25,887	25,887
As at December 31, 2023	–	784,346	(37,101)	747,245
As at January 1, 2024	**–**	**784,346**	**(37,101)**	**747,245**
Total comprehensive income				
Loss for the year	**–**	**–**	**(6,697)**	**(6,697)**
Share award expenses	**23,592**	**–**	**–**	**23,592**
As at December 31, 2024	**23,592**	**784,346**	**(43,798)**	**764,140**

30 SUBSIDIARIES

The Group's principal subsidiaries at December 31, 2024 are set out below:

Name of the Subsidiaries	Place of incorporation and kind of legal entity	Issued and paid-up capital	Principal activities	Ownership interest held by the Group as at December 31, 2024	2023
Directly held by the Company					
YK Healthcare (Hong Kong) Limited	Hong Kong, limited liability company	–	Investment holding	**100%**	100%
Indirectly held by the Company					
Guangzhou Yunkang Health Technology Co., Ltd. (廣州雲康健康科技有限公司)	PRC, limited liability company	–	Investment holding	**100%**	100%
Yunkang Health Industry Investment Co. Ltd. (雲康健康產業投資股份有限公司) (a)	PRC, limited liability company	RMB920,000,000	Investment holding	**100%**	100%
Hefei Daan Medical Laboratory Co., Ltd. (合肥達安醫學檢驗實驗室有限公司) (a)	PRC, limited liability company	RMB10,000,000	Diagnostic testing	**100%**	100%
Chengdu Gaoxin Daan Medical Laboratory Co., Ltd. (成都高新達安醫學檢驗有限公司) (a)	PRC, limited liability company	RMB20,000,000	Diagnostic testing	**100%**	100%

30 SUBSIDIARIES *(Continued)*

Name of the Subsidiaries	Place of incorporation and kind of legal entity	Issued and paid-up capital	Principal activities	Ownership interest held by the Group as at December 31, 2024	2023
Guangzhou Daan Clinical Laboratory Center Co. Ltd. (廣州達安臨床檢驗中心有限公司) (a)	PRC, limited liability company	RMB26,586,000	Diagnostic testing	**100%**	100%
Shanghai Daan Medical Laboratory Co., Ltd. (上海達安醫學檢驗所有限公司) (a)	PRC, limited liability company	RMB50,000,000	Diagnostic testing	**100%**	100%
Jiangxi Yunkang Daan Medical Laboratory Co., Ltd. (江西雲康達安醫學檢驗實驗室有限公司) (a)	PRC, limited liability company	RMB10,000,000	Diagnostic testing	**100%**	100%
Kunming Gaoxin Daan Medical Laboratory Co., Ltd. (昆明高新達安醫學檢驗所有限公司) (a)	PRC, limited liability company	RMB10,000,000	Diagnostic testing	**100%**	100%
Yunkang Lingnan (Guangzhou) Medical Health Technology Development Co., Ltd. (蕓康嶺楠(廣州)醫療健康科技發展有限公司) (a)	PRC, limited liability company	RMB140,000,000	Project investment	**100%**	100%
Yunkang Health Industry Group Co., Ltd. (雲康健康產業集團有限公司)	PRC, limited liability company	RMB200,505,100	Information technology, medical logistics and medical equipment procurement services	**100%**	100%
Guangzhou Yunxie Baiyi Biomedical Technology Co., Ltd. (廣州雲協佰醫生物醫療科技有限公司)	PRC, limited liability company	RMB10,000,000	Reagent and medical equipment procurement services	**100%**	100%
Sichuan Yunkang Xinchuan Health Technology Co., Ltd. (四川雲康新川健康科技有限公司)	PRC, limited liability company	RMB100,000,000	Information technology and healthcare technology development	**100%**	100%

(a) The Company does not have legal ownership in equity of these subsidiaries. Nevertheless, under certain contractual agreements entered into with the registered owners of these subsidiaries, the Company and its other legally owned subsidiaries control these companies by way of controlling the voting rights, governing their financial and operating policies, appointing or removing the majority of the members of their controlling authorities, and casting the majority of votes at meetings of such authorities. In addition, such contractual agreements also transfer the risks and rewards of these companies to the Company and/or its other legally owned subsidiaries. As a result, they are presented as controlled subsidiaries of the Company. Refer to Note 2.2.1(a) for details.

As at December 31, 2024, no ownership interest of the above principal subsidiaries was held by non-controlling interests (December 31, 2023: same).

30 SUBSIDIARIES *(Continued)*

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, materially contribute to the results of the Group or hold a material portion of the assets or liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

31 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The emoluments of Mr. Guo Yunzhao and Mr. Wang Pinghui, non-executive directors in relation to their services rendered for the Group for the year ended December 31, 2024 were borne by related parties of the Group. Their emoluments were not allocated to the Group as the management of the Company considers there was no reasonable basis of allocation.

The remuneration of each director during the years ended December 31, 2024 and 2023 is set out below:

	Directors' fees RMB'000	Salaries, bonuses and other benefit RMB'000	Contribution to pension scheme RMB'000	Total RMB'000
Year ended December 31, 2024				
Executive Director				
Mr. Zhang Yong	232	24	16	272
Non-executive Directors				
Mr. Wang Ruihua	232	–	–	232
Ms. Huang Luo	–	–	–	–
Mr. Wang Pinghui (ii)	232	–	–	232
	696	24	16	736
Independent Non-executive Directors				
Mr. Yu Shiyou	232	–	–	232
Mr. Xie Shaohua	232	–	–	232
Mr. Lan Fenghui (iii)	232	–	–	232
	696	–	–	696
	1,392	24	16	1,432

31 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(a) Directors' and chief executive's emoluments *(Continued)*

	Directors' fees RMB'000	Basic salaries, housing allowances, other allowances and benefits in kind RMB'000	Discretionary or performance bonus RMB'000	Contribution to pension scheme RMB'000	Total RMB'000
Year ended December 31, 2023					
Executive Director					
Mr. Zhang Yong	227	24	–	15	266
Non-executive Directors					
Mr. Guo Yunzhao (i)	151	–	–	–	151
Mr. Wang Ruihua	227	–	–	–	227
Ms. Huang Luo	–	–	–	–	–
Mr. Wang Pinghui (ii)	76	–	–	–	76
	681	24	–	15	720
Independent Non-executive Directors					
Mr. Yu Shiyou	227	–	–	–	227
Mr. Yang Hongwei (iv)	–	–	–	–	–
Mr. Xie Shaohua	227	–	–	–	227
Mr. Lan Fenghui (iii)	76	–	–	–	76
	530	–	–	–	530
	1,211	24	–	15	1,250

(i) Mr. Guo Yunzhao has resigned since August 30, 2023.

(ii) Mr. Wang Pinghui was appointed as the Company's non-executive director on August 30, 2023.

(iii) Mr. Lan Fenghui was appointed as the Company's independent non-executive director on August 30, 2023 and has passed away as disclosed in the Company's announcement dated January 13, 2025.

(iv) Mr. Yang Hongwei was appointed as the Company's independent non-executive director on April 1, 2022 and has resigned since August 30, 2023.

31 BENEFITS AND INTERESTS OF DIRECTORS *(Continued)*

(b) Directors' retirement and termination benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiaries' undertaking during the year ended December 31, 2024 (2023: same).

No payment was made to the directors as compensation for early termination of appointment during the year ended December 31, 2024 (2023: same).

(c) Consideration provided to their parties for making available directors' services

No payment was made to any former employers of the directors for making available the services of them as a director of the Company during the year ended December 31, 2024 (2023: same).

(d) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

There were no other loans, quasi-loans and other dealings in favour of the directors, controlled bodies corporate by and connected entities with such directors during the year ended December 31, 2024 (2023: same).

(e) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the period or at any time during the year ended December 31, 2024 (2023: same).

(f) No emolument was paid or payable by the Group to any of the directors and chief executive of the Company as inducement to join or upon joining the Group or as compensation for loss of office during the years ended December 31, 2024 and 2023. None of the directors and chief executive of the Company waived or agreed to waive any emoluments during the years ended December 31, 2024 and 2023.

32 DIVIDENDS

	2024 RMB'000	2023 RMB'000
Dividends approved and paid during the year		
Final dividend	**11,372**	124,972

The Board of the Company did not recommend the payment of a final dividend for the year ended December 31, 2024.

A final dividend of HK$0.02 per share for the year ended December 31, 2023 was approved by the Board of the Company at the annual general meeting held on June 28, 2024. The final dividends totaling HK$12,425,000 (equivalent to RMB11,372,000) were paid on August 28, 2024, among which the amount of HK$456,000 (equivalent to RMB416,000) is attributable to the shares held by the trustee for the 2022 RSU Scheme. These dividends were distributed out of the Company's share premium.

A final dividend of HK$0.22 per share for the year ended December 31, 2022 was approved by the Board of the Company at the annual general meeting held on June 28, 2023. The final dividends totaling HK$136,675,000 (equivalent to RMB124,972,000) were paid on August 25, 2023, among which the amount of HK$3,322,000 (equivalent to RMB3,038,000) was attributable to the shares held by the trustee for the 2022 RSU Scheme. These dividends were distributed out of the Company's share premium.

33 COMMITMENTS

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

	As at December 31,	
	2024 RMB'000	2023 RMB'000
Contracted but not provided for:		
– Property and equipment	**74,231**	298,187

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

34 CONTINGENT LIABILITIES

At the end of the reporting period, the Group had the following contingent liabilities that are not disclosed elsewhere in the consolidated financial statements:

	As at December 31,	
	2024	2023
	RMB'000	RMB'000
Legal claim	**–**	19,199

At December 31, 2023, a legal dispute against the Group initiated by a subcontracting service provider of the Group was outstanding.

The Group recorded RMB17.4 million as cost of service and the related trade payable during the year ended December 31, 2022. The above amount of contingent liabilities at December 31, 2023 represented the difference between the claimed amount by the supplier with the amount of related trade payable recorded by the Group.

During the year ended December 31, 2024, the court has determined that the Group is liable for the services fees and related penalty in aggregate of RMB16.8 million which has been fully settled during the year. As such, the management considered that there is no longer contingent liabilities in respect of this case.

Five Year Financial Summary

	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000	**2024** **RMB'000**
Results					
Revenue	1,200,320	1,696,740	3,756,201	891,500	**711,884**
Gross profit	655,895	899,137	1,307,730	325,786	**211,069**
Profit/(Loss) before income tax	322,828	451,220	443,424	(86,811)	**(791,191)**
Profit/(Loss) for the year	260,172	381,893	373,949	(101,889)	**(793,151)**
Profit/(Loss) attributable to owners of the Company:	255,334	380,932	377,309	(102,259)	**(791,682)**
Assets and liabilities					
Total assets	1,956,731	2,455,413	4,906,977	4,532,052	**3,228,336**
Total liabilities	890,347	1,003,833	2,367,398	2,412,195	**2,078,459**
Total equity	1,066,384	1,451,580	2,539,579	2,119,857	**1,149,877**
Non-controlling interests	18,476	(124)	7,316	7,705	**6,236**