

2023

ENVIRONMENTAL, SOCIAL AND
GOVERNANCE REPORT



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01 ABOUT THIS REPORT

This report is the second annual Environmental, Social and Governance (“ESG”) Report (the “Report”) issued by Yunkang Group Limited, which sets out the Company’s ESG-related strategic approach, management measures and performance to address the concerns and expectations of stakeholders on the Company and enhance their understanding of and trust in the sustainability strategies and actions of the Company.

REPORTING SCOPE

The Report is an annual report. Unless otherwise specified, the content in the Report covers a period from January 1, 2023 to December 31, 2023 (“2023”, the “Year” or “Reporting Period”). The reporting scope of the Report is consistent with that of the 2023 annual report (the “Annual Report”) of the Company. The policies and data provided in the Report cover the Company and its subsidiaries.

DEFINITIONS OF TERMS

To facilitate presentation and reading, unless otherwise specified, “Yunkang Group”, “Yunkang”, the “Company” or the “Group” in the Report refers to Yunkang Group Limited. The term “co-laboratories” in the Report also refers to as “on-site diagnostic centers” and “co-construction services” as “diagnostic testing services for medical institution alliances”.

DATA SOURCE

The information and data used in the Report are mainly derived from Yunkang’s official documents and reports, internal statistical data and public information. Where not otherwise stated, monetary amounts referred to in this report are measured in Renminbi (“RMB”). The Company undertakes that the Report contains no false records or misleading statements, and is responsible for the authenticity, accuracy and completeness of its content.

REPORT PREPARATIONS STANDARD

The Report complies with mandatory disclosure requirements and the “comply or explain” provisions in the *Environmental, Social and Governance Reporting Guide* (the “ESG Reporting Guide”) set out in Appendix C2 of the *Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited* (the “Hong Kong Listing Rules”) issued by The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). An index of content of “comply or explain” provisions is provided in Appendix 2 of the Report for quick reference.

REPORTING PRINCIPLES

Reporting Principles	Definitions of Reporting Principles in the <i>ESG Reporting Guide</i>	Yunkang's Response
Materiality	The threshold at which ESG issues determined by the board are sufficiently important to investors and other stakeholders that they should be reported.	The Group has identified material issues which are relevant to the Group through the materiality assessment and disclosed them in the Report. The process of materiality assessment includes the identifying the Group's key stakeholders, updating the database of potential ESG issues, and conducting analysis on material issues. For more information on the materiality assessment process, please refer to the section headed "Materiality assessment" in the Report.
Quantitative	KPIs in respect of historical data need to be measurable. The issuer should set targets (which may be actual numerical figures or directional, forward-looking statements) to reduce a particular impact. In this way the effectiveness of ESG policies and management systems can be evaluated and validated. Quantitative information should be accompanied by a narrative, explaining its purpose, impacts, and giving comparative data where appropriate.	To provide comprehensive assessment on the Group's ESG performance for the Reporting Period, the Group has disclosed the applicable quantitative KPIs in the <i>ESG Reporting Guide</i> , and specified the criteria, methodology, assumptions and reference basis for the calculation used in the quantitative KPIs, including the sources of the main conversion factors.
Consistency	The issuer should use consistent methodologies to allow for meaningful comparisons of ESG data over time.	Where practicable, the Report uses the consistent statistical and collection methodology as used in the previous reporting period to allow stakeholders to make meaningful comparisons of the performances for the Reporting Period. If there is any change in the methodology, such change will be presented and elaborated in the corresponding section.
Balance	The ESG report should provide an unbiased picture of the issuer's performance. The report should avoid selections, omissions, or presentation formats that may inappropriately influence a decision or judgment by the report reader.	The Report provides an unbiased picture of the Company's performance for the Reporting Period. The Report avoids selections, omissions, or presentation formats that may inappropriately influence decisions or judgment by the Report readers.

REPORT ACCESS AND CONTACT

The Report is published in both Chinese and English, respectively and in case of any discrepancies, the Chinese version shall prevail. The electronic version of the Report is available on the HKEXnews website of the Hong Kong Stock Exchange (www.hkexnews.hk) or the Company's official website (www.yunkanghealth.com). If you have any questions or comments about the Report and its content, please contact us through the following contact methods.

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02 MESSAGE FROM THE CHAIRMAN

In recent years, China's demographic structure and population health quality experienced a remarkable change, with increasing awareness of health and demands for health services. With the comprehensive promotion of the Healthy China Strategy, the downward distribution of medical resources has become an important goal of deepening the reform of the medical and healthcare system. Benefiting from the accelerated adoption of precision medicine and continuous improvement in diagnostic technology, the third-party diagnostic testing service industry has ushered in unprecedented opportunities. Adhering to the vision of "creating a happy life", Yunkang fully harnessed the advantages of service quality and technology, gaining steady business development. While reaping the financial returns, Yunkang always bears in mind its corporate social responsibility by integrating the ESG concepts into its operation and sparing no effort in promoting the sustainable development from environmental, social, and governance perspectives.

Since its listing on the Main Board of the Hong Kong Stock Exchange in 2022, Yunkang has given great importance to corporate governance and information disclosure. Yunkang received extensive recognition from various sectors of society and was granted several honors such as four annual report awards in the 2022 "Vision Awards" Annual Report Competition by the League of American Communications Professionals ("LACP"), the "ESG Special Recognition Award" in the Environmental, Social and Governance Awards of 2023 by the Television Broadcasts Limited ("TVB"), and three awards in the 7th China IR Annual Awards. Deeply engaging in the medical and health industry for two decades, Yunkang has always incorporated the ESG concepts into its development strategy and made continuous efforts in improving its ESG management, in a way to fulfill its social responsibilities in aspects such as corporate governance, environmental protection, labor practices, service quality, community feedback and to create greater value for itself, society and environment.

Yunkang believes that a well-established ESG governance structure serves an important role in establishing a solid foundation for corporate governance. Yunkang has established and improved the ESG and climate change management system by proactively identifying and assessing material ESG issues, supervising the effective implementation of ESG-related goals and daily operations, and continuously boosting its sustainability management capabilities.

Upholding the core values of "Integrity, honesty and client-oriented", and relying on professional medical diagnostic services, strong standardization capabilities and innovative business models that serve medical institution alliances, Yunkang has become a leading platform in the field of medical operation services in China. In 2023, Yunkang achieved remarkable results in diagnostic testing services, co-construction and cooperation of medical institution alliances, and establishment of joint innovation platform for diagnostic testing, consolidating and enhancing its leading position in the industry. As an integrated medical operation service platform, Yunkang continuously provides customers with professional, efficient, precise and convenient medical and health testing service, promotes the optimal allocation, integration and sharing of medical resources, so as to improve the public health level in the post-pandemic era.

With a strategy focusing on “in-depth service, lean operations”, Yunkang actively facilitates the lean management of its operations. On the technology front, Yunkang continuously introduced domestic and international advanced standards and guidelines and always elevated the service capabilities and quality of clinical testing services in China. In addition, Yunkang obtained several domestic and international authoritative quality accreditation certificates, such as the College of American Pathologists (“CAP”), ISO 15189, ISO 9001 and the China Metrology Accreditation (“CMA”), and assisted hospitals to build a high-quality medical diagnostic service system with its professional advantages. On the operation front, Yunkang further propelled digital transformation, and building on the 10 digital operation systems including “Teng Yun”, leveraged advanced digital technologies to optimize service procedures, offered comprehensive service solutions and promoted the continuous deepening of lean operation capabilities.

Talents are the source of power for enterprises. Adhering to the fundamental principle of “people-oriented”, Yunkang values the key role of employees in the sustainable development of enterprises, strives to create a fair, inclusive and equal working environment, protect their rights and interests in all respects, closely care for their physical and mental health, as well as devotes to improving the training system, remuneration and welfare system, and incentive mechanism. While empowering the growth of its employees, Yunkang promotes the sustainable improvement in its core competitiveness.

Green development is the responsibility of enterprises. In response to the country’s “Carbon Peak and Carbon Neutrality” strategy, Yunkang focuses on green operations, implements the regulated management of energy resource and promotes lean operation and energy conservation, aiming at minimizing the impact of its operations on the environment and contributing to the realization of the national carbon neutrality goals. Given the severe challenges posed by climate change, Yunkang has established a governance system for climate change-related issues, actively identified and assessed climate risks which are relevant to its business, and adopted mitigation measures in order to continuously enhance its climate risk response capabilities and contribute to the construction of global ecological civilization.

On the road of upholding the original aspiration of “health for all”, Yunkang is well aware of the great responsibility and glorious mission. Guided by development strategy of “in-depth services, lean operations”, Yunkang expects to make continuous efforts in the construction of medical institution alliances and county-level medical alliances, and deepening the industry-university-research collaboration, for the purpose of optimizing the distribution of medical resources and accelerating the development of the industry. In the future, Yunkang will continue to integrate ESG development concepts into its strategic planning, business management, and customer services and other aspects, devote itself to providing the public with more professional, efficient, precise and convenient medical and health diagnostic services, aiming to become a world-class healthcare enterprise.

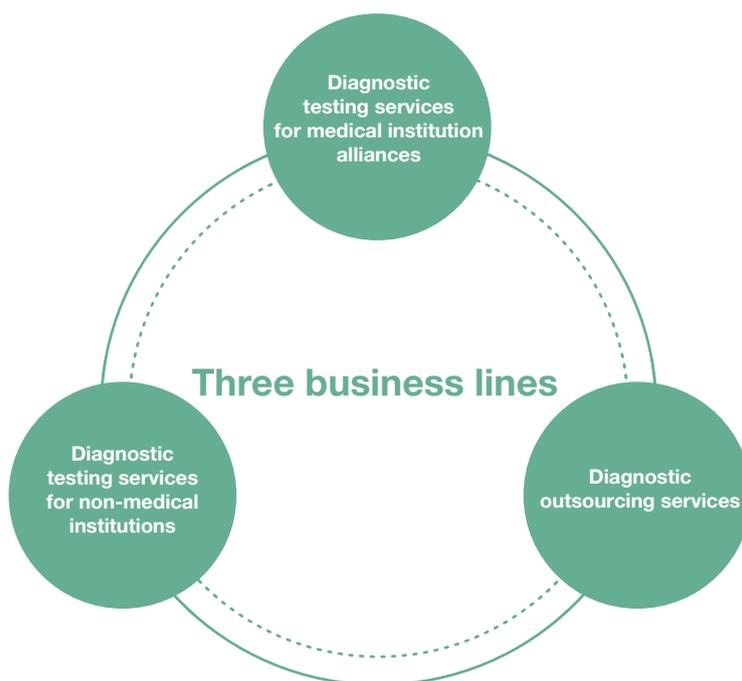
Zhang Yong

Chairman and Chief Executive Officer of Yunkang Group

03 ABOUT YUNKANG GROUP

3.1 BUSINESS OVERVIEW

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



Yunkang has set up a number of world-class medical laboratories in many provinces and cities across China, built six major clinical diagnostic support centers, including reproductive genetics, solid tumors, clinical immunity, infectious diseases, haematology integration and cardiovascular diseases, etc. It has also established seven major operation modules, including laboratory standardization, scientific innovation and research translation, professional discipline construction and support, supply chain management, smart laboratory information system, quality management, medical logistic service and many others, as well as eight major clinical laboratory technology platforms, including high-throughput sequencing, mass spectrometry, ultramicro-pathology, flow cytometry, gene chips, molecular diagnostics, cellular genetic and digital pathology. Up to now, Yunkang has become a comprehensive medical operation service platform and one of the first third-party medical institutions in China to obtain both ISO15189 and CAP certifications, with over 700 medical technicians providing clinical testing services and pathology diagnostic services to medical institutions at all levels.

Meanwhile, Yunkang is also a leading provider of diagnostic testing services to medical institution alliances in China, offering comprehensive medical solutions including technology platform co-construction and diagnostic outsourcing services. Focusing on leading hospitals in the medical institution alliances, Yunkang assists leading hospitals and their partner hospitals in medical institution alliances to improve their clinical diagnostic capabilities through co-laboratory construction. In addition, Yunkang provided diagnostic testing services for non-medical institutions, mainly including personalized diagnostic testing, reporting consultation and referral. Based on customers' demands, Yunkang also provided on-site health management services.

As of December 31, 2023, Yunkang has 12 independent medical laboratories and 416 co-laboratories, carrying out more than 3,000 testing items, with an annual total testing of more than 10 million cases. Yunkang has successfully provided professional services to more than 1,500 partnered medical institutions within the network of medical institution alliances across the country, forming a customer service network covering about 200 cities in 31 provinces and autonomous regions.

3.2 VALUE SYSTEM

The Company is deeply rooted in medical service industry and has forged ahead with unswerving determination for two decades. Adhering to the corporate vision of "Yunkang, create a happy life" and corporate value of "Integrity, honesty and client-oriented", the Company is committed to serving the health needs of the public by providing customers with professional, precise, efficient and convenient medical and health service.



Vision

Yunkang, create a happy life



Values

Integrity, honesty and client-oriented



Mission

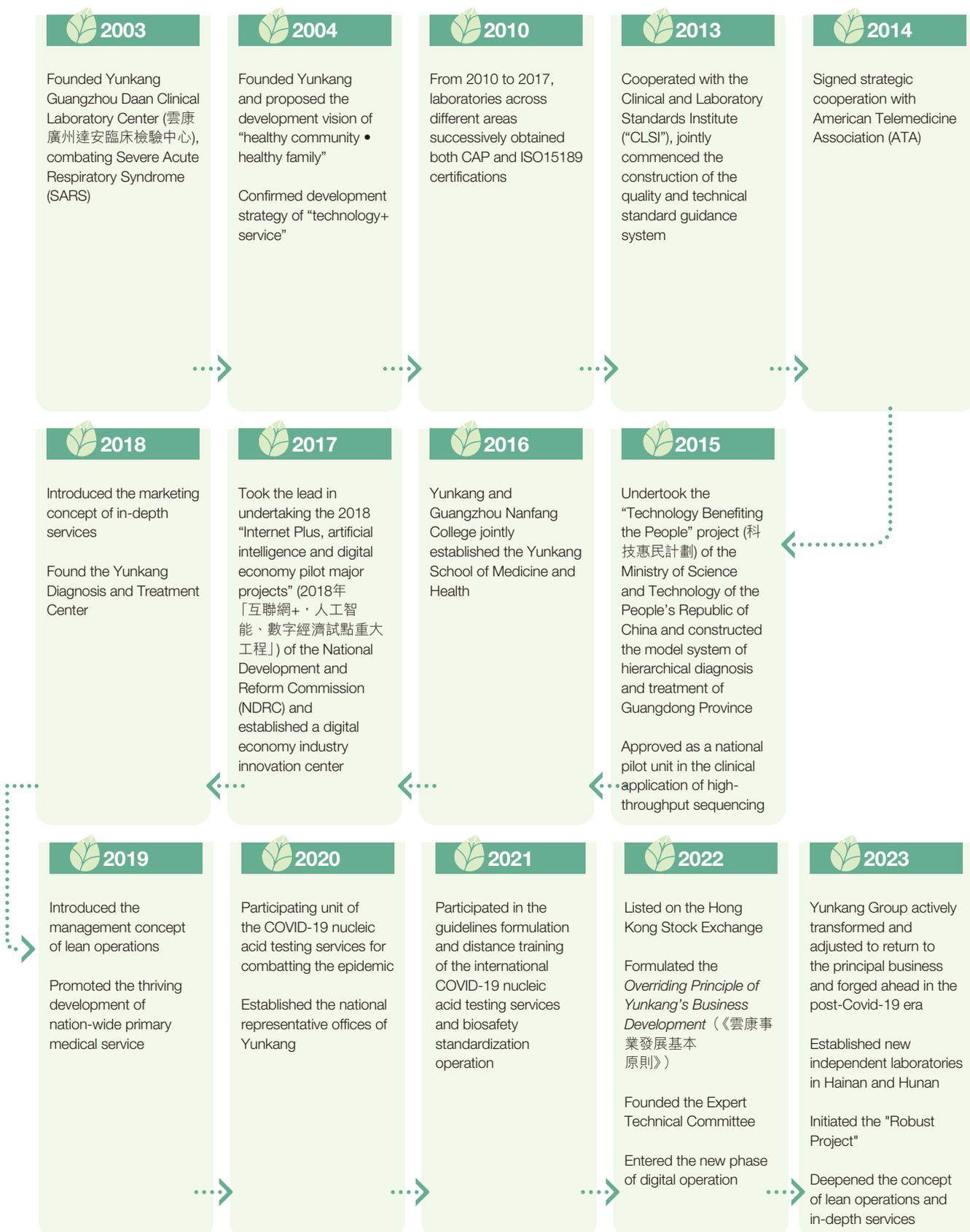
Focus on the health needs of the public and strive to provide customers with professional, accurate, efficient and convenient medical and health services



Code of Conduct

The execution is of paramount importance

3.3 MILESTONES



3.4 PERFORMANCE OF THE YEAR

Business

Total assets
RMB4,530 million¹

Total revenue for 2023
RMB890 million

Operation

Independent clinical laboratories (ICLs) established nationwide
12

Digital pathology remote diagnosis platform successfully operating in
291 co-laboratories

3 laboratories with ISO15189 and CAP certificates

Governance

No litigation on corruption for the full year

Proportion of independent Directors
More than 40%

Proportion of female Board Directors
14.3%

Employees

Percentage of female in the management
36.08%

Percentage of female employees
56.82%

Cumulative learning on the “Fu Yun” learning platform
44,500 person-times

Total training hours of employees
25,400 hours

Number of work-related fatalities for the full year
0 people

Environment

Energy consumption intensity
19.75
thousand kWh/million RMB

Carbon emission intensity
11.26
tCO₂e/million RMB

Percentage of new energy vehicles of nationwide cold chain logistics vehicles
approximately 54.1%

Society

Total number of launching community charitable clinical diagnostic activities
300+ times

Total number of complimentary medical examination
73,500+ person-times

Health lectures
approximately 370 sessions

Note for performance of the Year:

1. The amounts in the Report are expressed in RMB.

3.5 HONORS AND RECOGNITIONS

Crucial Qualifications

- Core leading construction unit of national genetic testing demonstration center
- Professional clinical pilot unit of high throughput sequencing for prenatal screening and diagnostic
- Clinical pilot unit of high throughput sequencing for tumor diagnosis and treatment project
- National High-tech Enterprise
- The only execution institution and branch of Clinical and Laboratory Standards Institute (CLSI) in China
- The chief R&D unit and execution unit of the Global Primary Diabetes Prevention and Treatment Program under the International Diabetes Federation (IDF)
- Laboratory Accreditation Certificate (ISO 15189) by the China National Accreditation Service for Conformity Assessment
- Certificate of Accreditation by the College of American Pathologists (CAP)
- China Inspection Body and Laboratory Mandatory Approval (CMA) certification
- Quality Management System Certificate (ISO 9001)
- The Authentication Certificate of Information Technology Service Management System (ISO 20000-1)
- Information Security Management System Certificate (ISO 27001)
- The Certificate of Compliance Management System (ISO 37301)
- Environmental Management System Certificate (ISO 14001)
- The Certificate of Training Management System (ISO 10015)
- Occupational Health and Safety Management System Certificate (ISO 45001)
- The Certificate of Integrity Management System (GB/T 31950-2023)
- The Certificate of Quality Credit Evaluation AAA (GB/T 31863-2015)
- Five-star After-sales Service System Certification (GB/T 27922-2011, SB/T 10962-2013)
- Pilot Enterprises for the National Standard of the *Operational Specification for Cold Chain Logistics of Medical Laboratory Biological Samples* (《醫學檢驗生物樣本冷鏈物流運作規範》) (GB/T 42186-2022)
- CASME Enterprise Credit Rating AAA Certification
- Pilot Enterprises for National Standard of the *Operation specifications for medical product cold chain logistics* (《藥品冷鏈物流運作規範》) (GB/T 28842-2012)
- Guangdong Engineering and Technology Research Center for Clinical Examination of Infectious Diseases and Birth Defects
- Demonstrative Center for Standardization Management of Diabetic Retinopathy
- Medical Cold Chain Logistics Service Platform-Certificate of New and Hi-tech Products of Guangdong Province
- Yunkang Digital Pathology Remote Diagnosis Platform-Certificate of New and Hi-tech Products of Guangdong Province
- Provincial Enterprise Technology Center of Guangdong Provincial Department of Industry and Information Technology
- Guangdong Provincial Clinical Gene Amplification Laboratory Training Base

Major Honors

- "ESG Special Recognition Award" in the Environmental, Social and Governance Awards of 2023 by Television Broadcasts Limited (TVB)
- "Platinum Award (Healthcare)", "Top 80 Reports Asia Pacific region", "Top 50 Chinese Annual Reports" and "Technical Achievement Award" in the 2022 Vision Awards Annual Report Competition by the League of American Communications Professionals (LACP)
- "Best Digital Investor Relations Award", "Best Leader Award" and "Best Director Award" in the 7th China IR Annual Awards
- Bronze Cup in the 2022 Guangdong Poverty Alleviation Hongmian Cup
- Annual "Gazelle Enterprise" in Huangpu District and Guangzhou Development District of Guangzhou
- "Hand in Hand for Public Welfare, Boundless Love" Honorary Medal by Guangzhou Blue Sky Rescue Association
- Guangdong Provincial Science and Technology Award

Pictures of Qualifications and Honors (Partial)



04

FEATURE STORY: EMPOWERING MEDICAL DEVELOPMENT TO CO-CREATE A BETTER LIFE

- **MODEL INNOVATION TO PROMOTE HIGH-QUALITY DEVELOPMENT IN MEDICAL SERVICES**
- **TECHNOLOGICAL INNOVATION TO DRIVE PRECISION MEDICINE FORWARD RAPIDLY**
- **INDUSTRY INNOVATION TO LEAD THE SECTOR TO FLOURISH**
- **SERVICE INNOVATION TO ACHIEVE EFFICIENT ENJOYMENT OF HEALTHY LIFE**



04 FEATURE STORY: EMPOWERING MEDICAL DEVELOPMENT TO CO-CREATE A BETTER LIFE

The year 2023 marks the beginning of the full implementation of the spirit of the 20th National Congress of the Communist Party of China. It is also a year of economic recovery and development following the three-year battle against the COVID-19 pandemic. In this crucial year, while significant achievements have been made in the construction of healthcare service system of China, issues such as unbalanced and insufficient development have also come to light. In response to these challenges, China is vigorously pushing forward the expansion of high-quality medical resources and their equitable distribution across regions, strengthening public health and primary care services, in an effort to enhance the overall level of medical services.

Against this era's backdrop, Yunkang Group has actively responded to the national call for medical reform. With "in-depth services and lean operations" as its strategic direction, it is dedicated to meeting the comprehensive and full-cycle medical and health needs of the public. On one hand, Yunkang adheres to innovation-led development, focusing on the frontier of clinical medical technology innovation. The Company continues to delve deeply into areas such as precision diagnosis and digital medicine, closely cooperating with outstanding institutions along the industrial chain to integrate high-quality industry resources. This approach moves towards higher, finer, more specialized, and newer domains, providing in-depth solutions for the deeper service needs of clinical medical customers.



On the other hand, Yunkang actively expands its national service network. Centered around "technology innovation driving industry innovation", it constructs a new model that integrates six chains: industry, policy, innovation, capital, talent, and space. This model provides a wider range of "government, industry, education, research and application" efficient empowerment to various levels of medical institutions. The Company continues to explore and construct innovative cooperation models that more closely match the current status and needs of local healthcare service development, supporting the high-quality development of the healthcare service system and promoting the development of new productive forces under the goal of building a Healthy China.



4.1 MODEL INNOVATION TO PROMOTE HIGH-QUALITY DEVELOPMENT IN MEDICAL SERVICES

Since its inception, Yunkang has always prioritized the demands of clinical medical and health services as its developmental compass, concentrating on the pain points and difficulties of disease diagnosis and treatment. By leveraging its advantages in the industry chain, expert teams, and technological resources, Yunkang has empowered various levels of medical institutions within medical consortia, enhancing medical diagnostic and collaborative service capabilities, and has thus established a uniquely innovative service model for the operation of medical consortia.

The innovation of Yunkang is reflected in multiple service models such as regional inspection centers, specialty alliances, and county-level medical communities. By aiding regional leading hospitals in constructing laboratories for inspection and pathology to build a regionally coordinated medical consortium service system, the Company assists member institutions within the medical consortium in expanding testing projects, improving testing capabilities, and ensuring testing quality. It effectively prevents the resource wastage caused by duplicate testing, reduces patients' financial burdens and medical costs, and allows more people to access high-quality and convenient medical and health services.



To a certain extent, this innovative model of the medical institution alliances has effectively enhanced the diagnostic service capabilities of medical institutions at all levels and has driven progress in the entire healthcare industry. As of the end of the Reporting Period, Yunkang has successfully provided professional services for more than 3,000 diagnostic projects to over 1,500 cooperating medical institutions within medical institution alliances networks across 416 medical institution alliances nationwide. Moreover, and has created several exemplary and benchmarking co-construction projects, facilitating the rapid development of medical institution alliances construction.



416
medical institution alliances nationwide



1,500+
cooperating medical institutions within medical institution alliances



3,000+
diagnostic projects

The forerunner and navigator in the national medical institution alliances construction

Regional Diagnostic Center Case:



Enabling precision medicine to benefit the people, Yunkang assists Panyu District Central Hospital (番禺區中心醫院) in creating a platform for precision medicine and molecular diagnostics

Precision medicine, as a major innovation in the modern medical field, is dedicated to deeply analyzing the genetic, physiological, and environmental characteristics of individuals. This analysis then allows for the tailoring of prevention, diagnosis, and treatment plans for each patient, achieving a refinement and personalization of medical services. The continuous development of the hospital, especially their high-quality development, relies heavily on the strong support of precision medicine. The establishment of a precision medicine diagnostics center signifies a solid step forward for the hospital in the field of precision medicine.

Since establishing a cooperative relationship in 2017, Yunkang and Panyu District Central Hospital have successfully built a regional pathology diagnostic platform. On this solid foundation, in June 2023, the two parties joined hands once again to construct the first precision medicine and molecular diagnostics platform in Panyu District. This platform established a tumor molecular pathology sequencing platform capable of performing homologous recombination repair-related gene testing, as well as individualized medication testing projects for 16 tumor molecules, including lung cancer, colorectal cancer, breast cancer, and hereditary gastrointestinal diseases.



The first precision medicine and molecular diagnostics platform in Panyu District

The establishment of this platform not only assists clinicians in developing more precise and personalized diagnostic and treatment plans for their patients, effectively controlling the progression of diseases, preventing deterioration and recurrence, but also truly achieves the widespread application of precision medicine, benefiting a broad spectrum of patients.

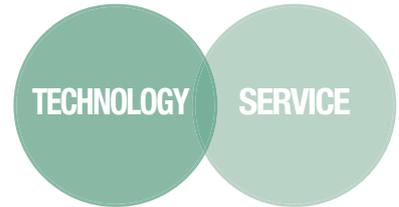


County Medical Communities Service Case:



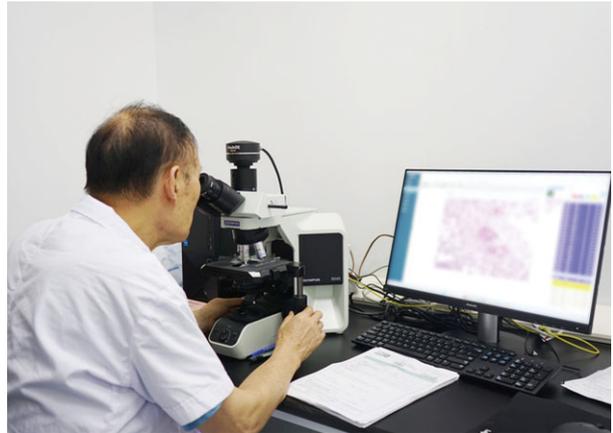
Serving over 300,000 residents, Yunkang aids Longmen County General Hospital in presenting a new solution for the county medical communities

Under the active guidance of national healthcare reform policies and facing the challenges of uneven distribution of county-level medical resources, Yunkang integrates synergistic advantages of the industry chain, continually empowering the construction of county medical communities with a “technology + service” lean comprehensive solution.



IN MAY 2023

The “Longmen County General Hospital – County Pathology Diagnostic Center” assisted by Yunkang was officially inaugurated in Longmen County, Huizhou City, providing high-level pathology diagnostic and treatment services to medical institutions at all levels within the region.



As a flagship example of the county medical communities model in Guangdong Province, the Longmen County Pathology Diagnostic Center, leveraging Yunkang’s advanced comprehensive pathology diagnostic services and high-quality pathology resources, has extended premium medical examination services to over 300,000 residents within the county. This initiative significantly contributes to the high-quality development of the county’s medical and health sector, enabling patients to access top-tier expert services right at their doorstep, effectively realizing the goal of “treating severe illnesses within the county” and alleviating the public’s concerns about the high cost and difficulty of accessing medical care.

extended premium medical examination services

300,000

residents

Remote Collaboration Network Service Case:



Yunkang facilitates the integration of 46 hospitals into the West China Pathology Alliance, extending premium pathology resources “remotely” to remote areas

In collaboration with the Institute of Clinical Pathology of West China Hospital of Sichuan University, Yunkang made efforts to build the West China Pathology Alliance. Serving as the alliance’s technical organizer and demonstration center, Yunkang has provided in-depth services and technological empowerment for four consecutive years, playing a pivotal role.



To fully leverage the expert resources and technical advantages of the West China Pathology Alliance and enhance the learning and exchange among pathology professionals in the western region, the “Yunkang Level 2 Center”（雲康二級中心）of the West China Pathology Alliance and the training base of the West China Pathology Alliance were officially inaugurated in March 2023. This marks a new phase in the strategic cooperation between Yunkang and the West China Pathology Alliance. Going forward, both parties will utilize digital pathology cloud technology as a platform to enhance multi-dimensional, tiered collaboration among specialized alliance medical institutions, covering aspects from laboratory construction, clinical support, academic exchange, quality control, discipline construction, to research collaboration. This initiative aims to better promote the downscaling and optimization of pathology resources and drive the joint development of pathology departments across hospitals at all levels, achieving high-quality development in the pathology diagnostic field in the Western region.



Inauguration Ceremony

4.2 TECHNOLOGICAL INNOVATION TO DRIVE PRECISION MEDICINE FORWARD RAPIDLY

In recent years, the advent of precision medicine has shifted the clinical focus from treatment to prevention and personalized therapies. By utilizing the latest gene sequencing technologies, combined with clinical data and individual characteristics, a comprehensive analysis of patients' pathophysiological states is conducted. This provides doctors with more accurate and comprehensive diagnostic bases, thereby enabling the formulation of precise treatment plans, avoiding unnecessary misdiagnoses, and offering better treatment outcomes for patients.

Yunkang, with a focus on "clinical and disease" orientations, has systematically developed eight major professional technical platforms including high-throughput sequencing, ultra-micro pathology, digital pathology, gene chips, and molecular diagnostics. Coupled with a nationwide customer service network, platform technological advantages, and expert resources, Yunkang offers integrated clinical diagnostic solutions for eight major clinical disease areas such as reproductive genetics, infectious diseases, hematology, clinical immunology, cardiovascular endocrinology, and solid tumors.

Especially in the field of precision medicine, Yunkang, as one of the first domestic pilot units for high-throughput gene sequencing technology in cancer diagnosis and treatment projects, has been providing long-term precision diagnostic services in significant disease areas such as cancer, blood, and reproductive genetics. This is achieved by relying on next-generation sequencing technology and employing core application technologies including high-throughput sequencing, bioinformatics analysis, and big data mining, supported by a seasoned research and development team and a professional clinical testing team. Based on this, by meeting the diverse service needs of clinical laboratory testing, multidimensional research testing, and cutting-edge scientific research sequencing, Yunkang is committed to providing high-level sequencing technology services and multi-tiered one-stop solutions to research institutions and medical institutions across the nation, ensuring precision diagnostics are accessible to everyone.



Furthermore, public demand and health serve as another driving force for Yunkang in advancing the development of precision medicine. We have observed that gene testing is widely used in provincial hospitals and national medical centers, but its application in other levels of medical institutions is quite limited. Moreover, the cost of gene testing technologies is generally high, making it difficult for many patients to afford. To address the uneven distribution of precision medical services and the high cost of testing, Yunkang leverages its own technology platform and extensive customer service network to provide more universal, convenient, and high-quality precision medical diagnostic services, benefiting a wide range of patients within the healthcare system. In 2023, Yunkang focused on developing 50 new projects in the areas of infectious diseases, tumors, and rare diseases, cumulatively testing over 100,000 samples.



2023

Yunkang focused on developing 50 new projects in the areas of infectious diseases, tumors, and rare diseases, cumulatively testing over 100,000 samples

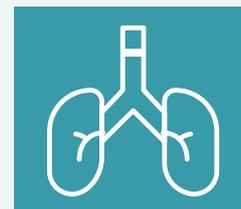
4.2.1 Assisting Precise Diagnosis of Infectious Diseases

Infectious diseases are one of the common diseases in developing countries, with China experiencing approximately 1 billion visits to medical facilities annually due to these conditions. Furthermore, the misuse of antibiotics, triggered by infectious diseases, has drawn significant attention from public health administrators. As a leading medical service institution in China, Yunkang has always prioritized the welfare of the general public. We are acutely aware of the prevalence of infectious diseases in China and have launched pathogen-targeted sequencing (“tNGS”) products. Through tNGS products, we offer more efficient and comprehensive clinical testing services, quickly identifying the type of pathogen and detecting resistant genes, aiding clinicians in selecting appropriate treatment plans, providing in-depth testing services for the diagnosis and early treatment of infectious diseases, reducing antibiotic misuse, effectively controlling disease progression, and benefiting a vast number of patients.



Precise diagnosis of respiratory infections, to support early treatment and public health

Acute respiratory infections are a global disease with high morbidity and mortality rates. Precise diagnosis of the pathogen is crucial for treating respiratory infections and controlling the spread of infection. Yunkang’s respiratory project covers nearly a hundred common pathogens and resistance genes, efficiently and comprehensively identifying the causative pathogens, assessing mixed infections, and detecting resistant genes. This project is widely applied in the etiological diagnosis of respiratory infections, aiding early treatment, precise diagnostics, detection of rare pathogens, and effective treatment of resistant bacteria. It also helps control the spread of infectious diseases, reduces the misuse of medical resources, provides preventive services for the public health system, and advances the construction of a Healthy China.



Accelerating the prevention and treatment of parasitic diseases to safeguard public health and societal development



Parasitic diseases rank among the most destructive and widespread infectious diseases globally, causing millions of illnesses and deaths annually. Battling parasitic infections requires precise and rapid diagnosis. Yunkang’s introduction of the tNGS-Parasite Panel project, encompassing nearly a hundred parasites and pathogens related to diarrheal diseases that infect humans, plays a pivotal role in quickly differentiating between infectious and non-infectious diarrhea. This is vital for the early and appropriate treatment of parasitic diseases. Given the severe situation of parasitic diseases in China, Yunkang’s tNGS pathogen detection service is instrumental in accelerating the national efforts in the prevention and control of parasitic diseases. It aids in preventing and controlling the spread of parasites, thereby ensuring the utmost protection of the public’s health and promoting the harmonious development of the economy and society.

4.2.2 Supporting Precision Tumor Diagnosis

In recent years, the high incidence and mortality rates of traditional high-incidence cancers such as lung cancer, colorectal cancer, stomach cancer, liver cancer, and breast cancer have posed a serious challenge to public health in China. In response to this situation, the *Healthy China Initiative (2019-2030)* (《健康中國行動(2019-2030年)》) was proposed, emphasizing the critical importance of prevention and control measures for high-incidence cancers. Furthermore, the guiding document of the *Guidelines for Early Screening of High-incidence Cancers in China* (《中國高發癌症早期篩查指南》) proposes a tumour prevention and treatment plan that takes tumour diagnosis as a precursor and guides targeted drug therapy, highlighting the significance of early cancer screening and precise diagnosis.

As one of the first batch of pilot units for clinical application of high-throughput gene sequencing technology in tumor diagnosis and treatment projects authorized by the Health Commission, the Yunkang Precision Medicine Center leverages its existing technology platform and clinical service model to focus on early cancer screening, precise diagnosis, and cancer recurrence monitoring, aiming to build a comprehensive cancer management system. Through our relentless efforts, we hope to contribute to the realization of a Healthy China.



Yunkang leads in innovating cancer recurrence monitoring, achieving a new milestone in precision medicine

In 2023, Yunkang focused on cancer recurrence monitoring and introduced personalized Molecular Residual Disease (“MRD”) high-sensitivity monitoring products tailored to patient characteristics. MRD testing, which plays a crucial role throughout the entire cancer development cycle, has been prospectively observed and studied in various cancers such as lung cancer, colorectal cancer, and stomach cancer, receiving recommendations from guidelines. MRD testing allows for the assessment of cancer patients’ recurrence risk at the molecular level, aiding in the formulation or adjustment of treatment plans, truly embodying the concept of precision medicine.



Yunkang facilitates early diagnosis of colorectal cancer

Moreover, with changes in dietary structures and habits in China, the incidence of colorectal cancer has been continuously rising. Early detection of colorectal cancer can lead to better treatment outcomes for 90% of patients through standardized treatment. Yunkang employs high-throughput sequencing technology, covering all clinically recommended targeted drug sites and common chemotherapy drug sites for colorectal cancer. Combined with a professional pathology team and advanced algorithms, it issues trial reports based on clinical guidelines, aiding in evaluating the effectiveness of drug treatments and guiding individualized clinical medication, realizing the patients’ “early prevention, early detection, and early treatment”.



4.2.3 Supporting Precision Diagnosis of Genetic Diseases

Yunkang is acutely aware of the significance of preventing and controlling birth defects for the high-quality development of the population. In this realm, the precise detection of challenging and rare genetic diseases and the screening for birth defects play a pivotal role. Consequently, the National Health Commission of China has formulated two editions of the *Rare Disease Catalog* (《罕見病目錄》) and, in 2023, introduced the *Improvement Plan for Birth Defect Prevention and Control Capability (2023-2027)* (《出生缺陷防治能力提升計劃(2023-2027年)》) to implement the principle of “prevention first, integrated prevention and treatment”, further enhancing the capacity for birth defect prevention and control and promoting high-quality development in this field. As a leader in precision medicine, Yunkang continuously focuses on the health from the start of life. Our precision medicine services can accurately diagnose 6,550 genetic diseases, encompassing 207 rare diseases listed in the two editions of the Rare Disease Catalog and four categories of birth defects diseases emphasized in the *Improvement Plan for Birth Defect Prevention and Control Capability (2023-2027)*. We are dedicated to providing comprehensive health protection for every newborn, nurturing the healthy growth of children.

Accurately diagnose

6,550

Genetic Diseases

Encompassing

207

Rare Diseases

It's worth mentioning that in 2023, in the realm of precise detection for complex and rare genetic diseases, Yunkang innovatively upgraded the “human whole exome sequencing + mitochondrial genome” project through the adoption of dual-genome sequencing. This advancement aids clinical doctors in diagnosing complex and challenging genetic disease cases, while also offering more clinically relevant diagnostic reports, along with personalized genetic counseling services before and after testing. This effort supports the precise diagnosis of genetic diseases in clinical settings, effectively reducing the incidence of birth defects and lowering the rate of child disabilities.



4.3 INDUSTRY INNOVATION TO LEAD THE SECTOR TO FLOURISH

4.3.1 Standardization and International Cooperation

High-quality development is not only an inevitable requirement to meet the healthcare service expectations of populace in China but also an essential path to building and perfecting the healthcare service system. The foundation of high-quality development lies in adhering to quality first and leading by standards, driving the quality and efficiency transformation in medical diagnostic services, enhancing the level of standardized operation capability throughout the entire process of medical diagnostic services, continually boosting the innovation and competitiveness of China's medical diagnostic service standardization.

Standardization construction ensures the accuracy, reliability, and consistency of the medical diagnostic service process and outcomes, elevating the quality of medical diagnostic services. It also continuously optimizes the process and operational management of medical diagnostic services, improving operational efficiency, and thereby enhancing the competitiveness of medical diagnostic services. As a professional medical diagnostic service organization, Yunkang places a high priority on standardization efforts, actively collaborating with domestic and international professional organizations to promote the standardization of testing. Since its inception, Yunkang has established in-depth cooperation with professional standardization associations such as CLSI, International Organization for Standardization ("ISO"), China National Accreditation Service for Conformity Assessment ("CNAS"), CAP, and the domestic and foreign research institutions such as Baylor College of Medicine and Sun Yat-sen University. Leveraging the strengths of multiple parties, Yunkang has successfully created a standardized operational service system to support daily operational management, achieving high-quality operations in terms of quality, cost, efficiency and other aspects. Moreover, Yunkang has built a top-tier national network of medical laboratories, introducing leading laboratory construction quality standards from both home and abroad to medical institutions at all levels. This initiative improves the testing level and technical skills of medical institutions' personnel, supporting their high-quality development.



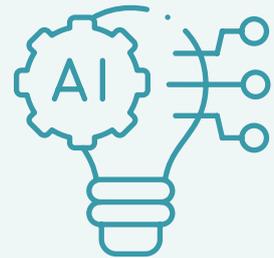
Simultaneously, to enhance the overall service level of medical institutions in China, Yunkang, as the sole executing partner and exclusive branch of CLSI's medical business in China, actively introduces international standards and guidelines into Chinese medical institutions. Since 2013, Yunkang has collaborated closely with CLSI to help improve the standardization of medical testing services and clinical medicine quality across numerous resource-scarce grassroots medical institutions nationwide. The two parties cooperated to formulate China's first *Guideline for the Construction of Pre-Analytical Services for COVID-19 Nucleic Acid Testing* 《新冠病毒核酸檢測服務(分析前)建設規範指南》 and the *Operational Standards and Guidelines for Grassroots Medical Laboratories* 《基層醫學實驗室操作標準與指引》, and have conducted CLSI grassroots medical laboratory quality and capability standard assessor training sessions. Additionally, Yunkang is the first and only company in China to partner with CLSI in promoting the *Manual for Quality and Capability Standards of Grassroots Medical Laboratories in China* 《中國基層醫學實驗室品質與能力標準手冊》, continuously striving to enhance the quality of grassroots healthcare services and promote the adoption of international standards. This effort aims to improve the overall recognition and service capabilities of grassroots medical institutions in China, achieving optimal patient and resource allocation. Looking forward, Yunkang will continue to deepen pragmatic cooperation with CLSI to promote the high-quality development of standardization in grassroots healthcare.

4.3.2 Integration of Supply, Production and Services

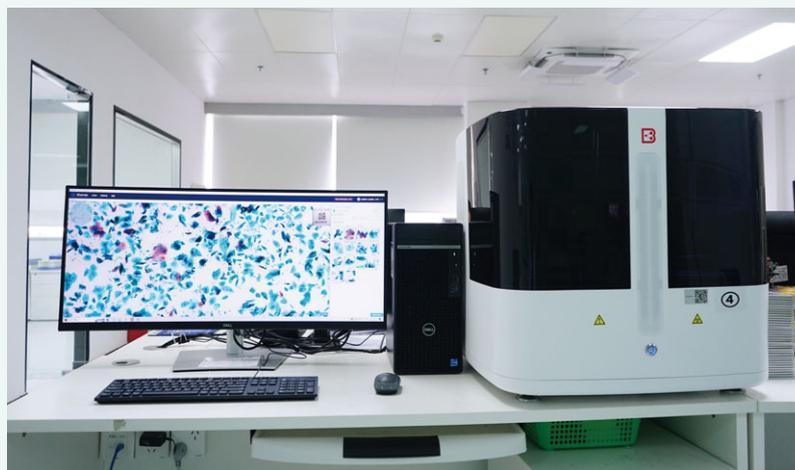
Yunkang focuses on deep services, adhering to the industrial innovation philosophy of “co-building, co-existing, and sharing,” establishing an integrated collaborative relationship with suppliers and customers. The Company not only establishes strategic cooperation with leading enterprises in the industry but also concentrates on breaking through each link of the industrial chain, integrating resources and advantages to improve the distribution and equal use of medical resources. This effort aims to benefit a wide range of patients with more professional, accurate, efficient, and convenient medical and health services. In 2023, the Company continued to deepen strategic cooperation with industry-leading enterprises such as Siemens, Roche Diagnostics, and Danaher, continuously exploring and cultivating on the path of innovative development.

Developing an integrated supply, production, and service for pathological artificial intelligence (“AI”)-assisted diagnosis

Medical institutions often face high labor intensity and heavy diagnostic workloads. Pathological AI-assisted diagnosis can alleviate the problems such as shortage of pathologists and lack of capacity, and has become a developmental trend in the field of pathology. Therefore, Yunkang has launched a pathological AI-assisted diagnostic solution that includes cytology screening, morphological quantitative analysis, and tissue pathology diagnosis. This solution boasts high accuracy, broad applicability, and superior performance, assisting medical institutions in improving diagnostic efficiency and achieving an integrated supply, production and service.



For example, Yunkang assists medical institutions responsible for cervical and breast cancer screening tasks (such as municipal maternal and child health hospitals) in accessing the AI pathology system. This upgrades the original high-load manual screening to an AI remote mode of “AI preliminary screening, physician review”, allowing them to complete the cancer screening tasks at low cost, high efficiency, and high quality. At the same time, it liberates precious pathologist resources, allowing them to engage in more valuable diagnostic work. Moreover, for medical institutions (such as county hospitals) restricted in the development of their pathology departments due to the shortage of pathologists and related resources, Yunkang also assists in building AI pathology systems, providing remote reading and remote consultation support for routine pathology, difficult cases, intraoperative frozen, and cervical cytology.



4.3.3 Integration of Research, Production and Services

Yunkang highly values the integration and innovation of research, production, and services, actively leveraging platform advantages to integrate resources from domestic and international universities, research institutions, and quality suppliers. Utilizing advanced technologies such as digital healthcare and AI, Yunkang assists hospitals in establishing platforms for scientific research innovation and results transformation. In 2023, Yunkang established research collaborations with institutions such as Guangdong Provincial People's Hospital (廣東省人民醫院), Haikou Maternal and Child Health Hospital (海口市婦幼保健院), and the Sixth People's Hospital of Guangzhou Nansha District (廣州南沙區第六人民醫院). Through integrated research, production and service, Yunkang meets the research and clinical needs of medical institutions, shortening the distance between scientific research outcomes and industrialization, and enhancing the accessibility of quality medical resources.

Medical Inspection Joint Innovation Platform

The Medical Inspection Joint Innovation Platform, consisting of joint laboratories and academic empowerment organizations, combines the technological leadership of leading hospitals with the scale application advantages of third-party medical institutions. It adheres to the core values of model innovation, complementary advantages, and efficient output. The platform is committed to forming the country's first laboratory development testing ("LDT") incubation model and building a "1+N" medical testing collaborative network through three stages of product clinical verification, in-hospital use pilots, and widespread application in Guangdong Province and even across China.

Yunkang collaborates with Guangdong Provincial People's Hospital to establish the Medical Testing Joint Innovation Platform

In 2023, as the new medical reform enters a phase of high-quality development, Yunkang actively responds to relevant policy guidelines, collaborating with Guangdong Provincial People's Hospital to launch the "Medical Testing Joint Innovation Platform", achieving three major milestones. First, the official release of the first hospital-enterprise joint tNGS products, offering three series of products of tNGS respiratory complete version (208 types), tNGS respiratory core version (98 types), and tNGS central nervous system infection (120 types) for clinical use, significantly upgrades pathogen detection range, clinical application scenarios, laboratory testing time, and bioinformatics report interpretation, demonstrating outstanding clinical application value and cost-effectiveness. Second, the platform promotes the standardized application of tNGS clinical LDTs, forming expert consensus, application guidelines, and clinical application as periodic achievements. Third, it incorporates six construction units including the First Affiliated Hospital of Guangzhou University of Chinese Medicine (廣州中醫藥大學第一附屬醫院), Peking University Shenzhen Hospital (北京大學深圳醫院), and Huizhou Central People's Hospital (惠州市中心人民醫院), establishing an integrated model of innovation in education, research, production and service.



4.3.4 Integration of Industry, Academia and Research

Technological innovation is the driving force behind corporate development. Yunkang actively deepens the integration of industry and academia, closely aligning with major research institutions to establish mutually beneficial and empowering cooperative relationships around the concept of “collaborative education by enterprises and universities”. At the strategic cooperation level, the industry and education sectors jointly establish a council management mechanism. Through “bringing enterprises into education”, they promote the linkage between the supply side of talents and the demand side of the industry, focusing on the transformation of achievements and bridging the gap from the “first mile” of research institutions to the “last mile” of industrial application. In 2023, Yunkang continued to maintain long-term stable cooperative relationships with several universities, including Fudan University, Sun Yat-sen University, Southern Medical University, and Nanchang University, providing them with broad platforms and opportunities for joint training, practical training, and scientific research, etc.

Yunkang and Nanchang University signed a strategic agreement on school-enterprise cooperation

In July 2023, Yunkang signed a strategic agreement on school-enterprise cooperation with Nanchang University. Both parties will integrate their resource advantages to engage in long-term cooperation in industry, academia, and research, focusing on medical services, talent cultivation, and the transformation of scientific research achievements. This aims to create an innovative model of collaborative education through university-enterprise cooperation, supporting Nanchang University’s construction of a “double first-class” institution and seeking high-quality, mutually beneficial development.



School-enterprise Cooperation Strategic Agreement Signing Ceremony

Yunkang deepens the integration of industry associations and institutions of higher education in industry, teaching and research by promoting interdisciplinary synergistic development

To promote interdisciplinary integration and drive the robust development of the healthcare industry, in February 2023, Yunkang co-organized the tenth session of the “Public Medical Institution Economic Management Year” Hospital Economic Management Salon and the seminar to assist the high-quality development of public hospitals in the Guangdong-Hong Kong-Macao Greater Bay Area, deepening the integration of industry associations and higher education in industry, education, and research. Representatives from Yunkang, along with experts and scholars, gathered to discuss the economic management pathways for public hospitals. They facilitated a strategic partnership between the Health and Healthcare Subdivision of the Chinese Institute of Certified Public Accountants (中國總會計師協會衛生健康分會) and the Guangdong-Hong Kong-Macao Greater Bay Area Research Institute of the Central University of Finance and Economics (中央財經大學粵港澳大灣區研究院). This partnership integrates the advantageous resources of industry associations and universities to jointly promote the high-quality and rapid development of public medical institutions.

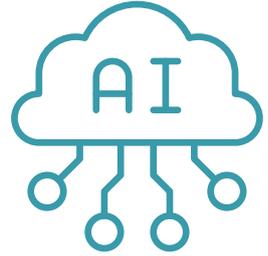


Strategic Cooperation Agreement Signing Ceremony

4.4 SERVICE INNOVATION TO ACHIEVE EFFICIENT ENJOYMENT OF HEALTHY LIFE

4.4.1 Digital Service Applications

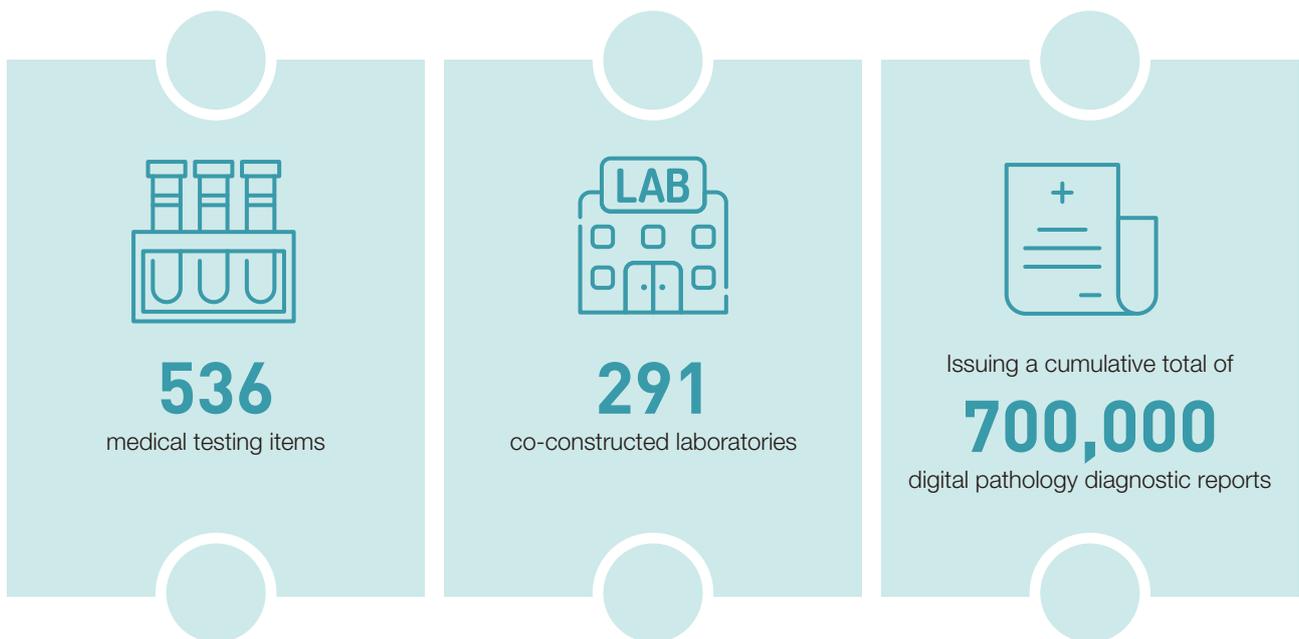
Over the years, grounded in its advanced scientific research technology platform and comprehensive clinical service system, Yunkang has continually refined its medical laboratory technology research and development as well as its digital applications by focusing on new medical technologies, cloud computing, big data, the Internet of Things, and 5G mobile networks. It has delved deeply into cutting-edge medical fields such as remote pathology, digital pathology, metabolomics, and AI, creating a “Cloud + AI” professional service platform. This initiative helps partner hospitals implement a variety of digital services, including remote guidance, remote consultation, and remote teaching, accelerating the interconnectivity of information within medical institution alliances and decentralizing high-quality medical resources to underdeveloped areas to, serve a broader population.



Building a Remote Pathology Platform

Focusing on customer-oriented intelligent digital R&D, Yunkang deeply explores the significant role of remote pathology in breaking spatial and temporal barriers and efficiently driving the decentralization of high-quality medical resources. It accelerates the advancement of “medical + digital” work, builds and continuously optimizes the remote pathology platform and assists medical institutions at all levels in accessing Yunkang remote pathology consultation network, fulfilling the commitment to serve local public health with advanced medical technology.

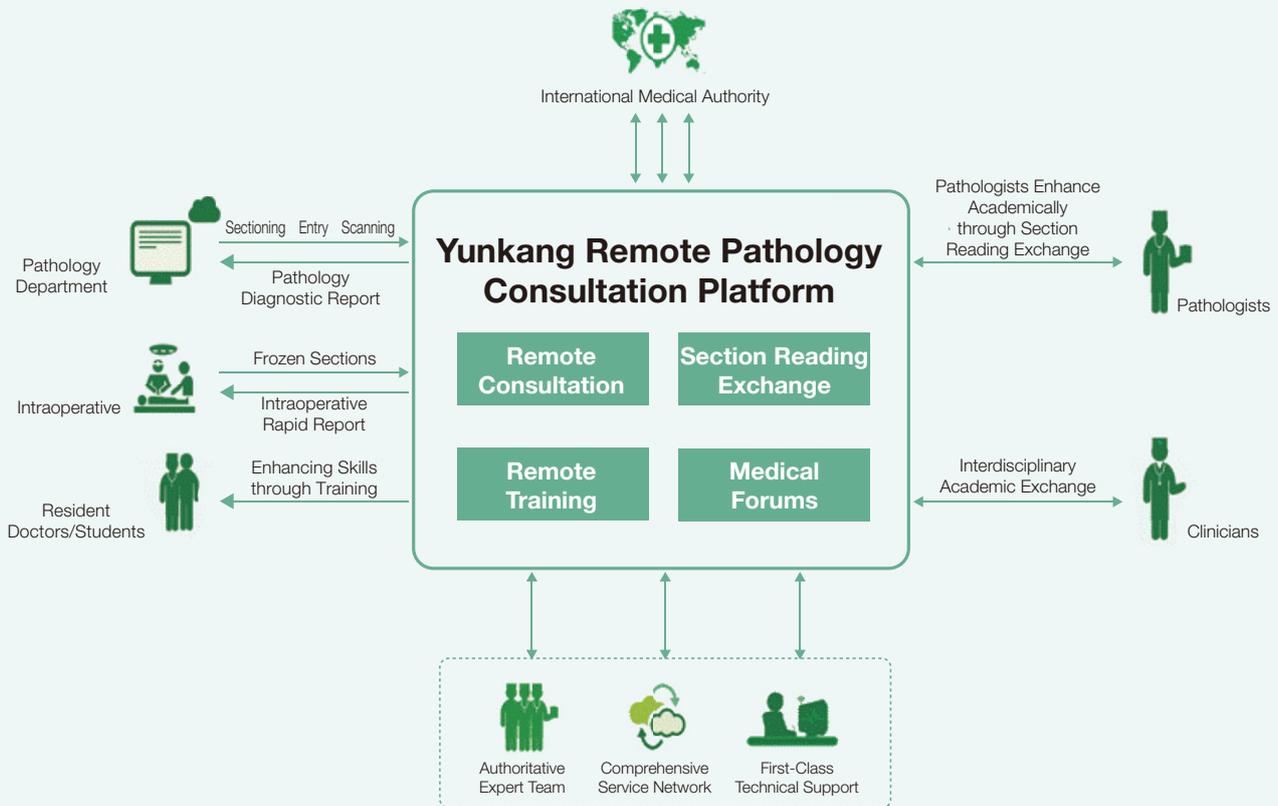
As of 31 December 2023, Yunkang Remote Pathology Platform has covered 536 medical testing items and successfully operated in over 291 co-laboratories. Up to now, the platform has successfully aided doctors by issuing a cumulative total of 700,000 digital pathology diagnostic reports. This comprehensively enhances the quality of inspections and diagnostic efficiency, creating an efficient digital pathology consultation system that empowers medical institutions at all levels.



Yunkang Remote Pathology Platform covers

Yunkang Remote Pathology Consultation Platform

Yunkang Remote Pathology Platform is designed and developed based on CAP, CLSI and domestic pathological standards, with advanced digital section image processing and network communication technology, as well as the resources of pathology expert team of Yunkang, which can carry out remote pathological consultation, remote section reading, online teaching, quality control and academic exchanges within the industry. This platform has a network of authoritative pathologists at home and abroad, and is supported by well-known international institutions to provide integrated remote pathology services for pathology departments at all levels of hospitals.



The operation mode of Yunkang Remote Pathology Consultation Platform

The remote pathology consultation platforms play a pivotal role in facilitating remote pathology diagnoses, sharing elite resources, building learning platforms, and promoting regional medical development. On one hand, Yunkang's remote pathology services span across 20 provinces (including municipalities and autonomous regions) nationwide, enhancing the diagnostic capabilities of over 300 medical institutions and offering high-standard pathology diagnostic services to 200 million patients in remote and rural areas. This initiative ensures that patients in remote locations also have access to renowned pathology experts, receiving timely professional guidance and treatment, thereby alleviating the difficulties and high costs associated with seeking medical care.



AI-assisted Diagnosis

AI technology has great advantages in improving the efficiency and accuracy of diagnosis and treatment. On one hand, AI technology can perform diagnostic analyses around the clock, significantly boosting efficiency. On the other hand, leveraging AI technology can expedite diagnostic processes, reduce doctors' fatigue and workload, address issues of high workload and staffing shortages, and lower the risks of missed and incorrect diagnoses, thereby improving the accuracy of diagnostics and treatments. To achieve more efficient and precise diagnostic services, empowering clinical diagnostics and benefiting a wide range of patients, Yunkang has continuously strived in the field of AI-assisted diagnostics. Adhering to the application strategy of "introduce one as one matures", Yunkang closely monitors the development of AI diagnostic technologies in the industry. As of December 2023, Yunkang successfully introduced the AI-assisted diagnosis project for cervical liquid-based cytology and the chromosome AI analysis system, achieving preliminary significant application results.

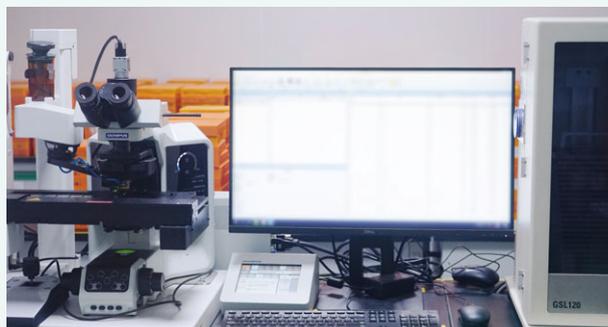
AI assists cervical pathology screening to protect women's health!

Cervical cancer is one of the six most common cancers among women in China. To improve women's health standards, the National Health Commission of China mandates that by the end of 2025, the cervical cancer screening rate for eligible women should reach over 50%. In addition, it will innovate screening models to enhance the quality and efficiency of screenings, aiming for an early diagnosis rate of over 90%. Starting with cervical cytology, a common method for cervical cancer screening, Yunkang promotes the application of AI-assisted diagnostics in cervical liquid-based cell pathology testing projects. This ensures pathology cytology diagnostics operate 24 hours, significantly improving reading accuracy and efficiency, and reducing the risk of missed diagnoses. Simultaneously, Yunkang actively collaborates with medical institutions to create a new model of joint construction in pathology AI, enhancing the diagnostic capabilities and quality of medical institutions. In 2023, Yunkang applied cervical liquid-based cytology pathology AI diagnostics, promoting the continuous development of digital pathology technology.



Chromosome AI diagnostics empower the pursuit of eugenics and better birth outcomes!

In this world, there exists a group of individuals who, despite possibly hailing from diverse nations and varying family backgrounds, share a commonality in appearance – they are individuals with Down syndrome. To achieve rapid diagnosis of such hereditary diseases, reduce birth defects, and support national policies on eugenics and superior birth outcomes, in 2023, Yunkang introduced a cutting-edge chromosome AI analysis system. Compared to the time-consuming and labor-intensive traditional karyotype analysis techniques, this system integrates automation and AI throughout the entire chromosome testing process, achieving automation, standardization, and intelligence in testing. With the aid of AI, the reporting cycle has been halved, significantly enhancing the quality and efficiency of chromosome screening and reducing waiting times for patients, which provides strong support for the diagnosis and treatment of genetic and related diseases.



05

RESPONSIBLE GOVERNANCE AND SOUND OPERATION

- CORPORATE GOVERNANCE
- SUSTAINABLE DEVELOPMENT GOVERNANCE



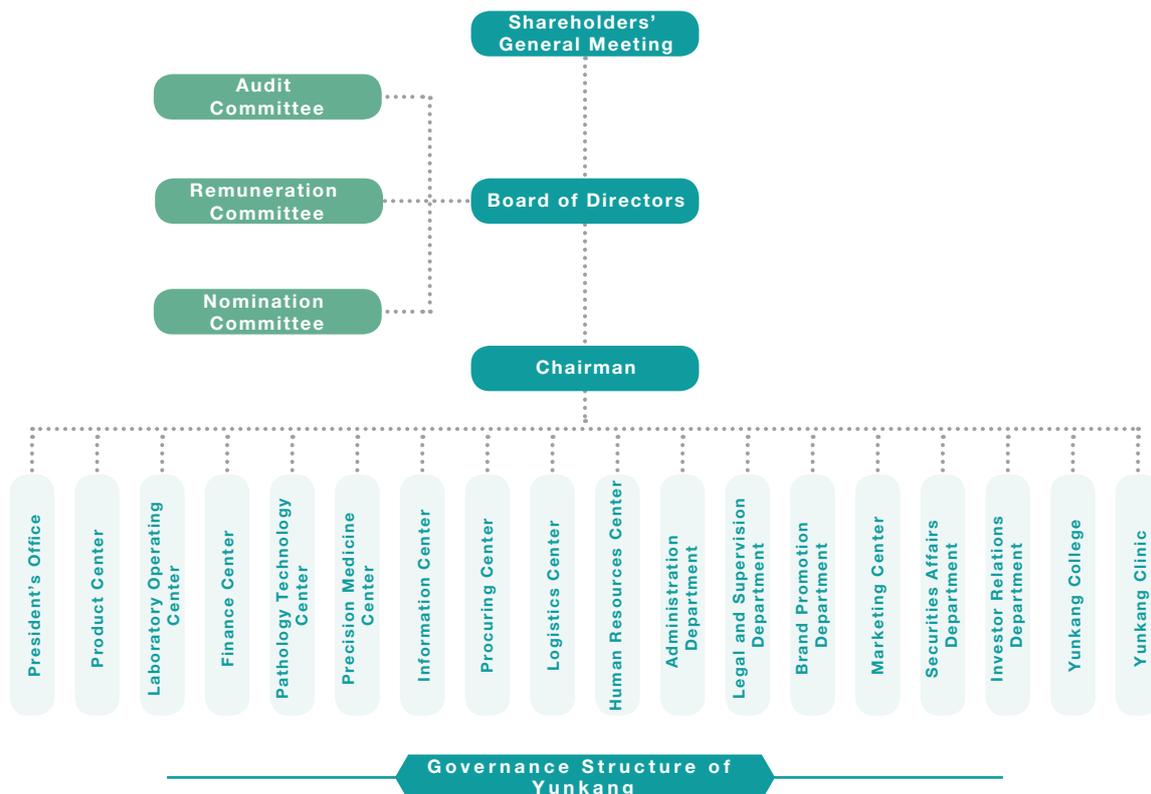
05 RESPONSIBLE GOVERNANCE AND SOUND OPERATION

A transparent and sound governance system is the cornerstone of corporate sustainable development. Yunkang deeply understands the importance of compliance construction, continuously improving the governance structure to drive the Company towards long-term and comprehensive development. Adhering to the basic principles of integrity, transparency, accountability, and independence, Yunkang actively upholds shareholder rights and creates long-term value for stakeholders. At the same time, Yunkang adheres to the principle of integrity in business operations, practices high standards of business ethics, establishes and implements comprehensive and effective risk governance and internal control mechanisms, and shapes a trustworthy brand image.

5.1 CORPORATE GOVERNANCE

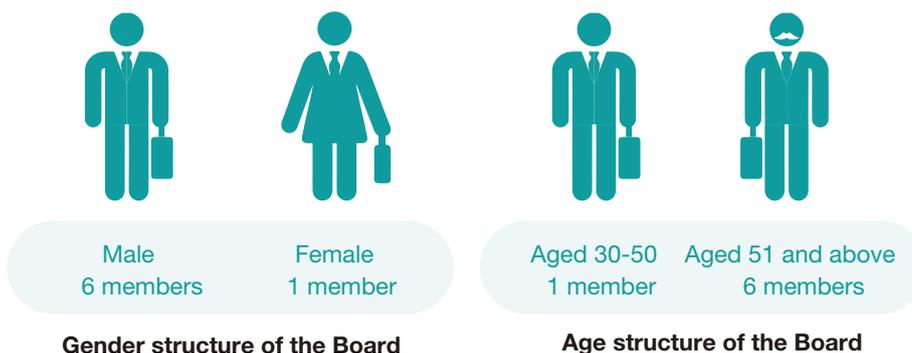
5.1.1 Governance Structure

Yunkang always complies with the relevant requirements of the *Company Law of the People's Republic of China* (《中華人民共和國公司法》) and the *Corporate Governance Code* (《企業管治守則》) of the Hong Kong Stock Exchange, and is committed to establishing and maintaining a sound corporate governance mechanism. The board (the "Board") of directors ("Directors") plays a central role in corporate governance, providing guidance and supervision for the formulation and implementation of major decisions of the Company. The Board has three functional committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee, to oversee specific aspects of the Company's affairs. The Board of Yunkang cooperates with various functional departments and regional representative offices to conscientiously implement and fulfill the Company's specific objectives, strengthen the Company's compliance management and operation, and build the core value of the enterprise.



By the end of the reporting period, there were seven members of the Board of Yunkang Group, including three independent Directors, accounting for 42.9% of total Directors, and one female Director, accounting for 14.3% of total Directors. In order to enhance the effectiveness of the Board and maintain a high level of corporate governance, the Company has adopted a *Board Diversity Policy* (《董事會多元化政策》). All appointments to the Board are made on the principle of “meritocracy” and selection is made with due regard to the diversity of the Board members. The members of the Board have rich and diverse management experience and three independent non-executive Directors have and expertise and extensive experience in finance, accounting, business consulting and management respectively.

The gender and age structure of the members of the Board are as follows:



The Board has established the Audit Committee, the Remuneration Committee and the Nomination Committee to carry out external performance evaluation of the Board, strengthen operational supervision and enhance transparency to ensure the interests of all shareholders. Through various Board committees, the Board manages the overall strategy of the Company, sets and monitors the achievement of its objectives and targets, monitors the financial performance and accounts preparation, formulates corporate governance practices and policies, and reviews the internal control and risk management systems.

Audit Committee	Remuneration Committee	Nomination Committee
 <p>Chaired by an independent non-executive Director</p>	 <p>Chaired by an independent non-executive Director</p>	 <p>Chaired by an executive Director</p>
 <p>67% of members are independent non-executive Directors</p>	 <p>67% of members are independent non-executive Directors</p>	 <p>67% of members are independent non-executive Directors</p>
<p>To review and monitor the Group's financial reporting process and risk management and internal control system, review the Company's financial information, consider matters relating to the external auditors and their appointment, review and approve connected transactions and make recommendations to the Board</p>	<p>To review and make recommendations to the Board on the terms of remuneration packages, bonuses and other compensation payable to Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy, and review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules</p>	<p>To review the structure, diversity, size and composition of the Board, assess the independence of independent non-executive Directors and make recommendations to the Board on the appointment of Directors and the succession to the Board</p>

5.1.2 Strengthen Investor Communication

Yunkang believes that effective communication with shareholders is essential to strengthen investor relations and let investors understand the Company's business performance and strategy. Therefore, Yunkang attaches great importance to the continuous dialogue with shareholders and investors, and is committed to establishing a healthy and stable relationship with institutional and individual investors through multiple channels. In 2023, the Company communicated directly with shareholders through the annual general meeting, and publish annual reports, interim reports and other corporate announcements through public channels such as the "Investor Relations" section of this official website and the website of the Hong Kong Stock Exchange, so as to disclose the latest operation information to investors in a timely manner. The Company also held regular financial reporting conferences, analyst meetings, performance roadshows and other activities to introduce the Company's business and development, and answer questions from investors and potential investors, to continuously improve the quality and effectiveness of information disclosure. At the same time, the Company has set up the exclusive mailbox and dedicated hot line for investor relations to encourage investors to consult and understand the information of the Company's operation, so as to narrow the gap between enterprises and investors.

Yunkang has actively established two-way communication with investors. In 2023, it has conducted 153 investor relations activities, communicated with more than 400 investors, organized more than ten reverse roadshows, listened carefully to investors' opinions and feedback, and effectively enhanced investors' confidence. Meanwhile, Yunkang continuously enriches the channels for investor communication, enhancing the corporate image in a more three-dimensional and vibrant manner through interactions with media, social organizations, and other institutions.

To ensure that investors can comprehensively, transparently, and fully exercise their shareholders' rights, Yunkang stringently complies with the *Articles of Association* (《公司章程》) and the relevant requirements for information disclosure of the exchanges, and publishes announcement before general meetings, and discloses matters to be considered at the general meetings, specifies the time and place of the meeting, and allows shareholders to attend and vote at the meeting in person or through electronic communication, providing effective protection for shareholders' rights and interests.

In 2023, Yunkang has participated in or held investor relations activities that includes, but is not limited to, the following:

Date	Organizer	Meeting	Location
2023.5.10	Essence Securities	Essence-Investor Meeting in Roadshow	Online
2023.5.10	Sealand Securities	Sealand Strategy Meeting	Online
2023.5.18	Yunkang Group	Investor reverse roadshow	Guangzhou
2023.6.15	Guangzhou Private Equity Association	Guangzhou Private Equity Investor Conference	Guangzhou
2023.6.26	Goldman Sachs	Goldman Sachs Investor Summit	Hong Kong
2023.6.28	Huachuang Securities	Huachuang Shanghai Strategy Meeting	Shanghai
2023.6.29	Yunkang Group	Shanghai Investor Non-Trading Roadshow	Shanghai
2023.6.30	CMB International	CMB International Investor Summit	Suzhou
2023.9.7	Huachuang Securities	Huachuang Beijing Strategy Meeting	Beijing
2023.9.10	The Hong Kong Institute of Financial Analysts & Professional Commentators Limited	The Great Bay Area Exchange Group of the Financial Industry	Guangzhou
2023.10.31-11.10	Valuable Capital	Middle East Investor Roadshow	Dubai, Riyadh
2023.11.24	Guotai Junan International	Guotai Junan Strategy Conference	Hong Kong



Reception of Guangzhou Development District/Huangpu District Listed Enterprise Federation at Headquarters of Yunkang



Investor roadshow of Guangzhou Private Equity Association



Reception of the Great Bay Area Exchange Group of the Financial Industry



The Great Bay Area Exchange Group of the Financial Industry visited the Clinical Laboratory of Yunkang Guangzhou Headquarters



Middle East Investor Roadshow with Saudi Public Investment Fund (PIF)



Middle East Investor Roadshow with Saudi Arabia Investment Ministry (MISA)



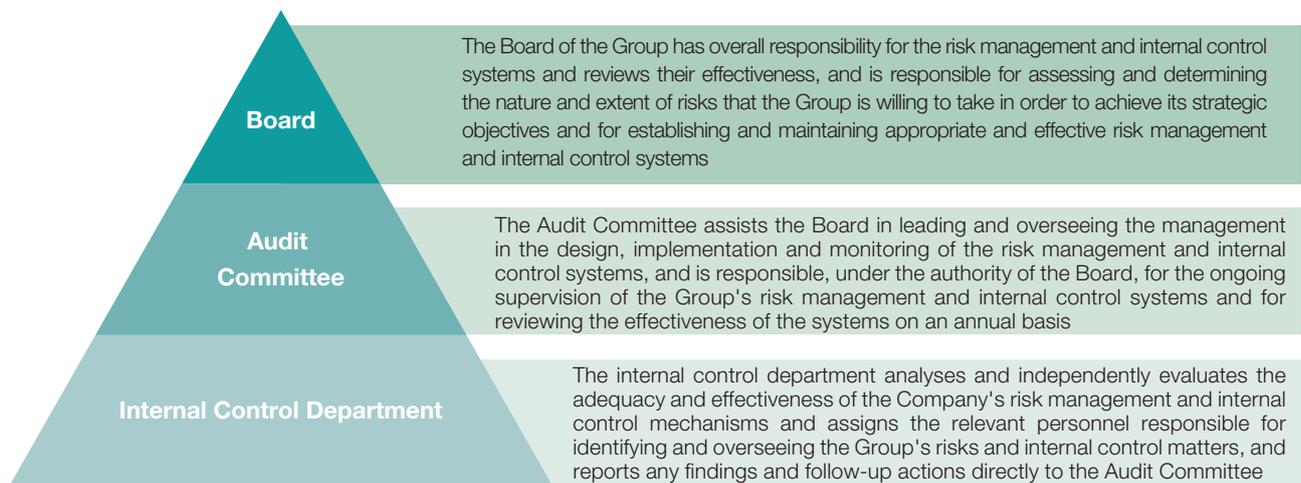
Luncheon with Stock Commentators



2022 Annual Results Announcement

5.1.3 Internal Control and Risk Management

To ensure the realization of strategic objectives, Yunkang is committed to building an internal control mechanism with risk management and control system as the starting point, and constantly improving the risk management system. Adhering to the principle of “risk warning and prevention”, the Company incorporates risk management into the management responsibilities and supervision procedures at all levels, dynamically identifies and evaluates the relevant risks and risk changes of enterprise operation in multiple dimensions, and resists relevant risks through appropriate response and mitigation strategies.



Internal Control and Risk Management Framework

To enhance employee compliance management, Yunkang has explicitly outlined personal conduct requirements for employees in the *Employee Handbook*. All Company staff are required to strictly adhere to these stipulations. Yunkang adopts a zero-tolerance approach towards any violations, with consequences ranging from warnings to punitive measures and termination without compensation, depending on the severity of the infringement. Additionally, the Company conducts compliance training for new employees to elevate their awareness of compliance issues. Concurrently, Yunkang has incorporated compliance behavior into the employee evaluation system to continuously regulate staff conduct.



Furthermore, while actively pursuing excellence and ongoing innovation, the Company endeavors to reduce risk levels and promote the continuous improvement of its business management. In 2023, Guangzhou Daan Clinical Laboratory Center (廣州達安臨床檢驗中心) under Yunkang was awarded the ISO 37301: 2021 the Certificate of Compliance Management System.



The Certificate of Compliance Management System

Strengthening routine supervision and improving compliance construction

Yunkang has formulated and implemented the *Supervision and Management Measures* (《監察管理辦法》) to create a clean and healthy corporate culture, avoid the occurrence of major operational risks and protect the rights of the Company's stakeholders. The *Supervision and Management Measures* set up supervisory organs, clarified responsibilities and authorities, and formulated the working methods and operating procedures of classified supervision, as well as the protection, reward and punishment mechanisms for relevant personnel. The Legal and Supervision Department of the Company carries out supervisory activities in accordance with the *Supervision Management Measures*, with all departments obliged to cooperate with such supervision.



In 2023, the Legal and Supervision Department of Yunkang carried out routine supervisory activities, offering recommendations through internal audit processes on issues such as compliance with operations, improvement of accounts receivable, early warnings for key clients, and legal risk alerts. As the leading department in internal control efforts, the Legal and Supervision Department identified deficiencies in internal controls through interviews, questionnaires, and other means, communicated with the responsible departments to identify the primary responsible department, and urged corrective actions while following up on the progress of these rectifications. The Company has also brought in external consultants to assist in the internal control assessment, which is reported to the Audit Committee together with the Legal and Supervision Department.

Conducting compliance training to enhance compliance awareness

In January 2023, the Company invited overseas lawyers to conduct training on the *Post-listing Supervision and Compliance Matters of Yunkang Group Limited* (《云康集团有限公司上市後監管及合規事宜》). The training covered 133 people, including leaders of the Executive Committee, heads of first-level departments, general managers of subsidiaries and representative offices, personnel from the Finance Center and Securities Affairs Department, which further enhanced the Company's compliance management and risk prevention capabilities at all levels.

Yunkang implements a multi-dimensional major risk prevention and control mechanism, carries out risk identification through daily process sorting, event feedback, active collection of information, receiving complaints and reports, and evaluates the identified risks, and actively implements rectification. In 2023, the Company had no major risk events.



Internal Control and Risk Management Process

5.1.4 Anti-corruption and Anti-fraud

Yunkang builds its enterprise on integrity and upholds its reputation with honesty. Based on strict compliance with laws and regulations such as the *Anti-Money Laundering Law of the People's Republic of China* (《中華人民共和國反洗錢法》) and the *Anti-Unfair Competition Law of the People's Republic of China* (《中華人民共和國反不正當競爭法》), the Company has developed and implemented internal systems including the *Supervision and Management Measures of Yunkang Group* (《雲康集團監察管理辦法》), the *Staff Business Conduct Code of Yunkang Group* (《雲康集團員工業務行為準則》), the *Organization Principles and Cadre Management Outline of Yunkang* (《雲康組織原則與幹部管理綱要》), the *Eight Regulations on Cadre Style Management of Yunkang* (《雲康幹部作風管理八項規定》) and the *Dedication and Self-discipline Declaration of Cadre of Yunkang* (《雲康幹部敬業與自律宣言》), thereby establishing a comprehensive anti-corruption framework. Among these, the Executive Committee of the Group acts as the leading body for supervisory work, managing various business and functional departments at different levels; the Legal and Supervision Department is the main executing body for supervisory functions, tasked with case investigation, daily supervision, and training. In 2023, in terms of corporate integrity management and credit management, Guangzhou Daan Clinical Laboratory Center Co., Ltd. under Yunkang received the GB/T 31950-2023 Certificate of Integrity Management System, the GB/T 31863-2015 Certificate of Quality Credit Evaluation rating AAA, and the Certificate of Enterprise Credit Grade rating AAA by China Small and Medium Enterprises Association.



Certificates of authentication

Standardize the reporting process and set up protective measures

To strengthen corporate governance and internal controls, ensuring integrity and compliance in operations, Yunkang encourages employees and all stakeholders to report corruption and violations through dedicated supervisory emails, complaint hotlines, and customer service lines. The Company has established a public email address, jiancha@yunkanghealth.com, to receive external information and internal feedback, which is handled by designated personnel.

The Legal and Supervision Department promptly collects information on complaints and reports of corruption, reporting to the Group's Executive Committee and implementing its directives. The Legal and Supervision Department thoroughly examines each report, meets with the parties involved to fully understand the situation and gather relevant evidence, and then compiles an investigation report. This report is submitted to the Executive Committee, which issues written decisions on the matter, delivered to the relevant personnel and made effective upon public announcement. Those under supervision have the right to appeal the decision, with the Executive Committee reviewing the appeal. The Legal and Supervision Department will follow up on the execution of decisions and promptly file the records.

The Company takes concrete and effective measures to protect the legal rights of the informants, not pursuing responsibility for reports made without malice. The Legal and Supervision Department and collaborating investigators are strictly prohibited from disclosing the personal information of complainants/informants to the subjects of supervision or the departments under supervision. Should any breach of confidentiality or retaliatory actions occur, the Company will handle the matter seriously, imposing warnings, demerits, or dismissal as appropriate. In its supervisory activities, the Company will commend or reward stakeholders who provide crucial information or make significant contributions, depending on the circumstances.

Within the framework of policies such as the *Eight Regulations on Cadre Style Management of Yunkang*, the Company integrates anti-corruption training and integrity awareness education into the overall compliance training and daily communication for directors, employees, and partners. Through oath-taking and training sessions, the Company conducts integrity education for all employees, enhancing the consciousness of integrity and honesty throughout the organization. The Company also requires its suppliers to sign an integrity agreement when entering into procurement contracts to prevent illegal, disciplinary, and dishonest behaviors.



In 2023, the Company's Legal and Supervision Department led an anti-corruption training session for employees, focusing on the compliance of business and management behaviors. Additionally, the Legal and Supervision Department conducted specialized training for the Company's management through real-life supervisory cases. To strengthen the management responsibility of cadres, the Company requires each core cadre to sign the *Eight Regulations on Cadre Style Management of Yunkang* and organize annual declarations of dedication and self-discipline among the management team, thereby promoting a culture of integrity and honesty.

In the meantime, the Company will impose appropriate penalties for illegal activities and disciplinary violations. If an employee violates the *Staff Business Conduct Code of Yunkang Group*, disciplinary measures will be implemented, and severe cases may result in termination. In the event of a substantiated violation of the *Eight Regulations on Cadre Style Management of Yunkang* or *Yunkang's Cadre Conduct Management*, the Company will publicly criticize, demote, and penalize the individual within the Group, and in severe cases, dismiss them. The Company also reserves the right to pursue legal actions to hold the responsible party accountable. During the year, Yunkang has not experienced any corruption lawsuits filed and concluded against the Company or its employees.



Anti-corruption training



Training on Supervision and Management Measures



5.2 SUSTAINABLE DEVELOPMENT GOVERNANCE

5.2.1 Board Statement

Yunkang places a high priority on corporate sustainability management and actively follows domestic and international initiatives and standards on ESG. The Company's Board of Directors is fully responsible for establishing, adopting and reviewing the Company's ESG vision, management policies, strategies, policies, objectives and their progress, as well as identifying, assessing and addressing ESG (including climate change) related risks to ensure that the Company has adequate and effective management capabilities in sustainability matters.

To assist the Board in fulfilling the above responsibilities, the Company has established a dedicated ESG working group ("ESG Working Group") to deal with ESG and climate change-related matters, including but not limited to:

- Identify ESG and climate change risks and report them to the Board;
- Ensure that the Company complies with ESG and climate change-related laws and regulations, inform the Board of any changes in such laws and regulations, and timely update the relevant policies of the Company's ESG and climate change;
- Review ESG and climate change-related issues and report to the Board regularly;
- Review the Company's disclosures and reports on the Company's ESG and climate change performance and advise the Board in this regard.

5.2.2 ESG Governance Structure

The Company has established an ESG Working Group comprising management and functional departments. The ESG Working Group is headed by the Chairman of the Company, with the Investor Relations Department, the Securities Affairs Department, the President's Office, the Brand Promotion Department and the Legal and Supervision Department acting as executive leaders to assist the Chairman in overseeing ESG and climate change matters and ensuring the effective implementation of the Company's ESG and climate change related objectives and daily implementation measures.

The ESG Working Group assesses and identifies ESG and climate change-related risks and opportunities, and reports regularly to the Board on ESG and climate change strategy, daily operations and risk management and the progress of ESG objectives on an annual basis. The ESG and climate change governance issues, including corporate governance policy, risk management system and measures, and sustainable development plan, are regularly reviewed at the Board meetings.



Level	Department in charge	Duty
Decision-making level	The Board	<ul style="list-style-type: none"> Firmly committed to the responsibility for sustainable development strategy, management, performance and reporting, etc. Reviewing and approving the Company's sustainability objectives, strategies, priorities, initiatives and related material policies and frameworks Reviewing the impact of ESG and climate change-related risks on the Company's strategy
Management level	ESG Working Group	<ul style="list-style-type: none"> Developing ESG vision and strategy Identifying and assessing ESG and climate change-related risks and opportunities Developing ESG and climate change targets and reviewing the progress of targets Preparing ESG and climate change-related reports disclosed to the public
Execution level	Business lines, functional departments and subsidiaries of Yunkang	<ul style="list-style-type: none"> Carrying out practical work around issues related to ESG and climate change

To enhance the management level of climate change-related issues, Yunkang has formulated the *Governance Structure for Climate Change Related Issues-Terms of Reference* 《氣候變化相關事宜管治架構-職權範圍書》 in 2023 to strengthen the control of the risks and opportunities brought by climate change related issues to the Company's business and the related impact. Meanwhile, Yunkang has formulated a series of ESG policies to continuously strengthen the management of the Company's sustainable development. The relevant areas covered by these policies include but are not limited to:



5.2.3 Stakeholder Engagement

Effective stakeholder communication is a solid foundation to enhance the resilience of enterprise development and promote the healthy growth of enterprises. Yunkang communicates and interacts with stakeholders through multiple channels, actively listens to their voices, responds to their expectations and demands promptly, actively conveys the concept of corporate responsibility and the practice of fulfilling responsibilities. This strengthens the trust and support of stakeholders and fosters mutual development.

Stakeholders	Significance to Yunkang	Concerned Issues	Yunkang's Practice	Responding Section
Hospital/Customer	Focus on Yunkang's testing ability, quality and customer service	<ul style="list-style-type: none"> Medical and testing qualification compliance Product quality and safety Information security and privacy protection Customer service management Responsible marketing 	Continue to provide products, services with consistent medical testing quality and operate with integrity to enhance the satisfaction of hospitals and end consumers.	4. Feature story: empowering medical development to co-create a better life 6. Adhering to quality and striving for excellence
Government and regulatory bodies	Supervise Yunkang's compliance with laws and regulations in medical testing and operation	<ul style="list-style-type: none"> Medical and testing qualification compliance Business integrity and compliance Product quality and safety Information security and privacy protection Business ethics and anti-corruption Inclusive healthcare Industry cooperation and development 	Abide by laws and regulations, pay taxes in accordance with the law, continue to focus on government policies and assist in policy implementation.	4. Feature story: empowering medical development to co-create a better life 5. Responsible governance and sound operation 6. Adhering to quality and striving for excellence
Shareholders and investors	Focus on Yunkang's testing capabilities, quality and customer service	<ul style="list-style-type: none"> Business integrity and compliance Product quality and safety Business ethics and anti-corruption Risk management Green operation 	Continuously improve corporate governance and ESG governance, create good results for the Company and bring returns to shareholders and investors.	5. Responsible governance and sound operation 6. Adhering to quality and striving for excellence 8. Green development and environmental protection, please also refer to the annual report
Employees	As the key human capital of Yunkang, employees are the foundation of Yunkang's continuous prosperity	<ul style="list-style-type: none"> Talent attraction and retention Employee training and development Occupational health and safety of employees Employee rights and benefits 	Create a good working environment, expanding opportunities for staff development and building a sustainable workplace.	7. Putting people first and growing together

Stakeholders	Significance to Yunkang	Concerned Issues	Yunkang's Practice	Responding Section
Suppliers/Partners	Provide reliable medical equipment and services to ensure the operation of Yunkang's medical testing services	<ul style="list-style-type: none"> Technology and innovation Honest and compliant operation Business ethics and anti-corruption Product quality and safety Medical and testing qualification compliance 	Regularly review the performance of suppliers to ensure that the products and services supplied by suppliers meet the requirements.	<p>5. Responsible governance and sound operation</p> <p>6. Adhering to quality and striving for excellence</p>
Industry/Academic institutions	Scientific support for Yunkang's testing R&D and innovation capabilities	<ul style="list-style-type: none"> Technology and innovation Industry cooperation and development Intellectual property protection 	Insist on science and technology and innovation, always pay attention to the cutting-edge information in the industry, deeply participate in and actively organize professional activities.	<p>4. Feature story: empowering medical development to co-create a better life</p> <p>6. Adhering to quality and striving for excellence</p>
Patients/Community	The ultimate beneficiaries of Yunkang's services and social responsibility, a wide range of social groups	<ul style="list-style-type: none"> Community public welfare and health Inclusive healthcare 	Uphold the beautiful vision and concept of "Healthy Community • Healthy Family", deeply explore the needs of the public health, and continue to carry out public welfare practice.	9. Caring for the community and fulfilling responsibility
Media	Media coverage has a profound impact on Yunkang's corporate brand image and reputation	<ul style="list-style-type: none"> Greenhouse gas emissions and management Waste liquid and water management Waste management Use and management of water resources Protection of the environment and natural resources 	Practice the concept of green and low-carbon development, promote environmental protection, optimize resource management and reduce emissions.	8. Green development and environmental protection

5.2.4 Materiality Assessment

Yunkang attaches great importance to the ESG materiality assessment, timely and comprehensively understands the importance of various ESG issues and the degree of concern of stakeholders on the Company's business development through materiality assessment, and actively takes responsive measures to continuously improve the Company's ESG information disclosure and management level of related matters.

The process of Yunkang's materiality assessment includes the following steps:

Step 1: Identification of key stakeholders

Based on factors such as the “degree of stakeholders’ influence on the Company”, the “degree of the Company’s influence on stakeholders”, and feasibility, we identified the list of key stakeholders for the materiality assessment during the year.

Step 2: Update of the potential ESG issue repository

In updating Yunkang's potential ESG issues repository, we benchmarked against the compliance disclosure requirements of the *ESG Reporting Guide* of the Hong Kong Stock Exchange. Additionally, building on the foundation of Yunkang's 2022 ESG issue repository, we analyzed the development trends of companies in the same industry and referred to the significance matrix of the Sustainability Accounting Standards Board to update the ESG issues repository for 2023.

Step 3: Conducting the materiality assessment

We invited key internal and external stakeholders identified in Step 1 to participate in a materiality online questionnaire survey for the year. The major stakeholders participating included Directors, the ESG Working Group, employees, shareholders, investors, suppliers, business partners, and the media. Internal and external stakeholders ranked the ESG issues by importance from the perspectives of both the Group and themselves.

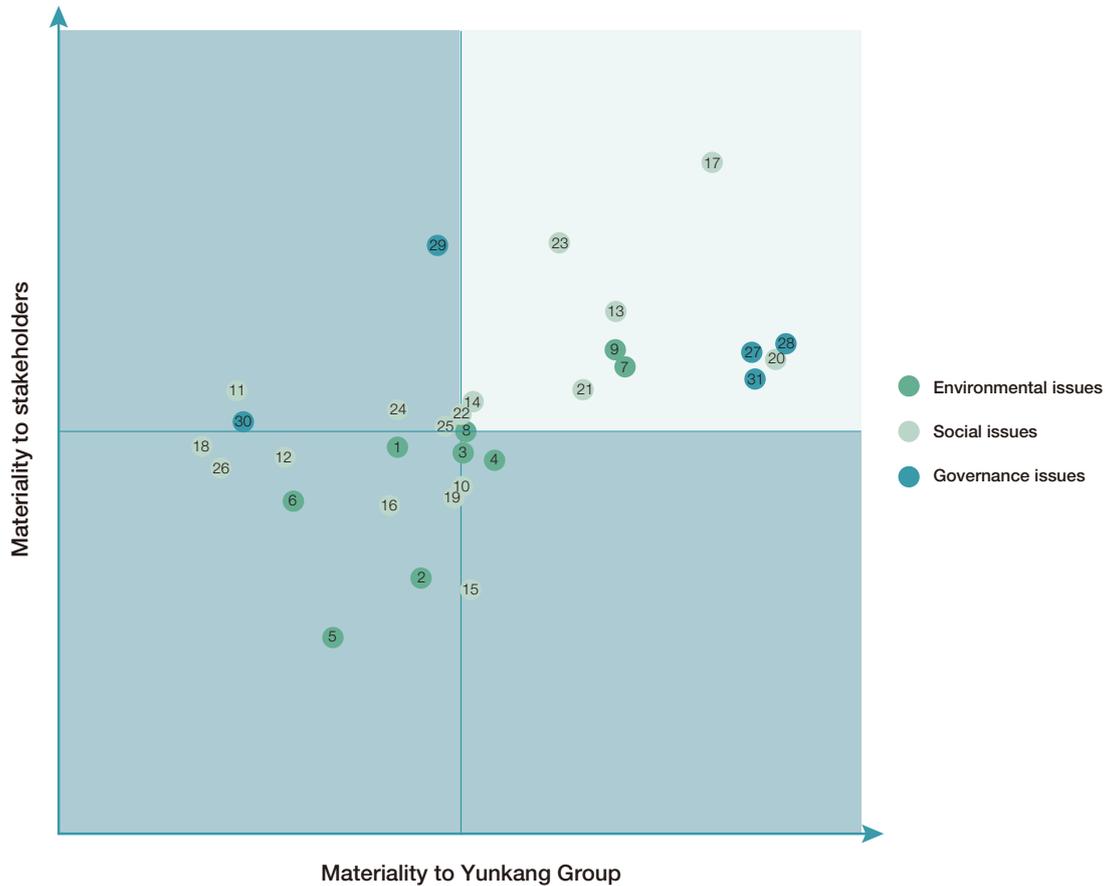
Step 4: Collection and analysis of questionnaire results

A total of 669 valid questionnaires were collected from this survey. The Group analyzed the questionnaire results from two dimensions “importance to stakeholders” and “importance to Yunkang Group”, to review the materiality of ESG issues. We conducted a comprehensive analysis of all internal and external stakeholders’ prioritization of each ESG issue and ultimately identified 13 materiality issues.

Step 5: Review and confirmation of materiality issues

The ESG Working Group invited the Board and management to review and make the final confirmation of the materiality assessment results, ensuring that the assessment aligns with the Group's sustainable development strategy and highlights the direction most in need of attention in the Company's sustainability efforts. We provide detailed disclosure of the materiality issues for 2023 in the Report to address the concerns of stakeholders.

The results of the 2023 materiality assessment of the Company are as follows:



Environmental issues	Social issues	Governance issues
1 Greenhouse gas emissions and management	10 Talent attraction and retention	24 Industry cooperation and development
2 Exhaust emission and management	11 Employee rights and benefits	25 Inclusive healthcare
3 Waste liquid and water management	12 Diversity and equal opportunities	26 Community public welfare and health
4 Waste management	13 Occupational health and safety of employees	27 Medical and testing qualification compliance
5 Energy use and management	14 Employee training and growth	28 Business integrity and compliance
6 Use and management of water resources	15 Labour standards	29 Technology and innovation
7 Protection of the environment and natural resources	16 Supply chain management	30 Stakeholder communication
8. Addressing climate change	17 Product quality and safety	31 Risk management
9 Green operation	18 Customer service management	
	19 Intellectual property protection	
	20 Information security and privacy protection	
	21 Responsible marketing	
	22 Digital operation	
	23 Business ethics and anti-corruption	

No.	Material issues	Values	Actions and objectives	Responding section
17	Product quality and safety	"Quality is the lifeline", the quality of products and services represents the personality and dignity of Yunkang staff	Implement various rules and regulations to realize high-quality management of medical testing	6. Adhering to quality and striving for excellence
28	Business integrity and compliance	Business integrity is the foundation of the enterprise, which is helpful to realize the sustainable development of Yunkang	Establish good business conduct and ethics to ensure sustainable operation of Yunkang, avoid illegal or improper transfer of benefits and reduce operational risks	5. Responsible governance and sound operation
20	Information security and privacy protection	Protect customers' personal information is the cornerstone for enterprises to create long-term value	Enhance employees' awareness of information security, strengthen data and network security protection, and avoid leakage of customer information	6. Adhering to quality and striving for excellence
27	Medical and testing qualification compliance	Compliance with laws and regulations is the bottom line requirement for business survival and an important cornerstone for long-term development	Ensure that the laboratory conducts its daily operations in accordance with national requirements for medical testing facilities and that accreditation is regularly renewed in accordance with regulatory requirements	5. Responsible governance and sound operation 6. Adhering to quality and striving for excellence
31	Risk management	Adhering to the principle of "risk warning and prevention" to continuously improve the risk management system	Build a risk management framework, strengthen internal routine testing, conduct internal compliance training, and continuously improve risk management capabilities	5. Responsible governance and sound operation
23	Business ethics and anti-corruption	Abiding by business ethics and eliminating corruption can effectively enhance the reputation of enterprises	Focus on improving employees' initiatives in work, and promote the construction of the Company's business ethics and anti-corruption system by combining with the enhancement of system construction	5. Responsible governance and sound operation

No.	Material issues	Values	Actions and objectives	Responding section
13	Occupational health and safety of employees	The daily safety prevention and management of the operation site is conducive to reducing accidents and property losses, and improving the production efficiency and economic benefits of the enterprise	Provide a safe workplace to employees and ensure that employees wear protective equipment in accordance with the requirements of each laboratory	7. Putting people first and growing together
9	Green operation	Green operation of enterprises is an inevitable requirement for implementing the concept of green development and a vivid practice for the construction of ecological civilization	Implement electricity-saving measures from day-to-day operations to save energy consumption and reduce Company's operating costs through energy saving measures	8. Green development and environmental protection
7	Protection of the environment and natural resources	Pursue the concept of green environmental protection and actively promote environmental awareness	Enhance employees' awareness of environmental protection, improve emergency management of environmental emergencies, and reduce the impact of enterprise operations on the environment	8. Green development and environmental protection
21	Responsible marketing	Protecting the legitimate rights and interests of consumers can gain more trust from customer and improve the Company's brand image	Ensure that the product promotion meets the requirements of the Advertising Law	6. Adhering to quality and striving for excellence
14	Employee training and development	Pay attention to the sustainable development of employees and help them realize their personal professional value	Provide perfect training courses for employees so that they can grow with the enterprise	7. Putting people first and growing together
22	Digital operation	Achieving digital transformation can help Yunkang to enhance its awareness and control of the business, helping healthcare providers to improve the efficiency and accuracy of their diagnosis	Introduce the concept of data-driven, break through the traditional management thinking, and explore more efficient and reasonable management models and operation means	6. Adhering to quality and striving for excellence
8	Addressing climate change	Actively respond to climate change and respond to national carbon neutrality and carbon peak targets	Strengthen climate governance, understand and assess climate risks, and enhance climate resilience	8. Green development and environmental protection

06

ADHERING TO QUALITY AND STRIVING FOR EXCELLENCE

- **LEAN MANAGEMENT AND DIGITAL EMPOWERMENT**
- **CUSTOMER SERVICE AND EFFICIENT MANAGEMENT**
- **MOTIVATING INNOVATION AND CREATING ACHIEVEMENTS**
- **RESPONSIBLE PROCUREMENT AND STRICT QUALITY CONTROL**



06 ADHERING TO QUALITY AND STRIVING FOR EXCELLENCE

Yunkang always adheres to the principle of maintaining high-quality standards and safeguarding customer trust. We implement the strategy of “quality is the lifeline”, standardizing quality control and providing superior services to our clients. By actively promoting lean management in operations, Yunkang is dedicated to offering professional, precise, efficient, and convenient medical and health services. Yunkang cultivates a quality culture of “everyone’s participation and continuous improvement”, consistently striving to enhance product and service quality. This shapes our corporate image as trustworthy, professional, and committed to excellence.

6.1 LEAN MANAGEMENT AND DIGITAL EMPOWERMENT

Yunkang has incorporated international standards and guidelines into the operation of enterprises, actively obtained the recognition of several authoritative standards at home and abroad, and established a series of laboratory and logistics standardization processes. It is committed to building a world-class leading laboratory in line with international standards, providing professional, efficient, accurate and convenient precise medicine verification and pathological diagnosis services for medical institutions at all levels. Meanwhile, Yunkang improves the quality management and operation efficiency of the laboratory through the digital operation system. The establishment of 10 digital operation systems has led Yunkang into a new stage of digital operation. The Company has also made every effort to promote the innovative application of digital technologies such as 5G and AI in medical big data analysis and clinical diagnosis, continuously strengthen the accuracy and efficiency of laboratory testing from multiple dimensions, and create new scenarios of digital medical treatment, to promote the high quality and innovative development of clinical services.

6.1.1 Quality Management System

The Company has strictly complied with the *Interim Measures for Medical Laboratory Management* (《醫學檢驗實驗室管理暫行辦法》), the *Primary Standards and Management Specifications for Medical Laboratory (Trial)* (《醫學檢驗實驗室基本標準和管理規範(試行)》), the *Primary Standards and Management Specifications for Pathology Diagnostic Center (Trial)* (《病理診斷中心基本標準和管理規範(試行)》) and other laws and regulations and industry standards, established and improved the quality management system including laboratory quality management system and medical cold chain logistics management system. Meanwhile, the Company adheres to the quality policy of “independence and impartiality, accuracy and immediacy, continuous improvement, sincere service”, establishes a number of quality objectives, regularly monitors the completion of the objectives, and ensures the full and effective operation of the quality management system through the quality testing mechanism and internal and external reviews. During the Reporting Period, with the efforts of all staff, Yunkang has achieved its quality objectives in an all-round way.



Laboratory quality management

Yunkang is committed to high-level laboratory quality management, establishing and implementing quality policies and laboratory management standards such as the *Quality Manual* (《質量手冊》), the *Control Procedures for Records* (《記錄控制程序》), the *Pre-test Quality Control Procedures* (《檢驗前質量控制程序》), the *Post-test Process Management Procedures* (《檢驗後過程管理程序》), and the *Quality Assurance Procedures for Testing Results* (《檢驗結果質量保證程序》) to provide a systematic guarantee for the accuracy and reliability of the test results. Yunkang formulates and implements quality control procedures covering the whole process before, during and after test and analysis to ensure the effective operation of the quality management system. Yunkang mainly takes the following measures to control the quality of tests:



Prevention initiatives

- Establish internal procedures such as the *Non-conforming Items Identification and Control Procedures* (《不符合項的識別與控制程序》), identify the existing risks through the proactive analysis, evaluation and identifying of the potential non-conforming factors, take measures to prevent or reduce or even eliminate the occurrence of non-conforming items, and improve the quality continuously.



Criticality and exception management mechanism

- Establish a criticality and exception management mechanism applicable to all qualitative and quantitative tests, and timely record testing anomalies, so as to constantly improve the laboratory testing process.



Proactively participate in external quality assessment

- Actively plan to participate in external quality assessments organized by the Health Commission Clinical Laboratory Center and other institutions, monitor the quality assessment results, and implement corrective measures in a timely manner when control standards are not met;
- For non-assessment items, ensure the credibility of testing results through external comparison tests or exchange of samples with other laboratories.



Record all quality control results and comparison activities

- Record and archive all quality control results and comparison activities. When the quality control results are out of control or the comparison results are clinically unacceptable, prompt corrective measures should be taken and records should be retained.

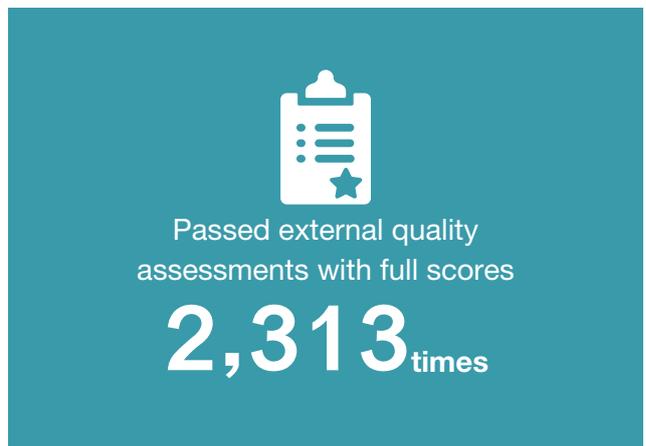
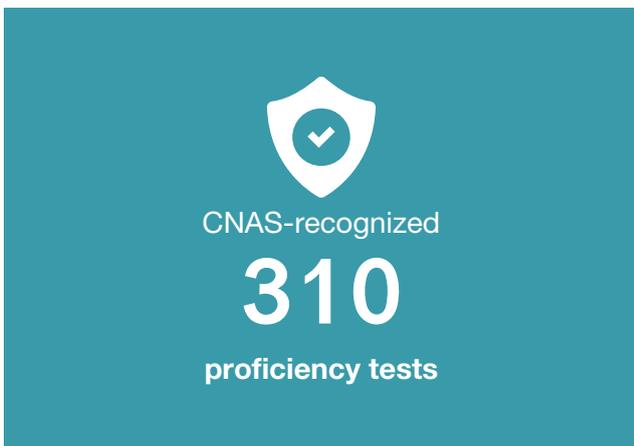
Yunkang is committed to introducing advanced global quality management methods and actively participating in authoritative certification at home and abroad to fulfill its commitment to high-standard laboratory quality management. The Company boasts first-class independent laboratories accredited by both ISO 15189 and the CAP, with its laboratories in Guangzhou, Shanghai, and Chengdu continuously passing the reassessment for ISO 15189 and CAP accreditation. As of the end of the Reporting Period, Yunkang has accumulated several domestic and international quality accreditation certificates including CAP, ISO 15189, ISO 9001 and CMA, among which, Guangzhou Daan Clinical Laboratory Center of Yunkang has obtained ISO 15189 certification for 13 consecutive years.



In addition, the Company established an external quality assessment management procedure and encouraged its subordinate medical testing laboratories to actively participate in various national external quality assessment activities organized by the National Center for Clinical Laboratories (“NCCL”), China National Accreditation Service for Conformity Assessment (“CNAS”), and various external quality assessment activities organized by provincial clinical laboratory centers.

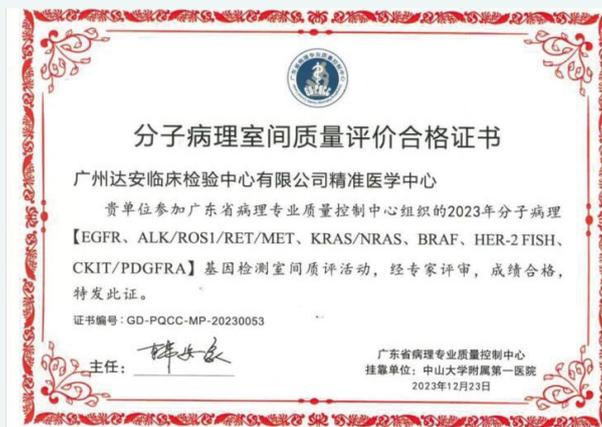
During the year, Yunkang participated in 310 proficiency tests recognized by CNAS in total; 12 subordinate ICLs of Yunkang participated in 2,372 external quality assessments in total, of which 2,313 were passed with full scores.

Participation in external quality assessments in 2023:



Guangzhou Daan Clinical Laboratory Center of Yunkang was awarded the Certificate of External Quality Assessment for Molecular Pathology

In September 2023, Guangzhou Daan Clinical Laboratory Center of Yunkang successfully passed all the evaluation items of molecular pathology gene testing external quality assessment activities in 2023, and was awarded the Certificate of External Quality Assessment for Molecular Pathology, and the ability of molecular testing process and result interpretation was affirmed again.

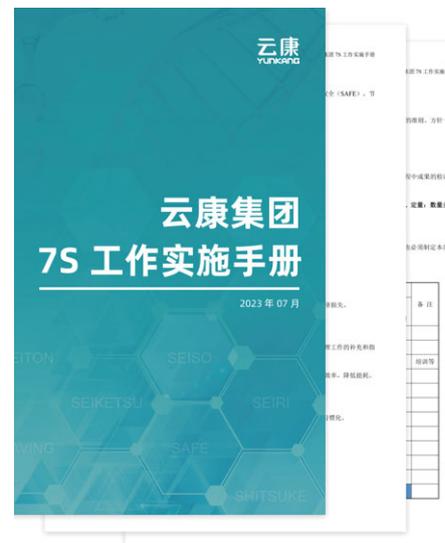


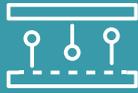
Certificate of External Quality Assessment for Molecular Pathology

In addition to actively participating in the external quality assessment certified by domestic and foreign authorities, Yunkang has established internal quality control procedures and inter-laboratory comparison procedures in its quality management system. Yunkang effectively controlled the various aspects of the testing process through regular comparisons with external institutions, such as class III hospitals, accredited units, customers, etc., and internal institutions, so as to ensure comparability and reliability of testing results. For after-sales quality services, Yunkang formulated and implemented certain systems such as the *Standard Operating Procedures for Handling Major Quality Feedback* (《重大質量反饋處理標準操作規程》) and the *Customer Feedback Handling Procedures* (《客戶反饋處理規程》), which regulated the Company's service quality management and clearly specified the process of reporting and handling events such as customer feedback and complaints.

Lean management

Yunkang is committed to building a lean management system in order to implement the corporate culture of excellence. Yunkang focuses on implementing the "7S" on-site management project from the three dimensions of lean, operation and standardization to ensure that the products and services provided to customers conform to the standardized SOP specifications, and jointly built the laboratory management system project. Yunkang continuously improves the "7S" management standard to ensure that the on-site management of the whole process from specimen collection to report issuance is in line with the norms, and forms a quantifiable and popularizable standardized manual to promote the standardization of laboratory operation process management.





On-site management case: Yunkang's "7S" management

- **SEIRI:** Clearly differentiate between necessary and unnecessary items, disposing of the latter
- **SEITON:** Place essentials in designated areas with clear labels for easy access
- **SEISO:** Eliminate dirt and grime from the workplace to reduce their impact on service quality
- **SEIKETSU:** Implement sorting, setting in order, and shining thoroughly, making them standardized and systematic.
- **SHITSUKE:** Cultivate good habits, adhere to regulations, and foster a proactive spirit
- **SAFETY:** Ensure personnel safety, biosafety, equipment safety, operational safety, and fire safety, etc.
- **SAVE:** Rationalize the use of time, space, and resources to reduce waste, enhance production efficiency, and lower energy consumption



Locker room standardization



Diagram of the process for donning and doffing protective gear

Yunkang conducted national laboratory 7S project training

In April 2023, Yunkang conducted the national laboratory 7S project training, organized the laboratory technical backbone, quality control personnel and 7S management personnel to study in-depth scientific management methods such as lean improvement and standardized management, to help laboratories improve quality and efficiency, and to provide homogeneous professional medical examination services for customers throughout the country.



National laboratory 7S project training

Professional team building

Yunkang places a high priority on building a professional team. The Company has formulated the *Staff Training and Assessment Management Operating Procedures of Yunkang* (《雲康員工培訓與考核管理操作規程》) to standardize the management of employee training and assessment, continuously enhancing the quality and competency of its talent. Moreover, Yunkang has established a distinctive talent development system, offering a wealth of professional training for testing personnel and hosting multiple pathology skills competitions. These initiatives encourage pathology talents to continually strengthen their technical capabilities, ensuring the overall improvement of laboratory standards through competitive talent development.

Yunkang pathology skills competition

In March 2023, Yunkang launched a pathological skills competition and special training, in which 32 pathological technicians in different regions of Yunkang participated. The competition included contests in pathology technical knowledge and standardized slide preparation, with winners being anonymously selected by professional judges for excellence in both areas. The competition not only highlighted the significant role of pathology techniques in precision medicine but also provided a



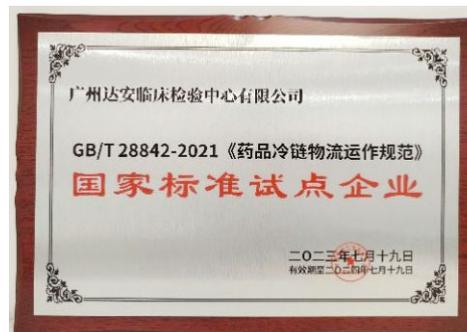
Yunkang pathology skills competition

platform for pathologists within Yunkang to showcase their talents. Furthermore, it encouraged learning and improved performance, aiding pathology technicians in enhancing their theoretical knowledge and professional skills.

Quality management of cold chain logistics

The Company has built a rapid response and efficient cold chain logistics network. According to the internal standardized operation procedures such as the *Operation Procedures for Quality Control of Logistics* (《物流质量控制操作流程》), the *Operating Procedures for Specimen Transport and Handover in Logistics* (《物流标本运输、交接操作规程》), the *Operating Procedures for the Use and Temperature Control of Specimen Boxes in Logistics* (《物流标本箱使用及温度控制操作规程》), the *Operation Procedures for Returned Specimen Handling in Logistics* (《物流退单标本处理操作规程》), the *Operation Procedures for Emergency in Logistics* (《物流应急处理操作规程》), Yunkang Logistics Center has comprehensively standardized logistics operations, continuously improved the quality and safety management of in-transit transportation of samples, continuously enhanced the efficiency and safety of transportation, and ensured the efficient and controllable delivery of samples to the testing center.

In 2023, Yunkang Logistics Center ("Logistic Center") continued to consolidate the construction of cold chain logistics service management system under the overall requirements of ISO 15189 and CAP in the laboratory. Following its role in 2022 as a drafting unit for the National Standard of the *Operational Specification for Cold Chain Logistics of Medical Laboratory Biological Samples* (《醫學檢驗生物樣本冷鏈物流運作規範》), Yunkang further secured its position as a pilot unit for the national standard of the *Operational Specification for Cold Chain Logistics of Medical Laboratory Biological Samples* as well as for the national standard of the *Operation specifications for medical product cold chain logistics* (《藥品冷鏈物流運作規範》). Yunkang has always insisted on adhering to standard guidelines, vigorously implementing them in its daily medical logistics cold chain operations. Leveraging a smart medical logistics platform, Yunkang carries out full-quality online monitoring for the entire process of sample collection, packaging, storage, and transportation, effectively controlling risks in the cold chain logistics of medical test biological samples. This approach has realized simultaneous improvements in transportation efficiency and quality safety, continuously providing professional medical logistics services to thousands of network points across the country.

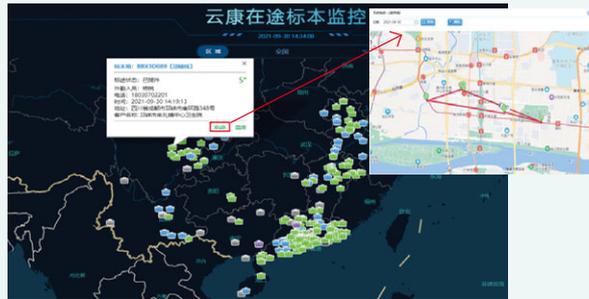


Qualification picture

Yunkang has been continuously promoting the digital construction of cold chain logistics business. The Company independently developed a patented intelligent specimen box with double functions of GPS positioning and temperature control, which enabled the storage of samples in separate temperature zones and visualization management of specimens during the whole process in the specimen box. The “Su Yun”, an intelligent information logistics system, has been running smoothly since its launch. Combined with the signpost system and intelligent labeling system for quality monitoring, it can be networked with the intelligent specimen box to realize the real-time transmission of logistics information and the visual monitoring of in-transit specimens. In 2023, Yunkang independently developed multi-functional sample boxes to improve the standardization and convenience of sample storage at the user end. Additionally, logistics operation tools include a feature for capturing hospital location, bolstering the intelligence and automated management of medical cold chain business.

Intelligent information logistics system of “Su Yun”

The intelligent information logistics system of “Suyun” is a set of logistics operation management systems independently developed by the Logistics Center to ensure the whole process of sample logistics services. Through the special electronic tools for logistics operation and quality control, including a photo recording application, signpost system and intelligent labeling system, the rational allocation of logistics personnel, standardization of route planning and management, and quantification of route operation efficiency can be realized with the support of specimen data electronization, visual path, temperature and data monitoring in the whole process of specimen transportation, to meet customer demands for tracking and inquiries, achieving traceable, professionalized cold chain logistics management.



Intelligent information logistics system of “Su Yun”

While promoting the construction of intelligent cold chain logistics, Yunkang attaches great importance to the development of logistics personnel’s business ability, organizes a number of professional skills training, and holds a national logistics skills competition every year to encourage logistics personnel to continuously improve their operational skills and collaboration ability, so as to provide talent guarantee for the high-quality and efficient development of logistics services.

Logistics skills competition

Logistics Skills Competition is an annual activity set up by the Logistics Center to promote and improve the operational skills of logistics personnel, set up benchmarks, enhance service awareness and team spirit, which has been held for 12 years. Through the two stages of regional selection and national on-site competition, excellent logistics staff representatives are selected to provide efficient logistics services for Yunkang.



Logistics skills competition

6.1.2 Digital Operation

Digital operation is an important starting point for Yunkang to comprehensively promote lean management. The Company launched and continuously upgraded a number of digital cloud systems to identify opportunities and challenges through digital insight, so as to seize opportunities for value creation and continuously improve operational efficiency. Meanwhile, the Company focuses on supporting the innovative application of digital information technology in medical big data analysis and clinical diagnosis and treatment. By establishing data platforms and remote digital pathology diagnosis platforms and other initiatives, we aim to enhance the quality and efficiency of diagnostic projects, enrich new scenarios of digital medical treatment, and fully serve clinical needs.

Application of digital “cloud” systems

In order to improve internal management and empower customers with high efficiency, Yunkang launched 10 digital “cloud” systems to fully connect laboratory operations, sales management, human resources, staff training, customer service and other operational systems. By leveraging on big data, a standardized operational system is established to identify existing issues and directions for improvement, pushing forward the comprehensive digitalization and lean development of business management in all scenarios. The “cloud” system also forms a whole-process visualization management of samples from logistics acceptance to report issuance to help the division and collaboration and all-level coordination of regional medical treatment business, as well as promote the information exchange and resource sharing among various hospitals.



Yunkang actively captures the opportunities brought by the development of new generation digital information technologies such as cloud computing, the Internet of Things, medical big data and 5G mobile network. Relying on a professional scientific research technology platform and service system, Yunkang has joined hands with major research institutes to actively explore cutting-edge applications and has made a series of model innovations in the fields of testing technology research and development, digital economy big data and 5G remote medical applications and other fields.

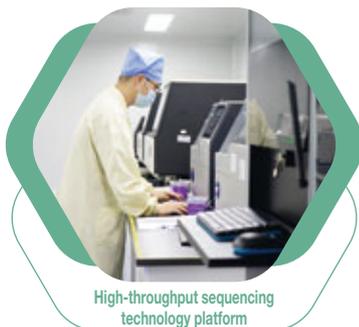
6.2 CUSTOMER SERVICE AND EFFICIENT MANAGEMENT

In the process of providing medical testing services to realize market value, Yunkang is committed to meeting customer needs and providing high-quality services wholeheartedly. Yunkang adheres to the concepts of “full-scenario products” and “in-depth services”, builds a high-quality service network and a comprehensive operation system, and continuously improves the quality of services.

6.2.1 Service Capacity Building

Yunkang adheres to the “technology + service” two-wheel drive strategy, providing professional solutions and services to ensure that the legitimate rights and interests of customers are protected, meet the core value demands of customers, improve customer experience and work efficiency, and achieve the maximization of customer value.

Yunkang focuses on building a complete technology system, and has established eight technology platforms including high-throughput sequencing, ultramicro-pathology, gene chips, cellular genetic, mass spectrometry, flow cytometry (“FCM”), molecular diagnostic and digital pathology to provide customers and patients with more accurate and comprehensive testing services.



Building eight technology platforms

In terms of operating service management, Yunkang pursues the systematization and leanness of operation service, covering front-end functions such as a laboratory delivery and back-end functions such as logistical support covering personnel, finance, material, and established a system including seven major operating services comprising laboratory standardization construction, scientific and technological innovation and research transformation, professional discipline construction and support, supply chain management, medical logistics service, intelligent laboratory information system and quality management. Such system ensures medical institutions at all levels enjoy the standardized, streamlined and digitalized professional services from Yunkang, and optimizes the operational efficiency and quality of testing.



In 2023, Yunkang Product Center analyzed and restructured the product system of the Group, and established a three-tier system of disease line, sub-specialty and product. Through this structure, products and services are more focused on clinical application scenarios and more in line with clinical needs. Meanwhile, Yunkang Product Center developed or optimized hundreds of individual products in 2023, including innovative development, technology platform optimization and cost reduction, report cycle optimization, report template optimization, etc. In addition, Yunkang Product Center introduced three new technology platforms of chromatography-tandem mass spectrometry, time-resolved fluorescence immunoassay and pathological AI diagnosis in 2023, cooperated with two large tertiary hospitals to carry out scientific research innovation and transformation of production, teaching and research, and initiated research on five real case studies.

Yunkang's core pathology services debut at the Annual Meeting of Chinese Pathologists

In April 2023, Yunkang was invited to attend the 28th Academic Conference of the Pathology Branch of the Chinese Medical Association and the 12th Annual Meeting of Chinese Pathologists, bringing three major topics of “Sub-specialty Pathological Diagnosis”, “Tumor Precision Medical Detection” and “Yunkang AI Pathology” to the Yunkang Exhibition Hall, presenting the Company’s service and technical advantages in multiple dimensions, attracting wide attention from the participants. During the annual event of pathology, Yunkang Exhibition Hall also welcomed many pathologists and scholars to discuss new technologies of pathological diagnosis with Yunkang and share new opportunities and challenges of intelligent pathology.



Yunkang debuted at the Annual Meeting of Chinese Pathologists

Expert Consensus Workshop on Standardization of Clinical LDT for tNGS

In April 2023, the “Expert Consensus Workshop on Standardization of Clinical LDT for tNGS” was successfully held in Chongqing. More than 20 renowned experts and scholars from across the country, including Gu Bing (顧兵), Tong Mingqing (童明慶), Chen Zhide (陳志德), and Xu Yingchun (徐英春), attended the meeting. They engaged in multidimensional discussions on topics such as the technical aspects, clinical applications, and quality control of “Standardization of Clinical LDT for tNGS”, forming a preliminary consensus on advancing opinions.



Expert Consensus Workshop

6.2.2 Construction of Service Quality

Yunkang strictly adheres to laws and regulations such as the *Advertising Law of the People's Republic of China* (《中華人民共和國廣告法》) and the *Law of the People's Republic of China on the Protection of Consumer Rights and Interests* (《中華人民共和國消費者權益保護法》), and establishes consumer services and complaint handling processes in accordance with relevant regulations such as ISO15189. Yunkang employs full-time customer service personnel and establishes a national customer service center to provide services to customers, and actively responds to customer inquiries or complaints from all over the country. In addition, the Company attaches great importance to receiving customer grievances and feedback from different channels, including 800/400 hotlines, letters, e-mails, WeChat official accounts, visits, etc. By revisiting the service quality of certain customer service staff, the Company ensures timely and appropriate responses and resolutions to customer grievances and feedback.

Yunkang follows the principle of “customer-centric” to establish an in-depth customer service system and continuously optimize the level of customer service management. In order to provide better overall customer service, Yunkang strengthens its management from both internal and external aspects. In terms of external management, Yunkang attaches great importance to the survey of customer satisfaction and proposes solutions to the problems reflected by customers in time. In terms of internal management, Yunkang focuses on providing comprehensive and standardized service quality, improving the professional level of customer service team and enriching the knowledge and skills of customer service personnel. In 2023, the Guangzhou Daan Clinical Laboratory Center under Yunkang obtained GB/T 27922-2011 and SB/T 10962-2013 Five-star Certificates of After-sales Service System.

Customer satisfaction surveys

To provide customers with better, timely and comprehensive services, Yunkang obtains the service quality evaluation of the main departments (laboratory, logistics, customer service) of customers through customer satisfaction survey, and finds out the factors that need to be improved, so as to evaluate and improve the project management system and service quality, improve the overall service level of Yunkang, and constantly improve customer satisfaction, maintain and expand existing customer base.

Yunkang mainly conducts a customer satisfaction survey from the aspects of service attitude, testing quality and professional technology, and pays a return visit to clinicians and laboratory doctors of cooperative hospitals by telephone, so that customers can give corresponding scores and related opinions or suggestions according to the survey questions, with responses being accurately recorded. In 2023, Yunkang’s customer satisfaction rate was 94.6%.



Five-star Certificate of After-sales Service System



Customer consultation and complaint handling

In order to ensure that there are rules to follow to provide consulting services, meet the needs of customers, or timely solve the feedback of customers' testing quality problems, and improve customer satisfaction, Yunkang has established the *Customer Consulting and Feedback Management Procedure* (《客戶諮詢與反饋管理程序》). Meanwhile, in order to standardize the process of handling customer feedback and complaints, clarify the responsibilities of various departments, deal with customer opinions in a timely manner, and improve the quality of service, Yunkang has formulated the *Customer Feedback Processing Procedures*.

Yunkang Customer Service Center receives feedback and complaints from all over the country, including various medical institutions and patients, and informs them of the processing time. After accepting customer complaints, the customer service personnel will quickly classify the complaints and notify the relevant departments within 5–10 minutes. For the established complaints, the Company will establish an investigation team to investigate the cause of the problem and formulate and implement a rectification plan. The relevant departments will respond to customers and update them on progress within 20 minutes. In the case of major complaints, a dedicated individual from the Quality Inspection Department will be responsible for comprehensive follow-up and will regularly update the customer on progress. The handling of complaints will be verified through callback within one working day. The entire process, including service records, is managed and monitored through an online work order system to ensure effective resolution of customer grievances.



In 2023, the Company received a total of 302 customer complaints. Following investigations by the investigation team, 106 incidents were confirmed as legitimate, with a resolution rate of 100%. Upon revisiting the outcomes of these incidents, customer satisfaction reached 100%.



Properly handle customer complaints



Strengthen management of customer service personnel

In order to implement the in-depth service system “customer-centered”, Yunkang establishes and continuously improves the knowledge system and management system, and continues to improve the service quality and professional level of its employees in terms of standardization, training and performance. Meanwhile, Yunkang attaches great importance to the service team to play its advantages and cultivate the team’s enthusiasm for self-improvement and self-drive.

Standardization of services

Yunkang formulates the *Operational Procedures for Handling Result Enquiry of Customer Service Department* (《客服部結果查詢處理操作規程》), the *Operating Procedures for Project Consultation Handling in the Customer Service Department* (《客服部項目諮詢處理操作規程》) and the *Language Standards for Customer Service Operator* (《客戶服務話務員語言規範》) to ensure that the service team meets unified standards in inquiry, consultation, and language regulation, and implements these standards in practice. Yunkang requires its customer service department to adhere to professional norms in terminology and etiquette, provide timely consultation and feedback services, and rigorously protect customer privacy and information security throughout the service process.

Service quality training

Yunkang formulates a unified training plan and regularly conducts service training for all customer service teams and new recruits. The training contents include rules and regulations, standardized operation, knowledge of testing items, communication skills, etc. The training methods include theoretical explanation, practical exercises, case analysis, etc. In 2023, Yunkang Customer Service Center conducted 31 training sessions, and the passing rate of training assessment was 100%.



Management of service rewards and sanctions

Yunkang adheres to the principle of “emphasizing spiritual encouragement and ideological education, supplemented by performance-based punishment”, implements the reward and punishment of customer service work, and accordingly formulates the *Customer Service Department Rewards and Punishments System* (《客服部獎懲制度》). The Company commends and recognizes employees who have demonstrated exceptional performance in customer service roles, and based on various levels of performance, awards monthly performance bonuses to motivate staff to enhance their enthusiasm and initiative in service delivery. Employees found to violate protocols in work order records, inquiries, consultations, and feedback are penalized in accordance with relevant regulations.

Implementation of customer service training



Customer service training sessions

31



Customer service training assessment pass rate is

100%

6.2.3 Customer Privacy Protection

In the course of providing medical diagnostic services, we may come into contact with the personal information and data of our customers. Yunkang respects and strives to protect personal privacy, constantly strengthens information security management, and effectively protects customer privacy security. Yunkang strictly adheres to laws and regulations such as the *Cybersecurity Law of the People's Republic of China* (《中華人民共和國網絡安全法》), the *Information Protection Law of the People's Republic of China* (《中華人民共和國信息保護法》), and the *Data Security Law of the People's Republic of China* (《中華人民共和國數據安全法》). The Company has developed and implemented the *Yunkang Group Information Security Management Measures* (《雲康集團信息安全管理制度》), establishing a comprehensive information management mechanism, setting standards for certification applications and routine maintenance, and regularly organizing data security training for employees. This ensures the Company's trade secrets are safeguarded, customer privacy is protected, and a secure information security network is maintained.

Management framework of information security

The Company implements unified leadership and hierarchical management system, adheres to the principle of “who is in charge, who is responsible; who operates, who is responsible; who uses, who is responsible”, arranges the leaders in charge to be responsible for all security work, and implements the responsibility of information security to all localities, individuals and departments, so as to ensure the confidentiality, authenticity and integrity of information in every aspect of security requirements.

 <p>Group CEO</p>	<p>The Group's chief executive officer (“CEO”) serves as the top person in charge of Company information security, responsible for making decisions on significant or emergency events related to information security</p>
 <p>Executive head of information security</p>	<p>Coordinate and manage security inspections for the Group and laboratory, as well as handle any unexpected information security events, while keeping laboratory heads and representative office managers informed of relevant developments</p>
 <p>Information security administrators</p>	<p>Responsible for overseeing the implementation and results of information security inspections for the group and affiliated laboratories, as well as the correction of any security vulnerabilities. Additionally, responsible for handling any unexpected information security events from a technical perspective</p>
 <p>Regional or subsidiary information security officers</p>	<p>The representative office manager or subsidiary head shall assume the role of the first responsible person. Once a major event occurs, it is necessary to closely follow up with the government authorities and give timely feedback to the Group.</p>

Yunkang standardizes the information security incident management and incident reporting process through the *Yunkang Group Information Security Management Measures*. In the event of a major information security incident, the executive responsible person of the Information Center, together with the regional or subsidiary information security responsible person, shall immediately report to the Group CEO and the Executive Committee, and discuss the information security disposal plan.

Standardization of information security

Yunkang attaches great importance to the establishment, maintenance and improvement of internal and external information security standardization systems, participates in a number of third-party information security certification work and formulates the Company's internal security standards. As of the end of the Reporting Period, Yunkang has passed a number of system certifications such as the national information security level protection three-level certification, CMMI, ISO 27001, and obtained authoritative certification in application software development, information security maintenance and management. Meanwhile, Yunkang has formulated internally a number of information security management standardization system schemes to protect customer privacy and improve the Company's security management level.



Information Technology Service Management System Certificate and Information Security Management System Certificate

The information security management system of the Company shall be subject to external review once a year, and risk assessment shall be conducted by referring to the management risk assessment standards and management specifications of ISO 27001 system, so as to analyze the probability of occurrence of risk events and possible losses, and propose risk management measures. Risk assessment employs vulnerability scanning, manual auditing, and penetration testing to scientifically identify and evaluate the security attributes such as confidentiality, integrity, and availability of the Company's information security management system, as well as the information processed, transmitted, and stored by it. Additionally, the Company engages third-party service providers to conduct simulated cyber attack and defense drills. The Company conducts at least one related internal review annually to ensure compliance with information security management system requirements. During the year, the Company's information security risk assessment achieved a 100% pass rate.

User information security and privacy protection

Yunkang strictly abides by laws and regulations, follows the principles of "reasonable and necessary, fully informed, safe and reliable" user information and privacy protection, adopts security protection measures, and is committed to improving the transparency of information processing and ensuring the safety and controllability of customers' personal information. Yunkang makes every effort to prevent customer information leakage, damage and abuse through reasonable and effective information security technology and management processes, and integrates the concept of privacy protection into all aspects of product and service processes.

Yunkang formulates the *User Information and Privacy Protection Policy* (《使用者信息及隱私保護政策》) to protect customer privacy and ensure information security. Yunkang only collects necessary customer information to provide products and services and ensures that customers clearly understand Yunkang's information processing methods, including the types and uses of information collected, how to collect and use personal information, how to share, transfer, publicly disclose personal information, how to protect and manage personal information, and how to deal with personal information of minors. Customers can freely and actively decide whether to provide relevant information or not. Meanwhile, Yunkang uses various security protection measures within a reasonable level of security to ensure the security of information. For example, through security measures such as information storage and encryption, information leakage, damage and loss can be prevented. Yunkang has also established special management systems, processes and organizations to ensure information security. For example, the scope of personnel accessing personal information is strictly limited, and they are required to observe confidentiality and conduct censorship. In case of security incidents such as personal information leakage, Yunkang will initiate contingency plan to prevent the expansion of security incidents, report them in time by the relevant provisions of the *Emergency Response Plan for National Cyber Security Incidents* (《國家網絡安全事件應急預案》) and other relevant regulations. Customers will be informed about the situation through emails, push notifications, announcements, etc., and will be provided with security recommendations.



Strengthen staff management

Yunkang has formulated and continuously updated the Regulations on the *Management of Rewards and Punishments for Information Security* (《信息安全獎懲管理規定》), clarified the rights and responsibilities of information security management at all levels, and incorporated information security into the performance appraisal of employees. When an information security incident occurs, the Company will impose disciplinary penalties or administrative and economic penalties upon comprehensively considering the natural factors, the severity of the consequences, the impact on the business, whether it occurs repeatedly, and the factors of the responsible person. Those who intentionally damage the information system and cause serious consequences will be investigated for legal liability.

Yunkang attaches great importance to the cultivation of employees' awareness of information security, strictly prohibits employees from transmitting business information outside the work connection, and avoids the leakage of data information. Meanwhile, Yunkang also requires employees to ensure the accuracy of reporting information when reporting and transmitting data. In 2023, the employee coverage rate of the Company's security and privacy training reached 100%, and no serious complaints were received about the violation of customer privacy or the loss of customer information.



Information security training

Yunkang regularly publicizes and trains employees' awareness of information security, establishes emergency response mechanism, conducts contingency plan drills, and improves emergency response capabilities. In order to strengthen the management of network security personnel, Yunkang has established an internal management operation and maintenance team to improve personnel's professional skills and awareness of network security protection, enhance training and strengthen assessment.



Information security training

6.3 MOTIVATING INNOVATION AND CREATING ACHIEVEMENTS

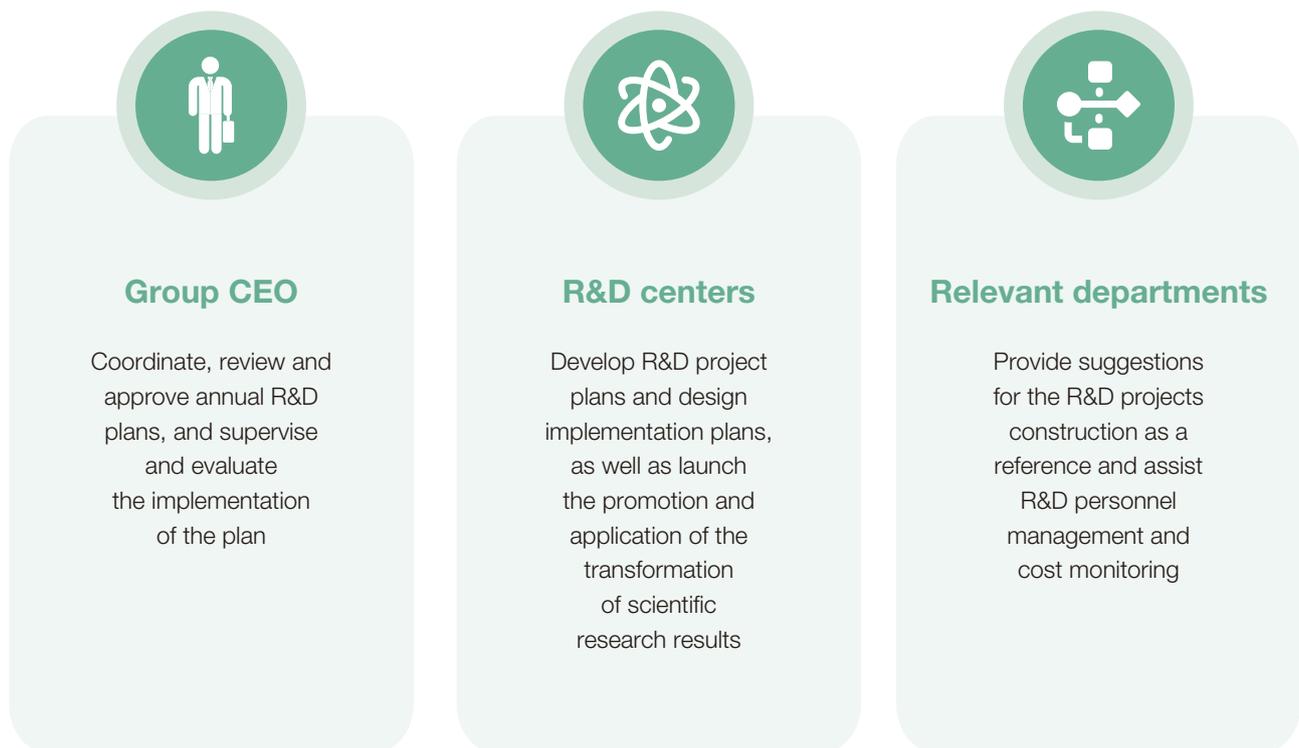
Rooted in the healthcare services industry, Yunkang is committed to enhancing its R&D innovation capabilities and technological competitiveness, seeking continuous breakthroughs in medical testing technology and innovation models. The Company continually improves its scientific research and innovation management system, establishes professional research and innovation platforms, and firmly invests in innovative R&D and the construction of scientific research teams, thereby offering competitive solutions.

6.3.1 R&D Management System

Yunkang continuously improves the construction of technology R&D system, formulates and implements the *Research and Development Project Management Regulation* (《研發項目管理制度》), the *Research and Development Investment Accounting Management System* (《研發投入核算管理制度》), the *Management System of the Research and Development Center* (《研發中心管理制度》) and other systems, continuously improves the level of diagnostic technology, optimizes the diagnostic product mix, and provides inexhaustible impetus for the sustainable development of the Company.



Management Process and Responsibilities of R&D Projects



6.3.2 Stimulating Innovation Energy

Yunkang promotes continuous innovation with high R&D investment. While promoting the continuous iteration and upgrading of product technology, it relies on steadily improving scientific research strength, excellent scientific research team and professional scientific research services to empower medical institutions at all levels in an all-round way. In 2023, the Company's R&D investment reached RMB65.53 million. Yunkang establishes the requirements of the *Performance Reward Management System for Research and Development Personnel* (《研發人員績效獎勵管理制度》) and the *Organizational Implementation and Incentive Reward System for Achievement Transformation* (《成果轉化的組織實施與激勵獎勵制度》), and comprehensively evaluates the performance of R&D personnel from the dimensions of technical content, advanced technical indicators and difficulty of independent development. Meanwhile, the Company gives economic incentives to the transformation achievements of intellectual property rights, papers, new technologies and new methods produced by R&D projects, and strongly encourages the creativity and enthusiasm of R&D personnel.



In order to support the construction of technical platforms and research projects, Yunkang has established the Management System for the *Introduction, Cultivation and Training of Talents* (《人才的引進、培養及培訓管理制度》), under which a number of top molecular biology experts and bio-informatics professionals were introduced to continuously inject new momentum into the Company. As of the end of the Reporting Period, Yunkang has successfully built up a strong team with 96 research specialist staff. At the same time, the Company has conducted dozens of cutting-edge training activities, creating an academic atmosphere for researchers to learn and improve, thereby strengthening the research strength of the innovation team and stimulating innovation energy.

The technical committee conducts expert lectures to strengthen the profession through learning to application

In 2023, the “Yunkang Expert Lecture Series” continued to advance, inviting chief experts from various disciplines within the Yunkang Technical Committee each week to deliver cutting-edge courses on laboratory standardization, AI pathology diagnosis, and the integrated diagnosis of blood diseases, among other precision medicine topics. These sessions aimed to enhance the technical level of laboratory practices and the professional skills of laboratory personnel through academic exchanges. Each lecture was streamed live via the “Fu Yun” learning platform, combining online and offline methods to expand learning opportunities for employees. For instance, on 9 May 2023, An Junfeng (安俊峰), the director of the Yunkang Research Institute, delivered a themed lecture on the Current Status and Prospects for the Diagnosis and Treatment of the Second Most Prevalent Malignant Tumor in Women (《女性第二大惡性腫瘤的診療現況與展望》), discussing the causes and development of cervical cancer. He thoroughly analyzed the challenges and future prospects of prevention, screening, and treatment of cervical cancer, highlighting the crucial role of biomarkers and encouraging deep reflection among participants.



Expert lectures

6.3.3 Consolidate the Achievements of Research and Innovation

Yunkang actively builds the highland of scientific and technological innovation by its scientific research and technological advantages. As of this year, the Company has been accredited with certain national key qualifications, including the “National High-tech Enterprise”, the “National Demonstration Center for the Application of Gene Testing Technology”, Pilot Enterprises for National Standard of the *Operational Specification for Cold Chain Logistics of Medical Laboratory Biological Samples* (GB/T 42186-2022), Pilot Enterprises for National Standard of the *Operation Specifications for the Medicinal Product Cold Chain Logistics* (GB/T 28842-2012), demonstrating that its scientific research and innovation capabilities have been authoritatively recognized.

With its advanced scientific research technology platforms and well-established clinical service system, Yunkang and its subsidiaries have undertaken more than 30 national and provincial key scientific research projects and research topics partnered with Peking University, Sun Yat-sen University, South University of Science and Technology of China, Shanghai Jiao Tong University. At present, Yunkang has carried out a series of practices with innovative models in the fields of medical laboratory technology research and development, gene detection application demonstration, hierarchical diagnosis and treatment innovative service, digital economy + healthcare big data, 5G + telemedicine application, which has developed into one of the important medical science and technology innovation bases in China.

Yunkang was recognized as “Guangdong Provincial Enterprise Technology Center”

In July 2023, the Guangzhou Daan Clinical Laboratory Center Co., Ltd. under Yunkang was awarded the 21st batch of “Provincial Enterprise Technology Center” by the Department of Industry and Information Technology of Guangdong Province. By virtue of its leading level and demonstration in promoting industrial technological progress, technological innovation mechanism and transformation of scientific research achievements, Yunkang stands out from the selection at different levels and becomes the only recognized third-party medical testing institution, which indicates that Yunkang’s technological research and development system and innovation management ability continue to lead the industry.

广东省工业和信息化厅

第 21 批省级企业技术中心认定名单
(排名不分先后)

序号	所属	企业名称	所属行业
1	广州	广州达安临床检验中心有限公司	制造业及其他行业
2	广州	广州达安临床检验中心有限公司	制造业及其他行业
3	广州	广州达安临床检验中心有限公司	制造业及其他行业
4	广州	广州达安临床检验中心有限公司	制造业及其他行业
5	广州	广州达安临床检验中心有限公司	制造业及其他行业
6	广州	广州达安临床检验中心有限公司	制造业及其他行业

Yunkang was awarded “Guangdong Clinical Gene Amplification Laboratory Training Base”

In October 2022, the Guangzhou Daan Clinical Laboratory Center under Yunkang was awarded “Guangdong Clinical Gene Amplification Laboratory Training Base” by Guangdong Center for Clinical Laboratory. In April 2023, the Guangzhou Daan Clinical Laboratory Center under Yunkang served as a training base to provide teaching guidance and support for the Clinical Gene Amplification training course of medical technicians in Guangdong.



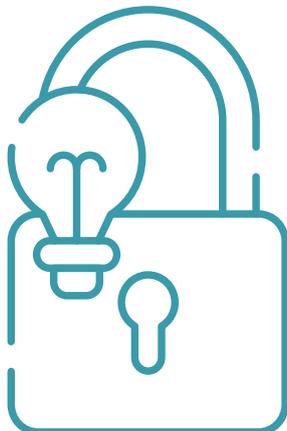
Yunkang was honored as one of the first pilot enterprises to receive the certification for the National Standard of the *Operational Specification for Cold Chain Logistics of Medical Laboratory Biological Samples*

In June 2023, Guangzhou Daan Clinical Laboratory Center Co. Ltd. under Yunkang, Chengdu Gaoxin Daan Medical Laboratory Co., Ltd., Hefei Daan Medical Laboratory Co., Ltd. and Guangzhou Yilu Logistics Co., Ltd. (廣州醫路物流有限公司) were honored as the first pilot enterprises for the National Standard of the *Operational Specification for Cold Chain Logistics of Medical Laboratory Biological Samples*. The four subsidiaries passed the selection of pilot enterprises, demonstrating the service concept of “high quality, timeliness and excellent service” of Yunkang Medical Logistics (雲康醫學物流), which is in the leading position in the industry in terms of quality management, logistics and transportation, and customer service.



6.3.4 Intellectual Property Management

Yunkang has formulated the *Administration of Intellectual Property Rights* (《知識產權管理辦法》) to strictly regulate the protection and management of scientific and technological achievements, clarify the intellectual property declaration process and the protection responsibilities of all parties, and set up an intellectual property project team to be responsible for the overall operation of the Company’s intellectual property. In 2023, the Company accumulated 319 patents and intellectual property rights, including 16 invention patents, 21 utility model patents, 1 appearance patent, 86 software copyrights and 195 trademarks.



Patents and Intellectual Property Rights



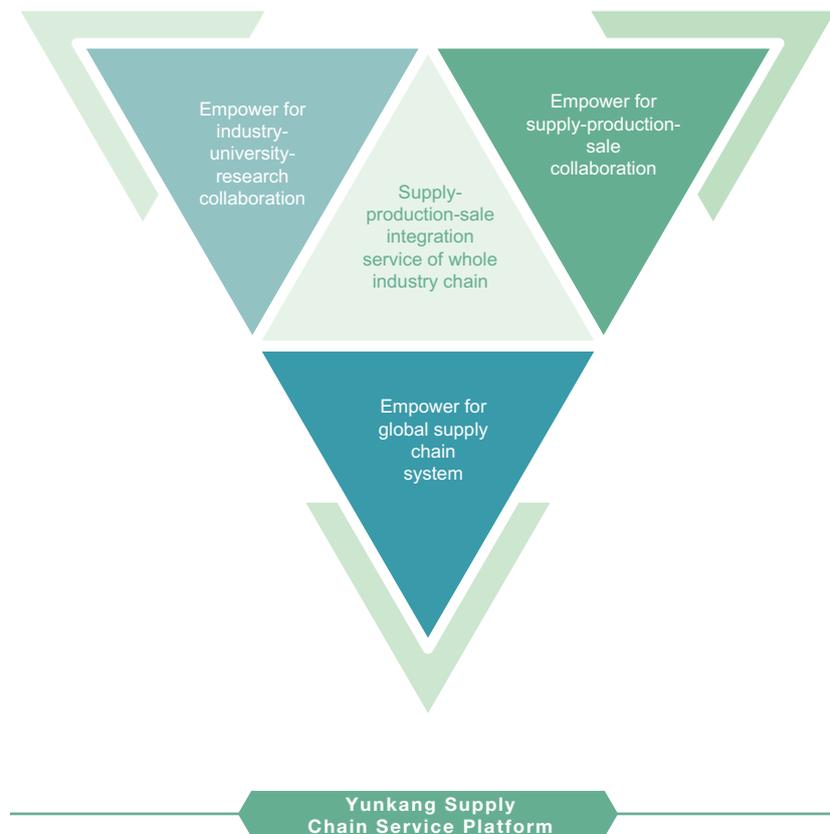
Intellectual Property Management System Certificate

6.4 RESPONSIBLE PROCUREMENT AND STRICT QUALITY CONTROL

Yunkang regards supply chain management as a key link in enterprise operation, and continuously devotes itself to promoting responsible supply chain construction and optimizing supplier quality management and risk management in practice. Through close cooperation with high-quality suppliers, the Company actively creates social value, promotes the healthy development of the industry, and achieves the goal of sharing and win-win.

6.4.1 Build a Supply Chain Service Platform

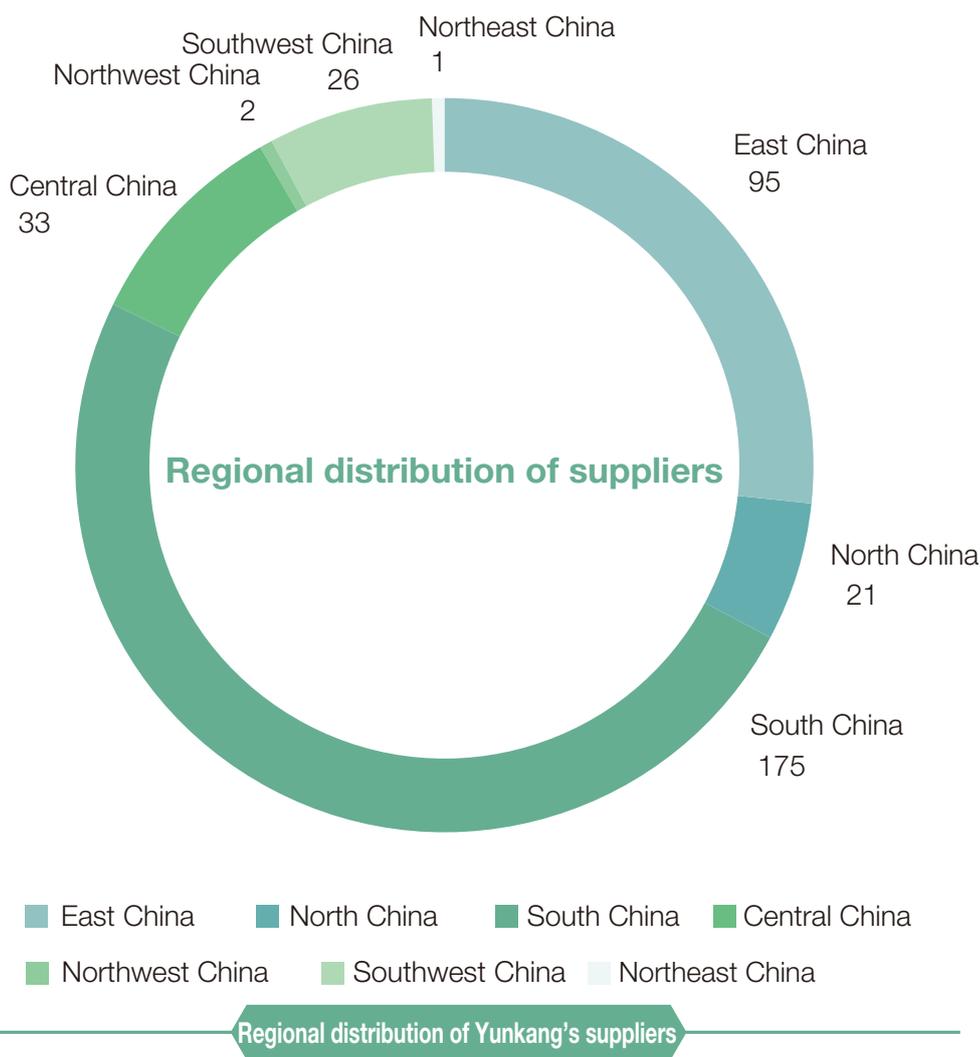
Yunkang adheres to the customer-centered concept and builds a service system and supply chain service platform integrating supply, production and marketing of the whole industry chain. Through the linkage with the upstream and downstream enterprises in the industrial chain, the Company's supply chain service platform achieves deep cooperation between Yunkang and all parties in the integration of production, teaching and research, supply, production and marketing, and efficiently integrates and allocates relevant resources for cooperative medical institutions. Meanwhile, Yunkang gives full play to the resources and technological advantages of its global partners, and empowers customers in many fields, such as technology, products, markets and marketing, to promote the collective development of the whole industry.



6.4.2 Strictly Control the Quality Management of the Supply Chain

Yunkang actively builds a high-quality supply chain, strictly complies with the laws and regulations of the *Tendering and Bidding Law of the People's Republic of China* (《中華人民共和國招標投標法》), and establishes internal management systems, including the *Operating Procedures for Supplier Evaluation and Selection* (《供應商評估與選擇的操作規程》) and the *Purchase information Management System* (《採購資料管理制度》) to clearly regulate the whole process of management of supplier bidding and procurement, stock selection and evaluation and assessment, to ensure the fairness and justice in the introduction of supplier and the quality of products.

As of 31 December 2023, Yunkang had a total of 353 suppliers of all types, including 146 manufacturing enterprises and 207 non-manufacturing enterprises. At the same time, according to the needs of business strategy, the Company carries out scientific management of suppliers by classification and classification, classifying suppliers into four levels A, B, C and D. The breakdown of suppliers by region is as follows:



Yunkang establishes a supplier life cycle management system and management mechanism according to ISO 15189 standard system to minimize supply chain risk. Yunkang formulates and implements the *Procurement Management System of Yunkang Group* (《雲康集團採購管理制度》) to ensure the compliance of procurement development management. Following the principles of openness and transparency, fair competition, fair evaluation, honesty and trustworthiness, focusing on efficiency and safeguarding the Company's interests, the Company adopts the procurement policy of combining centralized procurement with territorial decentralized procurement to pursue the optimal cost of different categories of procurement products.



Supplier development

- According to the QCDT (quality, cost, delivery, time) guidelines, investigate new suppliers' Company qualifications, product qualifications, market share, etc., inspect suppliers on-site and form a written *Supplier Survey Form* (《供應商調查表》)



Supplier access assessment

- Several suppliers are selected according to the types of products, and suppliers are required to provide supply plans in writing
- Initiate sample/equipment trial application for qualified suppliers and form a *Trial Report* (《試用報告》)



Supplier dynamic management

- Set up a review team to review and score suppliers from the dimensions of quality, technology, service, etc. Those with a score of 60 or above are listed as qualified suppliers, and are divided into four grades A, B, C and D according to the scores from high to low
- Sign contracts with qualified suppliers, and the contract stipulates the quality control terms for suppliers



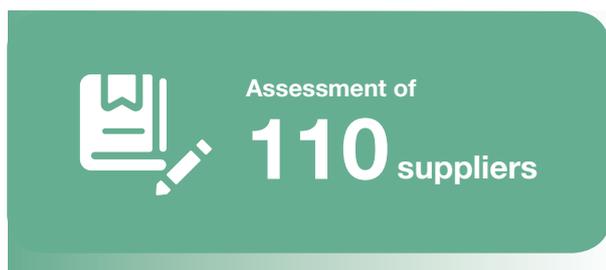
Supplier assessment

- The review team is composed of persons in charge of relevant technical departments such as procurement, finance, and quality, and conducts a strict review of the qualifications, supply capabilities, and product quality of suppliers at least once a quarter
- Suppliers whose evaluation results are lower than 60 points for two consecutive times will be eliminated in time

In 2023, the Company set up a procurement committee, which is responsible for the approval of major projects and new projects, supplier review and business negotiation. Meanwhile, the Company introduced a procurement price monitoring mechanism, entering comparative price information of purchased goods into the *Supplier Price Comparison Ledger* (《供應商比價台賬》) and new supplier information into the *Supplier Base Ledger* (《供應商基礎台賬》), along with collecting corresponding formal quotations. All such data are stored in a unified location with access permissions for the supervision department to conduct oversight. Before cooperating with suppliers, Yunkang verifies their qualifications and capabilities to ensure compliance with regulatory requirements.

Yunkang follows the *Supplier Management Procedure* (《供應商管理程序》), the *Operation Procedure for Supplier Evaluation and Selection* (《供應商評估與選擇的操作規程》) and the *Operation Procedure for Supplier Evaluation* (《供應商考評操作規程》) conventionally in appointing suppliers. Factors considered in the appointment of suppliers include cost, delivery time, product quality, and service, as well as the supplier's compliance with laws, regulations, or other specified standards related to product or service quality and safety, business ethics, environment, anti-corruption, information protection, and intellectual property rights. These conventions apply to all suppliers, and all suppliers developed by the Group's procurement are subject to these practices.

Yunkang has established a regular evaluation policy for cooperative suppliers, with the assessment form designed to evaluate the quality of the supplier's products, carried out by the using departments. In 2023, Yunkang conducted annual supplier evaluations in the form of written assessments, evaluating 110 suppliers, accounting for 31.16%. The types of suppliers involved included reagent consumables, equipment distributors, manufacturers and service providers. During the Reporting Period, all suppliers passed the assessment.



6.4.3 Build a Responsible Supply Chain

Yunkang attaches great importance to building a long-term cooperative relationship of mutual trust and stable development with its partners and establishing a responsible supply chain. Yunkang continues to cooperate with high-quality suppliers to promote suppliers to actively fulfill their sustainable development responsibilities in terms of quality, environment, integrity and social responsibility, and to advocate and promote responsible and sustainable values.

Governance aspect

Yunkang is committed to creating a fair and incorruptible environment, attaches great importance to the ethical behavior of suppliers, and practices sunshine procurement. When the Company signs contracts with suppliers, it requires all suppliers to sign the *Procurement Integrity Agreement* (《採購廉潔協議》). For blacklisted suppliers with fraud, bribery and other problems in the cooperation process, the Company will remove them from the supplier database and no longer cooperate. During the year, the Company has no corruption and fraud incidents involving suppliers.

Environmental aspect

Yunkang continuously implements the concept of environmental protection procurement, pays attention to the environmental performance of suppliers when purchasing, and screens suppliers with low environmental impact. For decoration service suppliers, Yunkang requires them to meet environmental protection requirements in the procurement contract and sign a quality assurance agreement with the supplier, in which the corresponding responsibilities and obligations are stipulated. If major projects or a large amount of procurement projects are involved, the most suitable suppliers will be selected through bidding to undertake the corresponding decoration projects.

Social aspect

Yunkang also attaches great importance to the performance of suppliers at the social level, such as service quality standards and employee safety. For decoration service procurement, the Company requires suppliers to strictly implement construction specifications, including quality standards, safety operation specifications, fire safety specifications, etc., to ensure supply chain quality and safety management, and reduce supply chain social risks. For chemical procurement, Yunkang requires the distribution company of chemicals to comply with the qualifications, and requires transport vehicles, transport personnel, storage and transportation methods to comply with laws and regulations, to ensure the safety of the supply chain.

Continuously strengthen supply chain capacity building and personnel training

According to the needs of actual business conditions, the Company regularly communicates with suppliers through telephone, remote meetings, on-site technical training, etc., timely discovers and solves problems and difficulties in the process of cooperation and maintains a good cooperation relationship. Based on the annual supplier evaluation results, Yunkang communicates with suppliers about identified issues and requests them to provide improvement measures; or provides feedback during regular cooperative communications, urging suppliers to improve in subsequent collaborations where deficiencies are noted.

Yunkang also strengthens the management of procurement personnel, ensuring that responsible individuals receive professional training and obtain relevant certifications. For the procurement of chemicals, the Company has designated chemical warehouses, and warehouse staff are required to undergo professional training. Moreover, the Company has established corresponding system documents to ensure that response and protective measures are taken in the event of a chemical leak.



07

PUTTING PEOPLE FIRST AND GROWING TOGETHER

- **COMPLIANT EMPLOYMENT AND PROTECTION OF RIGHTS AND INTERESTS**
- **OCCUPATIONAL SAFETY AND HEALTH**
- **TALENT ACQUISITION AND EMPOWERING GROWTH**
- **CARING FOR EMPLOYEES AND LISTENING TO THEIR VOICES**



07 PUTTING PEOPLE FIRST AND GROWING TOGETHER

Adhering to the concept of “people-oriented”, Yunkang takes “respecting nature and loving others, and achieving oneself by accomplishing others” as the basic principle of caring for employees. Yunkang firmly believes that employees are vital to the sustainable development of the Company, and is committed to creating a fair, caring and warm working environment for employees and strives to inspire employees to spontaneously share with the Company’s value, so as to acquire a sense of belonging, sense of accomplishment, sense of honor, sense of gain and sense of happiness in their work. At the same time, the Company gives priority to the rights and interests of employees to ensure that employees have equal and diversified career development opportunities. Yunkang always follows the basic principle of “safety first”, and adopts various measures to protect the physical and mental health of employees in an all-out manner.

7.1 COMPLIANT EMPLOYMENT AND PROTECTION OF RIGHTS AND INTERESTS

Yunkang strictly complies with the laws and regulations such as the *Labor Law of the People’s Republic of China* (《中華人民共和國勞動法》), the *Civil Code of the People’s Republic of China* (《中華人民共和國民法典》) and the *Provisions on the Prohibition of the Use of Child Labor* (《禁止使用童工規定》) to regulate its employment management work. Yunkang has established the *Yunkang Group Employee Handbook* (《雲康集團員工手冊》) and strictly implements its internal management policies regarding employee remuneration and dismissal, recruitment and promotion, working hours, holidays, equal opportunities, diversity, anti-discrimination and other benefits, as well as the prevention of child labor and forced labor.

Yunkang adheres to the principle of equal employment, introduces excellent talents, and eliminates any differential treatment due to differences in race, religion, skin color, age, gender, nationality, marital status, religious beliefs, etc. during the recruitment process and in the workplace. In order to meet talent demands tailoring for the rapid development of the Company, Yunkang has formulated and implemented internal systems such as the *Yunkang Recruitment Management Measures* (《雲康招聘管理辦法》), the *Yunkang Recruitment Management Operating Procedures* (《雲康招聘管理操作規程》) and the *Yunkang Recruitment Guidelines* (《雲康招聘指引》) to form efficient and standardized talent recruitment procedures. In line with the principle of “openness, fairness, competition, merit-based selection, and matching of talents and posts”, the Company has established diversified recruitment channels to recruit new talents through various channels such as online recruitment, regional talent market, headhunting companies, campus recruitment and internal referral. Candidates are hired through a standardized process such as resume screening, interviews, salary negotiations, employment approval and background checks.

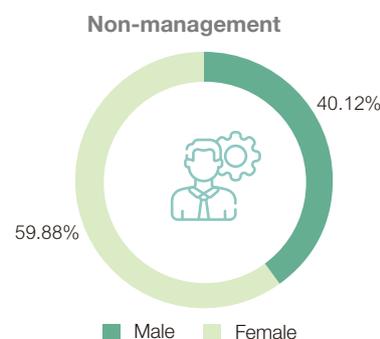
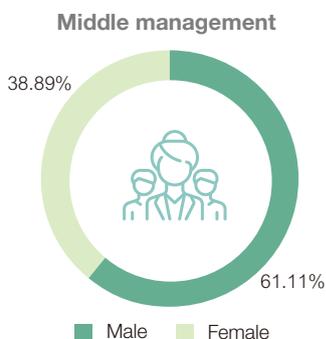
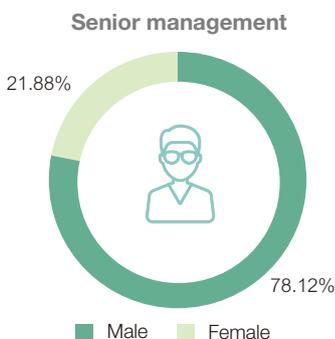
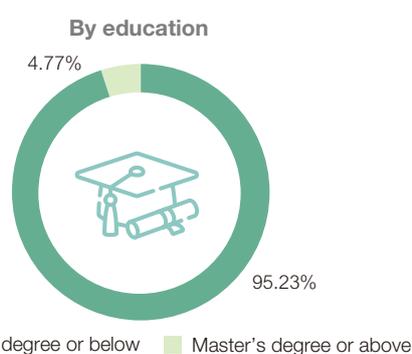
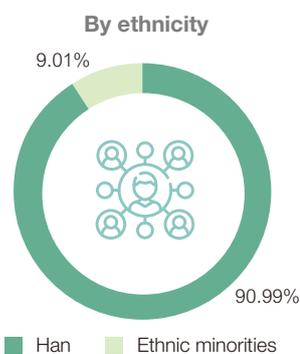
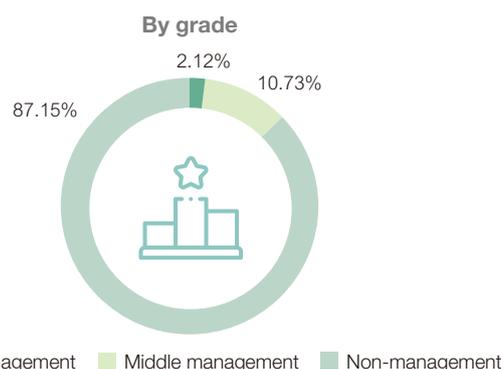
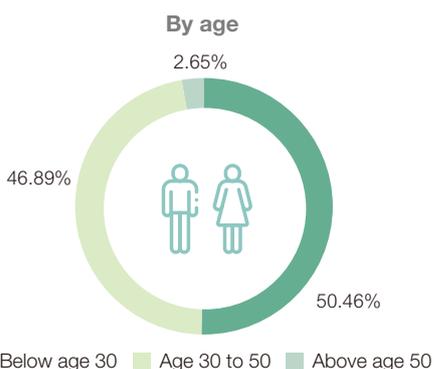
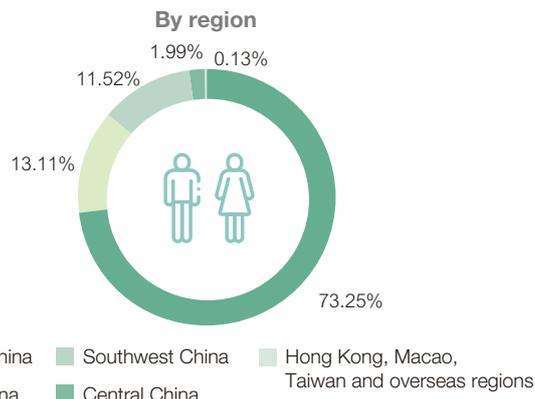
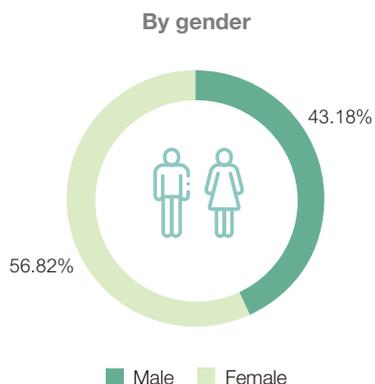
Yunkang attaches great importance to basic human rights and eliminates the use of child labor and forced labor. In order to prevent the employment of child labor, Yunkang has set up a background investigation and review process during the recruitment stage to strictly verify the age and identity information of new employees. At the same time, Yunkang expressly prohibits illegal employment practices such as forced labor, legally stipulates working and rest hours, applies the five-day eight-hour working system and does not encourage employees to work overtime. Yunkang also implements the holiday arrangements in accordance with the holiday requirements of the State Council, including but not limited to statutory leave, maternity leave, bereavement leave, marriage leave and other holidays, so as to protect the basic rights and interests of employees. If forced labor is found, the Company will initiate an internal investigation and hold accountable those responsible, while compensating employees who were subjected to forced labor. If child labor is found, the Company will immediately stop using child labor, contact his/her guardian, and notify the Labor Department. During the Reporting Period, the Company did not experience any illegal incidents related to the employment of child labor or forced labor.



Campus Recruitment Site of Yunkang

As of December 31, 2023, the total number of employees in the Company is 1,510, including 1,483 full-time employees and 27 part-time employees. The Company's employees below age 30 accounted for 50.46%, and female employees accounted for 56.82%. Among the management staff, the proportion of female was 36.08%, and the proportion of female executives was 21.88%, fully reflecting Yunkang's commitment to creating a gender-equal, young and promising workplace. Moreover, 9.01% of the Company's employees were ethnic minorities, further promoting diversity in the workplace.

The percentage of employees by gender, rank, age, region, ethnicity and education is as follows:



7.2 OCCUPATIONAL SAFETY AND HEALTH

Yunkang firmly believes that creating a safe and secure working environment for employees is one of its important responsibilities. The Company strictly adheres to relevant laws and regulations such as the *Law of the People's Republic of China on the Prevention and Control of Occupational Diseases* (《中華人民共和國職業病防治法》), the *Work Safety Law of the People's Republic of China* (《中華人民共和國安全生產法》) and the *Fire Protection Law of the People's Republic of China* (《中華人民共和國消防法》), establishes a comprehensive and regulated health and safety management system. Meanwhile, Yunkang has developed special plans for fire safety, logistics security, biological safety, etc., carries out internal hazard investigation and safety education, cooperates with third parties to conduct safety assessment, and strengthens the development of safety management system in all respects to ensure implementing safety measures by employees, effectively safeguarding employees' occupational health and creating a safe and comfortable working environment.

7.2.1 Occupational Health and Safety Management

Yunkang always regards the occupational health and safety of employees as its top priority, and continuously improves the occupational health and safety management system. Yunkang has formulated and implemented internal systems such as the *Production Safety Hazard Inspection Mechanism of Yunkang Group* (《雲康集團安全生產隱患檢驗機制》) and the *Environmental and Occupational Health and Safety Management Handbook* (《環境職業健康安全手冊》) to effectively ensure the safety of employees. In accordance with the laws and regulations of the national and local governments and the requirements and guidelines of relevant documents, the Company maintains the production safety management records every year. Yunkang regularly detects occupational disease hazard factors every year and has obtained ISO 45001 Occupational Health Safety Management System Certificate.



Occupational Health Safety Management System Certificate

In the past three years, there have been no work-related accidents resulting in fatalities in Yunkang, and in 2023, the Company did not experience any work-related injuries or major safety liability accidents.

0 work-related injuries and fatalities in 2023

0 major safety liability accidents in 2023

Over **1,000** family members participated in physical examination in 2023

7.2.2 Occupational Health and Safety Management Measures

Fire safety management

Yunkang put emphasis on the maintenance of fire safety in the office premises. The Company strictly implements the fire safety system in the daily office and laboratory areas, furnishes the laboratory area with well-equipped professional fire-fighting equipment. Daily safety inspections are conducted in the area under supervision and monthly fire hazard investigation and equipment inspection are carried out to make corresponding reporting records and eliminate fire safety accidents at the source. At the same time, Yunkang regularly organizes fire drills every year and conducts fire safety education and training to enhance employees' emergency response capabilities and fire safety awareness.

Regular fire safety drill

In 2023, the Company organized all employees to participate in fire evacuation drills, simulate emergency evacuation after fire alarms, and offers assistance to its employees in grasping the use of fire hydrants, gas masks, fire extinguishers and other fire-fighting equipment through on-site operations, so as to enhance their emergency response capabilities and strengthen their awareness of safety precautions. During the drill, the management personnel were responsible for recording the scene and time of the on-site evacuation to analyze the existing problems and the room for improvement, and made reporting and summaries after the drill.



Logistics safety management

Yunkang continues to strengthen the management of logistics safety, formulates and strictly complies with the *Operation Procedures for Emergency Response in Logistics Centers* (《物流中心應急處理操作規程》), establishes an emergency management team and formulates emergency plans to deal with emergencies during the logistics transportation process, ensure that such emergencies can be resolved in a quick and proper manner and the logistics safety factor can be strengthened. In the meantime, Yunkang strengthens the oversight over driving vehicles and drivers to ensure that they meet safety management requirements. The Company conducts safety inspections on driving vehicles, records various potential safety hazards in detail and makes rectifications on them in a timely manner. The Company also strictly supervises drivers to ensure that they do not drive with illness or fatigue, conducts assessments on drivers from time to time, and carries out safety education and training.

Biological safety

Yunkang regards biosafety management in laboratories as its top priority, establishes and implements its biosafety management system, and consistently implements the safety policy of “people-oriented, safety first and prevention first”. Yunkang has formulated the *Biosafety Manual* (《生物安全手冊》) in accordance with the regulations in the industry, which specifies strict biosafety management standards from personal protective equipment, disinfection and sterilization treatment processes, hand hygiene and disinfection, etc. At the same time, the Company has also formulated the *Occupational Exposure Emergency Plan* (《職業暴露應急預案》), and organizes all laboratories to participate in emergency drills and training every year to reduce the hazards caused by occupational exposure. In 2023, the Company conducted several biosafety training sessions for specific positions, and the completion rate and pass rate of all employees reached 100%. Yunkang has also set safety goals such as conducting biosafety training no less than twice a year, no violations of laws and regulations and zero safety accidents, to further strengthen biosafety management. In 2023, the Company fully achieved its biosafety-related goals.

Conducting occupational exposure emergency drill

In May 2023, Yunkang organized an emergency drill for occupational exposure, in which employees from the quality group, laboratories and other departments were required to participate, conducted emergency drills on the emergency treatment of specimen spillage, sharp object injuries, centrifuge tube explosion and other scenarios, as well as the medical treatment of HIV occupational exposure, hepatitis B occupational exposure, syphilis occupational exposure and other exposures, after which we made reflection and summary. Emergency drills can facilitate to enhance the accident handling ability and safety literacy of laboratory technicians, prevent infection of personnel and the environment, and mitigate the risk of occupational exposure.



Safeguarding health and safety of laboratory technicians

Yunkang gives significant prominence on the safety and health of laboratory personnel. In daily management, the Company implements the *Management System for Health Monitoring of Laboratory Staff* (《實驗室員工健康狀況監測管理制度》), monitors the health status of employees through the *Registration Form for Abnormal Health Monitoring of Employees* (《工作人員健康監測異常情況登記表》), to identify potential occupational health issues and adopt measures in a timely manner. In case of occupational exposure, the on-site personnel should implement emergency treatment measures as soon as possible, and report the basic information of the exposed person, the injury process, on-site treatment measures, medical treatment measures, and follow-up drug toxic and side effects to the superior department, so as to carry out follow-up treatment.



7.2.3 Promoting the Physical and Mental Health of Employees

Yunkang keeps great attention on the physical and mental health of employees, and enhances the overall physical and mental quality of employees by holding different activities such as badminton competitions, sports games and outdoor outreach activities of various departments. These activities promote the cultivation of teamwork and competitive spirit, strengthen the relationship among employees, enhance mutual understanding among employees, and promote the all-round development of employees in terms of physical health, mental quality and work efficiency. As a result, employees can be more vigorous and energetic to devote themselves to their work, their career satisfaction and sense of belonging are elevated and their personal development is also increasingly enhanced.



Outdoor outreach activity



Badminton competition

7.3 TALENT ACQUISITION AND EMPOWERING GROWTH

7.3.1 Employee Incentive and Promotion

Yunkang has established a well-fledged employee performance management, incentive and promotion system, and strives to build a positive and self-driven talent team with high realm, high quality and high performance. In order to promote the achievement of performance targets, Yunkang has formulated the *Yunkang Group Performance Management Method* (《云康集团绩效管理辦法》), practices the concept of “one hole for profit and one hole for strength (利出一孔、力出一孔)” for pooling the strength of all employee and ensuring the consistency of strategic business objectives, and underpins the continuous enhancement in performance and management of the Group through performance management methods and tools. Through the breakdown and process management of the Group’s performance indicators, the consistency of performance appraisal orientation is guaranteed to form different efficiency engines and facilitate the Group to achieve its overall goals and the simultaneous growth of employees.

Yunkang has established a flexible remuneration mechanism, pursuant to which the remuneration level is determined with reference to the job requirements, personal competency and work performance, so as to better motivate the work motivation and enthusiasm of employees. In terms of performance incentives, the Company adopts the principle of “fixed salary as the main component, floating performance as the auxiliary component” for professional technical teams, measuring their contributions with professional value. For front-line sales teams, assessment is based on four major indicators including sales volume, collection rate, revenue contribution rate, and team building, and incentive tension is formed through the “climbing theory (爬坡理論)” to stimulate organizational and individual vitality. In terms of performance assessment, the Company conducts monthly, quarterly, and annual performance evaluations based on different job characteristics, and sets up a performance communication and coaching process. Through diversified methods such as daily meetings, report management, and on-site communication, the Company follows up and supervises the progress of employee performance goals, discovers performance gaps in a timely manner, helps them find solutions, and promotes continuous employee progress.

Yunkang has formulated the *Yunkang Business Cadre promotion and Evaluation Management Method* (《雲康業務幹部晉升及評價管理辦法》) to foster the talent reserve of the Company, promote the development of the Company's talent pipeline, facilitate the benign development of the Company's senior management team, and establish an impartial and fair promotion and evaluation mechanism. The promotion evaluation is organized by the Human Resources Center of the Group to conduct a comprehensive promotion evaluation on the positions of the personnel to be promoted from five aspects: cultural identity, customer awareness, business thinking, teamwork, and work effectiveness, and is evaluated by different levels of personnel such as the leader in charge, direct superiors, relevant peers and direct subordinates by strictly filling in the Business Cadre Promotion Evaluation Form (《業務幹部晉升評價表》).

In order to standardize the promotion standards and processes and improve the rank development channel, Yunkang has formulated the *Yunkang Group Rank System Management Measures* (《雲康集團職級體系管理辦法》). The Company has designed clear dual channel for professional and management career promotion, enabling employees to choose the appropriate career development path according to their own expertise and development aspiration, and provide diversified talent support for the Company's professional technology and management capabilities. Through the setting of professional channel, employees who have developed in depth in professional and technical fields are encouraged to play their own value; through the setting of management channel, employees with certain professional technical capabilities and experience are encouraged to effectively lead the team and create performance results. Yunkang has also set up an extensive academic or qualification reward system to encourage employees to continuously promote their academic qualifications and professional and technical level, so as to provide win-win opportunities for employees' personal growth and the Company's development.



Dual Channels for Career Advancement at Yunkang

Yunkang has formulated the *Yunkang Internal Referral Management Measures* (《雲康內部推薦管理辦法》), which specifies the internal referral reward standards according to different job categories, and the human resources center is responsible for the application and granting of referral rewards, with aims to broaden the channels for talent acquisition and enhance the efficiency and quality of talent acquisition. Yunkang has also established a restricted share unit scheme for the purpose of recognizing and motivating employees who have contributed to the growth and development of the Group through granting share awards, and preparing for the further development and long-term business planning of the Group.

7.3.2 Employee training

Yunkang recognizes that talent is the foundation of an enterprise, therefore it attaches great importance to the growth and development of employees. Yunkang sets up clear training objectives for employees, develops a comprehensive and diversified training system, continuously improves the level of training management, and actively implements training plans, in a bid to build an echeloned and systematic talent team, and create a platform where employees can harness their potential and realize their career ambitions. In 2023, Guangzhou Da'an Clinical Laboratory Center of Yunkang obtained the ISO 10015 training management system certification.



Training management system certification certificate

Yunkang has formulated the *Staff Training and Assessment Management Operating Procedures of Yunkang* (《雲康員工培訓與考核管理操作規程》), which regulates the training and assessment of employees, with aims to improve the quality of employees and meet the development needs of the Company and employees. Meanwhile, in order to enable new employees to know about and grasp the basic system of the Company as soon as possible, quickly adapt to the working environment of the Company and increase their sense of belonging, Yunkang has formulated the *Yunkang Group New Employee Training Management Measures* (《雲康集團新員工培訓管理辦法》), pursuant to which Yunkang provides general induction training and offline on-the-job training on the online learning platform. In order to enhance the working competence of employees and help them realize their career development planning, Yunkang also encourages employees to participate in job-related training and lectures organized by various social training institutions. Yunkang has formulated the *Yunkang Group Technical Title Management Measures* (《雲康集團技術職稱管理辦法》), which encourages employees to enhance their professional level and business ability through their own learning, and gives certain economic rewards to employees who learn spontaneously and obtain relevant qualification certificates and enhance their professional and technical level and work quality.

During the Reporting Period, Yunkang launched the “New Eagle Program (新鷹計劃)” for fresh college graduates hired through campus recruitment, which not only improved the professional quality of new employees, but also deepened the recognition of corporate strategy and culture by new employees, and injected talent power for the sustainable development of the Company and the entire industry.

Xinying Program

In July 2023, Yunkang launched the ninth session of the “Xinying Program” induction training camp for fresh graduates, covering practical courses such as corporate culture, business model, department operation and workplace communication, which were lectured by the Company’s management personnel with participations of various departments and three major laboratories, and carried out a variety of team building activities to enhance the in-depth integration and corporate identity of new employees. The training camp offered a total of 45 courses with 105 hours of teaching time. From August to September 2023, the Company held two special online tutoring sessions on marketing skills for fresh graduates who joined the marketing line by inviting front-line sales elites to share their experiences.



Ninth session of the “Xinying Program”

Yunkang continues to further advance the construction of employee training system, and provide employees with diversified and extensive training courses with a focus on four aspects: enterprise culture construction, learning platform construction, course system construction and key position capacity construction, empowering their career development. The Yunkang training system construction in 2023 focused on the “course system construction” and the “key positions capacity construction”.

Yunkang training system construction

Enterprise culture construction

Strengthen the development of corporate culture, and foster the quality of all employees through publicity and education activities. In 2023, Yunkang continued to promote the Cloud-based Shared Learning (雲基共學) project.

Learning platform construction

Improve the content system of the “Fu Yun” training platform, fully gather and utilize internal and external training resources, and build a normalized training platform for all employees.

Course system construction

Based on job requirements, form a hierarchical and classified curriculum system, strengthen knowledge accumulation, focus on summarizing and refining excellent practical experience from various systems, and make implicit knowledge explicit.

Key position capability construction

In response to the lines of laboratory technical and marketing positions, training will be focused on improving professional skills, management abilities and professional ethics.

Enterprise culture construction

To establish a solid foundation of corporate culture, foster core values, and strengthen the belief in valuing contributions, Yunkang has formulated the *Basic Principles of Yunkang's Career Development* (《雲康事業發展的基本原則》) where the perceptual consensus was translated into institutional norms. In addition, Yunkang actively carries out publicity and education to inspire the concept sharing with all employees. During the Reporting Period, Yunkang continued to promote the “Cloud-based Shared Learning” project to further enhance the management’s ability in operations management.

“Cloud-based Shared Learning” training project

The “Cloud-based Shared Learning” project is carried out in the form of a reading club, which selects classic management books such as *The Effective Executive*, *The High Output Management* and *The Essence of Marketing*, and organizes the core management team and key personnel to learn together and continuously improve management literacy. In 2023, three new classes were opened under this project, with a total of 42 students in 6 classes.



“Cloud-based Shared Learning” training project

Construction of learning platform

To build a learning-oriented organization, Yunkang encourages lifelong learning among employees. Yunkang organizes diversified and professional training programs, and expands the training model with the support of the “Fu Yun” digital platform, and enhances training engagement and training effectiveness of employees by offering abundant online learning opportunities.



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self-developed training courses



Online learning participants
44,500 person-times



Accumulated learning time
11,500 hours

Course system construction

In response to the business demands of the Company's marketing line, laboratory technology line and functional line, Yunkang has established three core course systems to provide sufficient professional support for employees to leverage their potential. The Company analyzes and refines the professional needs of each business line, matches the appropriate training framework, designs and develops training materials to build a systematic and structured course system.

Marketing line	During the Reporting Period, Yunkang developed 46 internal courses covering marketing cases, solutions, products, and business, with 10 courses specifically dedicated to sharing case studies derived from summarizing and refining excellent marketing practice experience. Especially, a vast number of online courses on professional technical knowledge are provided for business personnel to utilize their fragmented time to learn anytime and anywhere, strengthening their professional background and providing better professional services for customers.
Laboratory technology line	During the Reporting Period, Yunkang has developed 251 professional courses, of which 187 are clinical examination courses and 64 are pathology courses. For the grassroots management posts in the laboratories, 13 sessions of general professional technology and quality management training were organized, with a total of 70 hours of class time and 454 participants, and for the grassroots professional posts in the laboratories, such as clinical inspection technicians, medical interpreters, pathology technicians and pathologists, 285 sessions of professional skills trainings were organized in various professional departments, with a total of 287 hours of class time and 3,595 participants.
Functional line	During the Reporting Period, Yunkang's various functional lines have developed a total of 37 management and professional courses. At the same time, following the Company's strategic planning and business development needs, in 2023, 33 professional line trainings were organized to promote the deep integration of professional knowledge and business on the basis of enhancing professional knowledge level.

Key position capability construction

From the perspective of the business needs for different positions, Yunkang provides employees with targeted training such as professional lectures and professional courses, to accurately empower talents in key positions. At the same time, Yunkang encourages employees to continuously improve their professional competence through active learning and achieve more far-reaching achievements in their careers.

In 2023, the Company focused on the two main lines of laboratory technology and marketing, with professional capabilities as the mainstay and supplemented by management capabilities, to strengthen the comprehensive capabilities of employees in key positions.

1. Laboratory technology line

For the laboratory technology line, the Company organized 13 sessions of general professional technology and quality management training for grassroots management posts in 2023, with a total of 70 hours of class time and 454 participants.

New laboratory programs and quality management training courses

In order to support the smooth progress of the new testing program in the regional laboratory, Yunkang organized two sessions of new laboratory programs and quality management training courses from February to March 2023, and set up courses related to quality management, sample pretreatment process, molecular diagnostic technology, conventional biochemical immunology technology and laboratory practical operation assessment. A total of 41 students were trained in the two sessions, with a total teaching time of 28 hours.



New laboratory program and quality management training courses

2. Marketing line

For the marketing line, the Company organized 1 session of key product training, 10 sessions of product presentation certification and 4 sessions of mentoring demonstration training for the managers who based in the urban areas to enhance the comprehensive application ability and mentoring ability of employees who hold relevant positions. At the same time, the Company selected 20 additional staff to participate in the classic management co-learning program. In 2023, the Company cultivated 76 outstanding management executives and key employees to become internal part-time lecturers through various training programs, who assume the management responsibility of disseminating corporate culture, imparting professional knowledge and management experience, and mentoring newcomers, so as to enhance the leadership of the backbone.

Product training

In response to the actual demands of marketing work, Yunkang has set up several training programs to strengthen the professional background and product knowledge of front-line personnel. From July to September 2023, Yunkang launched the “Seed Program (種子計劃)”, an elite cultivation action for online training and offline seed lecturer certification activities for key products and developed the “Seed Program” training courses for 10 key products, covering clinical value, product introduction, intra-department communication skills, etc., and organized online learning for marketing staff through the “Fu Yun” system. At the same time, 18 marketing elites across the country participated in 10 sessions of product promotion drills and certification activities as seed lecturers to help improve the professional level of clinical application promotion in various regions.



“Seed Lecturers” product training

In 2023, Yunkang’s total investment in employee training amounted to RMB3.6795 million, the total training hours of employees was 25,400 hours, and the average training hours per person was 22.92 hours. The percentage of employees trained and the average training hours per person by gender, rank and age are as follows:

Total investment in employee training in 2023

RMB3.6795 million

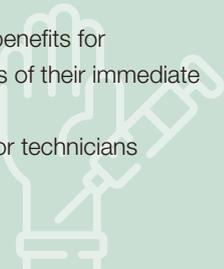
	Percentage of employees trained in 2023	Average training hours per person in 2023
Male	46.21%	24.00
Female	53.79%	22.00
Senior management	2.89%	10.00
Middle management	10.65%	22.00
Non-management	86.46%	23.47
Below age 30	51.08%	24.80
Age 30 to 50	47.11%	21.30
Above age 50	1.81%	12.20

7.4 CARING FOR EMPLOYEES AND LISTENING TO THEIR VOICES

Yunkang cherishes the value of every employee and the contribution made by all employees to the Company. To this end, Yunkang advocates employees to strike a balance between work and rest, and actively carry out a variety of abundant activities. Yunkang sends different gifts to employees at different holidays, such as Mid-Autumn Festival gifts, and changes canteens regularly to create a comfortable, pleasant and warm-hearted working environment for employees in all aspects. Meanwhile, Yunkang values communication and exchange with employees, and creates a positive, harmonious, friendly and progressive employee team by listening to their voices and improving their satisfaction.

Yunkang provides employees with a sound and attractive welfare system, and actively protects the rights and interests of employees. In addition to making contributions to pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing provident fund as stipulated by law for employees, Yunkang separately purchases commercial insurance for employees, provides free annual physical examination, and distributes high temperature subsidies or goods for different groups. Yunkang also attaches importance to the care for female employees and implements the protection of the rights and interests of female employees. In 2023, Yunkang added parental leave to improve the welfare of female employees. Yunkang provides various allowances and subsidies and health checks, and puts employee care into practice on all fronts. With employee-centered approach, Yunkang established a Labor Union Committee, provided employees with training courses and services such as tea art, etiquette, yoga, and psychological counseling, striving to safeguard the physical and mental health of all employees.

Yunkang welfare system

Statutory benefits	Paid annual leave
<ul style="list-style-type: none"> Pension insurance, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing provident fund Paid annual leave 	<ul style="list-style-type: none"> In addition to the 98 days of maternity leave as required by law, provide additional 80 days of maternity bonus leave to pregnant women Exclusive anti-cancer package for women over 35 
Health benefits	Other benefits
<ul style="list-style-type: none"> Medical check-up package benefits for employees and 3 generations of their immediate family HIV and Hepatitis B testing for technicians 	<ul style="list-style-type: none"> Distribute high temperature subsidies to employees in specific positions Provide free accommodation for fresh graduates for half a year 

Flower arrangement activities at the Women's Day

In order to enhance female employees' sense of happiness and belonging, on the occasion of International Women's Day on March 8, Yunkang organized flower arrangement activities to enrich their spare-time life, cultivate their taste with floral art, and create a warm festive atmosphere.



Yunkang Women's Day celebrations

Employee quarterly birthday parties

Yunkang held quarterly themed birthday parties to collectively celebrate the birthdays of employees whose birthdays fall within the same season, and organized fun games to enhance employees' participation and interaction, share the joy of growth together and increase sense of occasion in life and sense of belonging in work.



Employees' birthday parties in Yunkang

Optional holiday gifts, flexible welfare care for employees

In order to further enhance the welfare experience of employees, Yunkang adopts optional welfare design to convey the Company's thoughtfulness and attentiveness. On important holidays such as Chinese New Year, Mid-Autumn Festival, Dragon Boat Festival, Yunkang will prepare 4 to 5 exquisite gift packages for employees to choose whichever they like, which are delivered by the Company to the recipients designated by the employees, sending care and greetings to employees and their families.



Gift packages at the Mid-Autumn Festival

At the same time, Yunkang provides free health check-ups for all employees, including interns. In addition, since the establishment of the Group, Yunkang develops "Yunkang 6+1 Health Check-up Program" every year to provide free physical examination for employees and their immediate family members, safeguarding the health of employees and their families.

Target participant of the physical examination

- Yunkang's employees on active duty and their immediate family members
- The "6" in "6+1" refers to the employee's 6 family members (7-8 for twins or two-child families) including their father, mother, spouse, spouse's father, spouse's mother and children, and "1" refers to employees themselves.

Welfare programs

- Medical check-up package
- Interpretation of reports
- Sending of reports

Yunkang 6+1 Health Check-up Program

Yunkang values employees' thoughts and feelings, and actively responds to employees' expectations and demands. The Company has developed the *Yunkang Employee Internal Communication/Complaint Management Measures* (《雲康員工內部溝通/申訴管理辦法》) to encourage employees to provide opinions and suggestions, sincerely listen to their feedback, and take responsive action. The Company also sets up the Office Automation (OA) system such as "Hall of Honor", "Employees' Emotional Release Station" and exclusive mailbox for communication among employees and other channels, built a comprehensive employee communication system, which provides employees with ways to make suggestions, exchange and share, express their emotions and release their pressure. In addition, in view of the characteristics of different employee groups, the Company organizes activities such as employee on-boarding anniversary symposium, face-to-face with CEO to maintain positive employee relations and enhance employees' sense of belonging and cohesion.

Anniversary celebration for employees' long service

In July 2023, Yunkang held “Anniversary celebration for employees' long service” to pay tribute to employees' dedication and contribution and to convey the care and greetings of enterprises. The activity was both innovative and warm-hearted, which enhances employees' sense of honor and belonging through tailored working age badge and customized gifts, and invites employee representatives to share the growth experience in the team, stimulates their determination and faith to take root in Yunkang and forge ahead. As the highlight of the activity, the employees work together to draw a vigorous “Health Blueprint”, which condenses the confidence and strength of “Be Grateful for Companion and Jointly Creating a Better Future”.



Anniversary celebration for employees' long service

Yunkang's “Reading for Pleasure (悦讀書)” salon

Yunkang organized a “Book Escape (圖書出逃)” reading salon, which included interactive session such as knowledge contest, reading sharing, book exchange, so that employees could embark on an ideological collision journey of “Reading for Pleasure Together (眾閱悦)”.



Book sharing session

In 2023, the employee satisfaction rate of the Company reached 100%, and the employees responded positively and recognized Yunkang's workplace environment, growth space, and caring initiatives. For constructive feedback from employees, Yunkang pays full attention and actively adopts them in future improvement plans, to further create a sustainable workplace that satisfies employees.



2023 employee satisfaction rate
100%

08

GREEN DEVELOPMENT AND ENVIRONMENTAL PROTECTION

- CLIMATE GOVERNANCE AND RISK CONTROL
- GREEN OPERATION AND PROTECTION



08 GREEN DEVELOPMENT AND ENVIRONMENTAL PROTECTION

Yunkang believes that the harmonious coexistence between humans and nature is the premise for the sustainable development of human society. While achieving its high-quality development, Yunkang always bears in mind the environment protection, actively practices the concept of green and low-carbon development, contributes to the construction of national ecological civilization by strengthening climate governance, promoting environmental protection and optimizing energy and resource management, and promotes the country's strategic goals of the "carbon peak and carbon neutrality".

8.1 CLIMATE GOVERNANCE AND RISK CONTROL

Climate change and extreme weather events have become serious challenges on a global scale, which pose significant impacts on both the natural environment and human society. Yunkang regards climate change as one of the important considerations for sustainable performance, actively identifies and manages risks and opportunities related to climate change in its operations, and continuously enhances its capacities to respond to climate change. In 2023, Yunkang took an important step in managing climate change-related issues: Yunkang referred to the Task Force on Climate-related Financial Disclosures ("TCFD") recommendations for the first time and disclosed the Company's climate change-related governance structure under the four areas of "Governance", "Strategy", "Risk Management" and "Metrics and Targets" to better manage the risks arising from climate change.

Governance

A robust and effective governance structure is the key to managing risk. In 2023, Yunkang formulated the *Governance System for Climate Change-related Issues – Terms of Reference*, which specifies the management responsibilities of climate change-related issues, covering multiple levels of decision-making, management and execution. As the decision-making level, the Board of Directors is firmly committed to the responsibility for climate change-related issues, and is responsible for making decisions and overseeing the Company's climate change management approaches, strategies, policies, targets and their progress, climate change risks and opportunities, and overall work. As the management level, the ESG Working Group, under the mandates of the Board of Directors, formulates climate change management approaches, strategies, policies and targets, identifies, assesses and manages climate change risks and opportunities, and promotes and oversees the implementation of climate change-related policies and work by relevant business lines, functional departments and subsidiaries. The ESG Working Group holds meeting regularly every year to properly manage the climate change-related issues of the Company. At the same time, the ESG Working Group regularly reports to the Board of Directors on climate change-related issues every year to ensure that the Board is kept abreast of climate change development trends and the climate risks and opportunities faced by the Company.

Strategy and risk management

Yunkang is of the view that effectively identifying, assessing and managing climate-related issues is vital for the Company's business continuity and sustainable development. Therefore, Yunkang incorporates climate change-related issues into the Company's overall strategic planning, business model and other decision-making processes, and includes climate risks into the Company's risk management system to constantly strengthen climate risk management.

In 2023, taking into account its own business, value chain, operation condition and other factors, through peer benchmarking and internal communication, Yunkang identified a series of climate risks that may have a material impact on the Group, including physical risks and transition risks, and prepared the 2023 Climate Risk List of Yunkang Group. At the same time, Yunkang uses climate scenarios, in which the Representative Concentration Pathway ("RCP") 8.5 scenario is used as the high emission scenario and the RCP 2.6 scenario is used as the low emission scenario, to analyze the physical risk and transition risk, respectively, and prioritize the climate risk from two dimensions: the severity of the risk impact and the likelihood of the risk occurrence. Based on the assessment results, Yunkang identified one high-level climate change risk, namely reputational risk (stakeholders' growing concern over negative feedback), and other climate risks were low and very low. According to the results of scenario analysis, Yunkang has developed corresponding countermeasures. The table below details the climate risks identified, their descriptions and impacts, the duration of the risk impact, the degree of the risks and the countermeasures thereof.

Risk type	Specific risks	Risk descriptions and impacts	Duration	Degree of risks	Countermeasures
Physical risks					
Acute physical risks	Adverse impacts caused by frequent extreme weather events	<p>Extreme weather events such as natural disasters (such as floods, typhoons, etc.) may lead to:</p> <p>(1) equipment and assets damage in the Company's offices, laboratories and other places of operation;</p> <p>(2) threat to the personal safety of employees and impacts on the normal operation of the business;</p> <p>(3) supply chain disruptions, and impacts on the supply of materials (e.g., laboratory reagents, consumables, and equipment, etc.). At the same time, the Company's (cold chain) logistics and transportation may be hindered, and the transportation efficiency and capacity may be reduced, which may affect the detection speed and quality of sample testing, and in turn affect the Company's revenue.</p>	Short term	Low	<ul style="list-style-type: none"> Develop a sound emergency plan and conduct internal prevention education for employees who may be at risk Establish a hierarchical early warning system, and strengthen cooperation with local governments, customers, suppliers, etc., to ensure the lives and property safety of employees and the public

Risk type	Specific risks	Risk descriptions and impacts	Duration	Degree of risks	Countermeasures
Chronic physical risks	Adverse impacts caused by long-term changes in global climate patterns	The increase in average temperature may lead to: <ol style="list-style-type: none"> (1) the increase in energy consumption in the Company's offices, laboratories and other places of operation and the increase in the Company's (cold chain) logistics and transportation costs, resulting in an increase in its overall operating costs; (2) impacts on the health of employees and reduction in work efficiency; (3) harms to the health of all human beings, resulting in an increase in human diseases, and increasing customer demand for the Company's testing services, which in turn leads to an imbalance between laboratory capacity load and demand. 	Medium term Long term	Low	<ul style="list-style-type: none"> • Track and analyse energy consumption trends, system and implement stricter energy saving measures to reduce energy consumption • Monitor the health of employees and offer high temperature subsidies to employees • Track the changes in the demand for testing services, make timely adjustments and layouts, and constantly enhance the efficiency of testing • Consider adverse factors such as high temperature in the (cold chain) logistics and transportation, and formulate measures (including temperature node monitoring and early warning, timely control and management of sample temperature by sample recipient and increase of self-operated routes to shorten the sample transit time) to reduce the impact of high temperature
Transition risks					
Policy and legal risks	Pricing on GHG emissions	Global GHG emission policies and regulatory measures are constantly evolving, and China mainland has also launched carbon trading market. Even if Yunkang Group is not currently affected by the cap-and-trade program, future policy requirements related to carbon regulation and carbon pricing in the medical testing industry may directly or indirectly lead to an increase in operating costs.	Medium term Long term	Low	<ul style="list-style-type: none"> • Develop and implement carbon reduction policies and measures, and strive to continuously reduce GHG emissions to mitigate the impact of carbon regulation and carbon pricing
	Exposure to legal proceedings	Under stricter environmental laws and regulations, the Company may be exposed to litigation risks if they fail to comply with the relevant legal and regulatory requirements. Fines and judgments resulting from litigation can lead to negative impacts such as loss of business, brand and reputation damage, which in turn can result in increased operating costs.	Short term	Very low	<ul style="list-style-type: none"> • Continue to monitor the environmental laws and regulations of the country and the place where we operate, and strictly comply with relevant requirements

Risk type	Specific risks	Risk descriptions and impacts	Duration	Degree of risks	Countermeasures
	Stricter disclosure requirements for scope 1, 2 and 3 GHG emissions	In order to achieve the goals of carbon peak and carbon neutrality, the governments of China mainland and Hong Kong, as well as relevant regulators, impose higher disclosure requirements for scope 1, 2 and 3 GHG emissions, which may lead to increased compliance costs.	Short term Medium term	Low	<ul style="list-style-type: none"> Keep abreast of the latest regulatory requirements for GHG emissions, improve the GHG collection system, disclose GHG emissions and ensure compliance
Technology risks	Expenditures of the transition to low-carbon technologies	Against backdrop of global climate change, enterprises need to transition to low-carbon operations, including research and development of new technologies (such as digital information technology), and use new energy/energy-saving equipment to replace traditional/energy-intensive and outdated equipment, which may lead to increased operating costs.	Medium term Long term	Low	<ul style="list-style-type: none"> Launch ten digital "cloud-based" systems and apply big data to achieve digital operations Accelerate the pace of replacement with new energy logistics vehicles
Market risks	Changes in customer behaviors	More and more customers tend to use eco-friendly products and services, and enterprises need to make more investment in enhancing the energy efficiency of their products and services, to avoid reducing the competitiveness of enterprises and affecting revenue due to failure to meet market demand.	Medium term	Very low	<ul style="list-style-type: none"> Maintain close communication with customers to keep abreast of their demands Actively adopt energy conservation and emission reduction measures, continuously improve the energy efficiency of our products and services, and reduce GHG emissions
Reputation risks	Stakeholders' growing concern over negative feedback	There is a growing concern over climate change-related issues. Any negative information of the Company and its suppliers on climate change-related issues of may affect its reputation.	Medium term Long term	High	<ul style="list-style-type: none"> Promote publicity of the Company's environmental protection concept to stakeholders Monitor negative coverage of the Company and its suppliers on climate change issues If a supplier has negative information on climate change-related issues, the Company will assess the risks associated with the negative information and take action based on the results of the assessment

Meanwhile, Yunkang is also aware of the opportunities that climate change may bring to its business operations. We have identified climate-related opportunities in resource use, energy efficiency, products and services, markets and adaptability, and implemented corresponding management and planning, as well as adopted several energy conservation and emission reduction measures to continuously reduce our own carbon footprint and promote the transition to low-carbon economy globally.

Metrics and targets

Yunkang strives to reduce GHG emissions by monitoring and disclosing GHG emissions generated by the Company's operations every year and strengthening relevant management on an on-going basis. During the Reporting Period, the GHG emissions generated by the Company are as follows:

GHG	Unit	Data in 2023
Total GHG emission (scope 1+scope 2)	tCO ₂ e	10,039.56
Total density of GHG emission	tCO ₂ e/million RMB	11.26
GHG emission (scope 1)	tCO ₂ e	0
GHG emission (scope 2)	tCO ₂ e	10,039.56

8.2 GREEN OPERATION AND PROTECTION

Yunkang strictly abides by relevant laws and regulations such as the *Environmental Protection Law of the People's Republic of China* (《中華人民共和國環境保護法》), the *Law of the People's Republic of China on Environmental Impact Assessment* (《中華人民共和國環境影響評價法》) and environmental protection regulations for the healthcare industry, closely keeps abreast of the pace of national green transformation, and deeply implements the green development strategy.

8.2.1 Construction of Environmental Management System

Adhering to the concept of green development, Yunkang continues to establish and improve the internal environmental management system, and devotes solid efforts in improving the relevant systems of energy and resource management. The Company has formulated and implemented the *Yunkang Group Environmental Management System* (《雲康集團環境管理制度》), and completed the *Emergency Plan for Environmental Emergencies* (《突發環境事件應急預案》) and the *Risk Assessment Report for Environmental Emergencies* (《突發環境事件風險評估報告》) to minimize the environmental impact of its own business and operations. At the same time, the Company pursues the concept of green environmental protection, actively promotes the publicity of environmental awareness, encourages employees and partners to operate in an environmentally responsible manner, and strives to create a green atmosphere. In 2023, Guangzhou Da'an Clinical Laboratory Center, a subsidiary of Yunkang, obtained ISO 14001 Environmental Management System Certificate.



Environmental Management System Certificate (partial)

Yunkang is committed to strengthening environmental management, continuously reducing pollutant emissions and GHG emissions, and enhancing energy and water efficiency. The Company is currently setting environmental targets to strengthen the relevant supervision and management.

8.2.2 Energy Management

Yunkang strictly abides by the *Energy Conservation Law of the People's Republic of China* (《中華人民共和國節約能源法》), has formulated and implemented internal environmental systems such as the *Yunkang Group Energy Management System* (《雲康集團能源管理制度》), the *Office Water, Electricity, and Paper Management Regulations* (《辦公室用水、用電、用紙管理規定》), and continuously monitors energy use in order to identify the energy-saving possibilities in each link and timely adjust the energy consumption control strategy. The Company takes multiple measures to achieve energy saving and consumption reduction, continues to promote the standardization and institutionalization of energy saving and consumption reduction measures, enhances employees' awareness of energy conservation and emission reduction through environmental education, and strives to practice the concept of green operation and green office. Yunkang work towards reducing energy consumption, and certain measures for energy saving and consumption reduction include:



To strengthen green storage management to reduce daily energy consumption through reasonable temperature control and well-designed site selection



To standardize the use of heating and cooling system, save electricity for air conditioner, and reasonably set the temperature of air conditioner in office areas



To use LED energy-saving lamps with higher lighting efficiency in the Company's office area and major laboratories



To actively create green logistics, giving priority to new energy vehicles for logistics and transportation



To regularly maintain and repair all kinds of equipment to ensure its normal operation, prolonged service life and guaranteed power consumption efficiency



To form a combinative mechanism of employee self-discipline and administrative inspection to ensure that the air conditioner and lamps are turned off when the area is unoccupied



LED energy-saving lamps in the office area



Electricity saving reminder signs

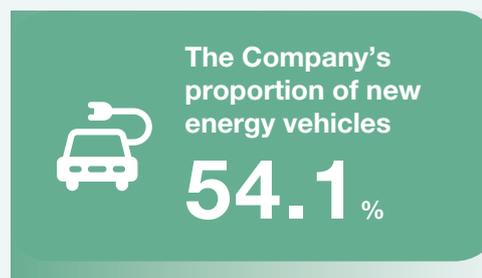
Building green logistics and creating a zero-carbon future

Yunkang actively practices green logistics operations, promotes low-carbon transformation in the fields of green office, green vehicles, and green logistics packaging, and further reduces energy consumption and environmental pollution caused by the use of office consumables and logistics transportation.

- Logistics office system: In response to the Company's call for green paperless office, Yunkang Logistics Center has changed the logistics declaration process to online system approval, simplify sample information registration process through photo recording, barcode optimization and other procedures, which not only reduces paper consumption and achieve paperless office, but also improves the efficiency of sample reception;
- Logistics transportation vehicles: Yunkang continues to promote the process of "gasoline-to-electricity". There was 76 new energy vehicles in 2023. As of the end of the Reporting Period, the Company's proportion of new energy vehicles increased to 54.1% from 50.2%;
- Logistics transportation weight reduction: Yunkang gradually promotes the green upgrading of sample transport box, upgrades the original PP+PU material to EPP box body with 30% weight reduction, and reduces the use of anti-vibration and crush-resistance cartons. The upgrading program has been piloted in high-speed rail transportation.



EPP sample transport box



During the Reporting Period, the total direct and indirect energy consumptions of the Company are as follows:

Energy	Unit	Data in 2023
Total energy consumption	Thousand kWh	17,604.00
Total density of energy consumption	Thousand kWh/million RMB	19.75

8.2.3 Water Resource Management

Yunkang strictly abides by the *Water Pollution Prevention and Control Law of the People's Republic of China* (《中華人民共和國水污染防治法》) and other relevant laws and regulations, and attaches great importance to the management and protection of water resources. Yunkang strives to reduce water consumption and improve the efficiency of operational water use. The Company has adopted a number of measures to improve the use and management of water resources, such as strengthening water management in office areas, laboratories and major industry park, using water-saving equipment and technologies to improve water efficiency and posting “water saving” signs to encourage employees to cherish water resources. At the same time, the Company also regularly monitors the use and quality of water resources to ensure that the use and management of water resources comply with environmental standards and industry norms.

During the Reporting Period, the Company's total water consumption and density were as follows, and there was no problem in sourcing suitable water sources:

Water resource	Unit	Data in 2023
Total water consumption	Cubic meter	24,681.58
Density of water consumption	Cubic meter/million RMB	27.69

8.2.4 Discharges Management

Yunkang strictly abides by the *Regulations on the Administration of Medical Wastes* (《醫療廢物管理條例》), the *Measures for Medical Wastes Management of Medical and Health Institutions* (《醫療衛生機構醫療廢物管理辦法》), the *Regulations on the Safety Management of Hazardous Chemicals* (《危險化學品安全管理條例》) and other relevant management provisions, has formulated and implemented the *Responsibility System for Control and Disposal of Hazardous Waste with Environmental Pollution* (《危險廢物污染環境防治責任制度》), the *Yunkang's Classified Collection Management System of Medical Waste* (《雲康醫療廢物分類收集管理制度》), the *Standard Operating Procedures for Laboratory Medical Waste Disposal* (《實驗室醫療廢物處置標準操作規程》) and other internal systems to ensure the reasonable disposal of various discharges and continuously reduce the amount of corresponding discharge. Yunkang endeavors to continuously reduce the Group's waste discharge by strengthening medical liquid waste management, wastewater management and air pollutants management.

Medical liquid waste management

Yunkang complies with the relevant laws and regulations on medical liquid waste, engages third-party companies designated by the environmental protection department to recycle and dispose of medical liquid waste, and closely monitors and records the removal, transportation and reception of medical liquid waste. At the same time, Yunkang uses a solvent waste liquid recycling machine to recycle xylene waste liquid generated during the pathological specimen testing process in the laboratory, achieving the recycling and reuse of xylene waste liquid to reduce the risk of xylene emissions and minimize its harm to the environment.

Wastewater management

In addition to engaging qualified third-party companies to treat wastewater, Yunkang has established an internal wastewater treatment system to centralize the treatment of wastewater. The wastewater is purified through wastewater treatment equipment, and discharged after effectively removing pollutants such as chemicals and hazardous substances and meeting environmental discharge standards. Meanwhile, Yunkang regularly carries out water quality testing to effectively ensure the adequacy and effectiveness of wastewater treatment.

Wastewater treatment system

Yunkang has constructed a wastewater treatment station at its subsidiary Guangzhou Da'an Clinical Laboratory Center to centrally treat the wastewater generated by production and operation activities to ensure that it is discharged after meeting discharge standard and reduce the impact on the surrounding environment. The facility uses a treatment process of "physical and chemical treatment + anaerobic treatment + anoxic treatment + aerobic treatment + membrane bioreactor (MBR)", which can reduce pollutants such as suspended solids and dissolved substances, and achieve a processing capacity of 3m³/h. The treated wastewater meets environmental discharge standards and has stable water quality. In addition, in order to further improve the utilization rate of water resources, the Company utilizes the wastewater that meets the standards for other purposes to align the economic benefits with environmental benefits.

Air pollutants management

Yunkang emphasizes air pollutants management, and adopts activated carbon adsorption process to prevent and control air pollution generated during its operations to ensure that the air pollutants are controlled and discharged in compliance with standards after filtration treatment. For equipment that may cause serious air pollution, Yunkang eliminates or replaces it in a timely manner.

8.2.5 Waste Management

In strict compliance with the *Law of the People's Republic of China on the Prevention and Control of Environment Pollution Caused by Solid Wastes* (《中華人民共和國固體廢物污染環境防治法》), Yunkang conducts classified collection of waste, takes appropriate treatment measures for hazardous and non-hazardous wastes, and monitors the generation and disposal of various wastes on an on-going basis, and continuously improves the level of waste management.

Hazardous waste management

- The hazardous wastes of the Company mainly include medical wastes, waste batteries, waste electronic equipment, etc.
- The Company has formulated and implemented internal waste management procedures such as the *Classified Collection Management System of Medical Waste* and the *Responsibility System for Control and Disposal of Hazardous Waste with Environmental Pollution*, and strictly supervises and manages the generation, collection, classification, labelling, recording, storage, transportation, and disposal of hazardous waste. The Company also complies with the requirements of relevant laws and regulations in the construction, utilization, and maintenance of temporary hazardous waste storage facilities. Additionally, The Company co-operated with professional third-party companies to ensure that hazardous waste is disposed of in a compliant manner.

Non-hazardous waste management

- The Company's non-hazardous waste mainly consists of daily office waste and general solid waste generated during operations.
- Domestic waste is sorted and handed over to the environmental protection department for disposal, and renewable materials are handed over to a third-party company designated by the environmental protection department for recycling.
- The Company fully implement the *Yunkang Group 7S Work Implementation Handbook* (《雲康集團7S工作實施手冊》) to optimize the office environment by enhancing waste management, so as to improve operational efficiency.



Garbage classification billboard



Waste battery recycling

During the Reporting Period, the amount of waste generated by the Company is as follows:

Waste	Unit	Data in 2023
Total hazardous waste	Tonnes	228.17
Density of hazardous waste	Tonnes/million RMB	0.2559
Total non-hazardous waste	Tonnes	67.78
Density of non-hazardous waste	Tonnes/million RMB	0.0760

09

CARING FOR THE COMMUNITY AND FULFILLING RESPONSIBILITY

- UPHOLDING PUBLIC WELFARE AND CONTRIBUTING TO THE SOCIETY



09 CARING FOR THE COMMUNITY AND FULFILLING RESPONSIBILITY

As a responsible corporate citizen, Yunkang practices the way of sustainable responsibility, actively participates in public welfare and charity, creates long-term value for the society, and improves the health and well-being of the people. Given the current situation of insufficient primary medical resources, Yunkang leverages its high-quality platform resources and technical advantages in the field of medical diagnosis to empower primary medical institutions, and promote the construction of the public health system. In response to the national targeted poverty alleviation policy, the Company actively participates in the pairing assistance of the East China and West China to promote the equal access to public health services. In addition, Yunkang carried out many activities such as charitable clinical diagnosis, free medical examinations and health knowledge lectures to contribute to the safeguarding of citizens' health.

9.1 UPHOLDING PUBLIC WELFARE AND CONTRIBUTING TO THE SOCIETY

Yunkang is keen on public welfare undertakings and actively fulfills its social responsibilities. In 2023, the Company organized and carried out a variety of social welfare activities, and made remarkable achievements in promoting charity and public welfare undertakings, providing assistance in targeted poverty alleviation, and improving the public health system.

9.1.1 Contributing to the Improvement of Public Health Systems

A sound public health system serves an important foundation for ensuring people's livelihood and well-being and building a healthy China. Yunkang is ready to shoulder social responsibilities and rely on the whole industry chain service system and professional technology platform to carry out major public health services for many local governments. In the meantime, Yunkang focuses on national health issues, contributes to build efficient and low-cost primary public health services and promotes the construction and improvement of the public health system.

Popularization of health knowledge

The popularization of health knowledge plays a significant role in the construction of the public health system, which can increase public awareness of and capabilities for addressing health issues, foster healthy behaviors, reduce the occurrence of diseases, improve overall health conditions, and promote public engagement and community development. Yunkang regularly holds health lectures to allow the public to learn and master health knowledge and necessary health skills, and increase the national health awareness and management awareness. In 2023, Yunkang held approximately 370 health lectures, covering nutrition and health, hypertension, Traditional Chinese Medicine (“TCM”), vaccination, sleep, tobacco control and other aspects of health knowledge, with a cumulative audience of over 7,200 people.



Lecture on tobacco control knowledge



Lecture on vaccination knowledge



Lecture on nutrition and health

Safeguarding the health of special groups

The elderly, pregnant women and children are the key groups of medical services. Yunkang always pays attention to the health and safety of the elderly, pregnant women, children and other groups on a regular and on-going basis, actively performs better in disease prevention and control and medical treatment for the elderly, women and children, children and other groups, make all-out effort to ensure primary medical services, and actively build a public health prevention and control network to safeguard the health of the people.

Yunkang provided targeted assistance for prenatal screening

In March 2023, Yunkang and Neijiang Maternal and Child Healthcare Hospital of Sichuan Province jointly organized free clinic activity of “Preventing Birth Defects and Giving Babies a Defect-free Future”, during which a number of senior prenatal screening and diagnosis experts were invited to popularize health knowledge for pregnant women and those preparing for pregnancy, and provide professional genetic counseling and fertility guidance to help prevent birth defects and care for maternal and child health.



Activity sites

9.1.2 Responding to Targeted Poverty Alleviation

In order to respond to the state’s call for promoting the coordinated development among the regions, Yunkang relies on its industrial advantages to assist underdeveloped areas in improving their healthcare service capabilities by donating funds, medical equipment and medicines and contributes to the construction of a more equal and sustainable society.

Yunkang actively participated in the medical pairing assistance of the East China and West China

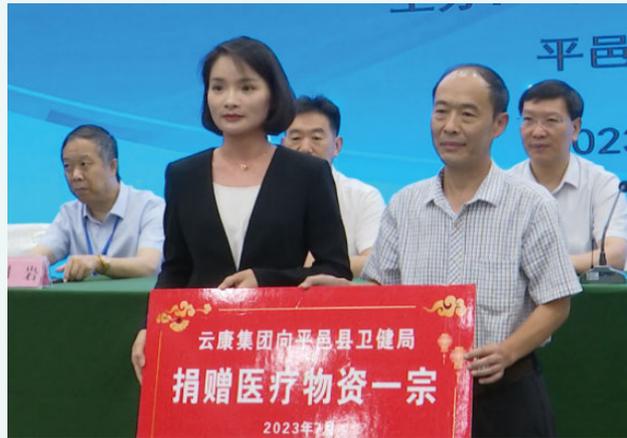
In 2023, Yunkang and Guangzhou Nanfang College established an industry-university-research strategic partnership with the Second People’s Hospital of Bijie City, Guizhou Province, pursuant to which they jointly built the pathology department of the Second People’s Hospital of Bijie City, Guizhou Province. Yunkang leveraged the advantages of medical resources to provide professional support in technology, equipment and other aspects and improve the pathological diagnosis level of Bijie Regional Hospital in all respects, so as to better address the healthcare needs of local people and implement the pairing assistance of the East China and West China.



Opening Ceremony of the Pathology Department and Pathology Academic Exchange Meeting

Yunkang donated medical supplies to the Health Bureau of Pingyi County

In July 2023, the “Forum on the High-quality Development of Healthcare Service System in Rural Areas” and the opening ceremony of the “Research Base for Primary Healthcare Management” jointly sponsored by Shandong First Medical University (Shandong Academy of Medical Sciences) and the Health Bureau of Pingyi County was held in Pingyi County, Shandong Province. Yunkang donated a batch of medical supplies to the Health Bureau of Pingyi County to contribute to the development of primary medical and healthcare and promote the high-quality development of medical services in rural areas.



Supplies donation ceremony

In addition, Yunkang took the lead in organizing several marketing activities of offering gifts in 2023, including free trials and complimentary items, and conducted a total of 609 free tests for people in need.

As a responsible enterprise, Yunkang always regards social responsibility as its important priority in its development strategy, cares for the grassroots and provides assistance with affection, and received the Bronze Cup of 2022 Guangdong Poverty Alleviation Hongmian Cup. Looking forward, Yunkang will continue to practice social responsibility, focus on the revitalization and assistance of primary medical care, enhance the level of primary medical care and make the people more accessible to healthcare.



Bronze Award of Guangdong Poverty Alleviation Hongmian Cup

9.1.3 Community Charity and Public Welfare

Yunkang actively contributes to the society through sincere and warm-hearted public welfare activities. We focus on public welfare activities such as complimentary medical examinations and charitable clinical diagnostic activities, to leverage the value of professionalism, assume social responsibility and promote the enterprise spirit of respecting nature and loving others. In 2023, Yunkang organized over 330 complimentary medical examinations, serving more than 73,500 person-times. At the same time, we conducted over 300 charitable clinical diagnostic activities, serving more than 56,000 people.

“TCM in China” charitable clinical diagnostic activity

In April 2023, Yunkang organized “TCM in China (中醫中藥中國行)” charitable clinical diagnostic activity, in which we provided residents with free blood pressure testing, blood sugar testing, TCM consultation and other health examination items, and distributed health promotion brochures to safeguard residents’ health, popularize health knowledge and promote TCM culture with practical actions.



“TCM in China” charitable clinical diagnostic activity

Caring for the elderly with free and warm-hearted physical examinations

In 2023, Yunkang provided health care to the elderly groups in its locality at Liantang Community Health Service Station and Yinhua Community Health Service Station and offered several free physical examination services to residents aged 65 and above to help the elderly keep informed of their physical health status, achieve early detection, early treatment and early intervention, and further enhance the sense of gain and happiness of the elderly group, building a warm-hearted brand image.



Free physical examination for the elderly aged 65 and above

10 APPENDIX 1: ESG KPIS

10.1 ENVIRONMENTAL KPIS

ESG indicators	Unit	Data in 2023
A1.1 Air pollutant emissions¹		
Xylene	Tonnes	0.00084
Phenols	Tonnes	0.0101
TVOC ²	Tonnes	0.0145
Total emissions of air pollutant	Tonnes	0.02544
Total density of air pollutant emissions	Tonnes/million RMB	0.00003
A1.2 Direct and indirect GHG emission³		
GHG emission (scope 1)	tCO ₂ e	0 ⁴
GHG emission (scope 2)	tCO ₂ e	10,039.56 ⁵
Total GHG emission	tCO ₂ e	10,039.56
Total density of GHG emission	tCO ₂ e/million RMB	11.26
A1.3 Discharge of hazardous waste⁶		
Waste tube	Tonnes	0
Waste toner cartridges and ink cartridges	Tonnes	0.0005
Medical waste	Tonnes	228.16
Total hazardous waste discharge	Tonnes	228.17
Total discharge density of hazardous waste	Tonnes/million RMB	0.2559
A1.4 Discharge of non-hazardous waste⁶		
Waste cartons ⁷	Tonnes	7.34
Office waste paper	Tonnes	0.07
Household waste	Tonnes	58.89 ⁸
Waste plastic	Tonnes	1.48
Total non-hazardous waste discharge	Tonnes	67.78
Total discharge density of non-hazardous waste	Tonnes/million RMB	0.0760
Waste carton recycled ⁷	Tonnes	7.34
Office waste paper recycled	Tonnes	0.01
Waste plastic recycled	Tonnes	1.48
Total non-hazardous waste recycled	Tonnes	8.83
A2.1 Energy consumption⁹		
Purchased electricity	Thousand kWh	17,604.00 ¹⁰
Total energy consumption	Thousand kWh	17,604.00
Total energy consumption intensity	Thousand kWh/million RMB	19.75
A2.2 Water consumption		
Total water consumption	Cubic meter	24,681.58
Total water consumption intensity	Cubic meter/million RMB	27.69
Recycled water consumption ¹¹	Cubic meter	250.00

Illustration for environmental KPIs:

The time of data collection covers the period from January 1, 2023 to December 31, 2023. The scope of environmental data collection covers the headquarters of the Group and 12 clinical laboratories in Guangzhou, Chengdu, Hefei, Nanchang, Kunming, Shanghai, Jinan, Nanning, Changsha, Shantou, Guiyang and Haikou unless otherwise specified. The scope of data collection in 2023 expanded as compared with 2022:

1. The emission of air pollutants comes from the use of volatile reagents, including xylene, phenols and TVOC, and the Company does not possess its own official vehicles, so it does not produce conventional air pollutants such as sulfur dioxide, nitrogen oxides, and particulate matter; air pollutants only included the emissions of Guangzhou Da'an Clinical Laboratory, and the emissions of air pollutants in the rest of the laboratories were extremely low and negligible; the calculation of air pollution emissions mainly refers to the Company's monitoring report;
2. TVOC refers to the abbreviation of Total Volatile Organic Compounds;
3. Total GHG emissions include direct GHG emissions and indirect GHG emissions; direct GHG emissions come from the use of refrigerants, and the emission coefficient mainly refers to the Hong Kong Stock Exchange's Reporting Guidance on Environmental KPIs (《環境關鍵績效指標匯報指引》); indirect GHG emissions come from purchased electricity, and the GHG emission coefficient of purchased electricity is calculated with reference with the relevant conversion factors set out in the *Calculation Method and Reporting Guidance on Greenhouse Gas Emissions for Power Generation Facilities (2022 Revision)* (《企業溫室氣體排放核算方法與報告指南發電設施(2022年修訂版)》) issued by the Ministry of Ecology and Environment of the People's Republic of China;
4. GHG emission (scope 1) come from the use of refrigerants. No refrigerant was replaced in 2023, thus GHG emission (scope 1) in 2023 was 0;
5. GHG emission (scope 2) come from purchased electricity. GHG emissions (scope 2) in 2023 increased was due to the expansion of data collection scope in 2023 and the increase in purchased electricity as a result of the renovation of new clinical laboratories;
6. According to the Company's business nature and actual operating conditions, hazardous waste includes waste lamp tubes, waste toner cartridges and medical waste; non-hazardous waste includes waste cartons, office waste paper, household waste and waste plastic;
7. The discharge and recycling of waste cartons only included Guangzhou Da'an Clinical Laboratory, and the discharge and recycling of waste cartons in other laboratories were extremely low and negligible;
8. The increase in the data of household waste in 2023 was mainly due to the expansion of data collection scope in 2023 and the increase in kitchen waste caused by the increase in takeaways ordered by employees after the COVID-19 pandemic;
9. Energy consumption only includes energy consumption from purchased electricity;
10. The expansion of data collection scope in 2023 and the increase in electricity consumption caused by the renovation of new clinical laboratories resulted in an increase in purchased electricity in 2023;
11. Recycled water consumption only included the amount of recycled water used in Jinan Clinical Laboratory.

10.2 SOCIAL KPIS

ESG indicators		Unit	Data in 2023
B1 Employment			
B1.1 Total workforce by gender, employment type, age group and geographical region¹			
	Total workforce	person	1,510
By gender	Male	person	652
	Female	person	858
By age group	Below age 30	person	762
	Age 30 to 50	person	708
	Above age 50	person	40
By rank	Total senior management	person	32
	Male senior management	person	25
	Female senior management	person	7
	Total middle management	person	162
	Male middle management	person	99
	Female middle management	person	63
	Total non-management	person	1,316
	Male non-management	person	528
	Female non-management	person	788
By region	Total employees in China mainland	person	1,508
	East China	person	198
	South China	person	1,106
	Central China	person	30
	Southwest China	person	174
	Total employees in Hong Kong, Macao, Taiwan and overseas regions	person	2
By employment type	Full-time	person	1,483
	Part-time	person	27

ESG indicators		Unit	Data in 2023
Total workforce by other categories			
By education	Master and above	person	72
	Bachelor and below	person	1,438
By ethnicity	Han	person	1,374
	Ethnic minorities	person	136
Other employment data			
Number of researchers		person	96
Labor contract signing rate for full-time employees		%	100
Social insurance coverage rate for full-time employees		%	100
Labor union coverage rate for full-time employees		%	100
Proportion of female holding STEM ² -related positions		%	52
B1.2 Employee turnover rate by gender, employment type, age group and geographical region³			
Total turnover rate		%	92.52
By gender	Male	%	34.24
	Female	%	58.28
By age group	Below age 30	%	71.79
	Age 30 to 50	%	20.00
	Above age 50	%	0.73
By region	China mainland	%	92.52
	Hong Kong, Macao, Taiwan and overseas regions	%	0
By rank	Senior management	%	0.26
	Middle management	%	1.32
	Non-management	%	90.93

ESG indicators		Unit	Data in 2023
B2 Health and safety⁴			
B2.1 Number and rate of work-related fatalities			
	2023	person; %	0; 0
	2022	person; %	0; 0
	2021	person; %	0; 0
B2.2 Lost days due to work injury			
	Lost days due to work injury	day	0
B3 Development and training			
B3.1 Percentage of employees trained by gender and employee category⁵			
By gender	Male	%	46.21
	Female	%	53.79
By rank	Senior management	%	2.89
	Middle management	%	10.65
	Non-management	%	86.46
Percentage of employees trained by other categories⁵			
By training content	Marketing line	%	19.13
	Laboratory technology line	%	47.20
	Functional line	%	33.66
By age	Below age 30	%	51.08
	Age 30 to 50	%	47.11
	Above age 50	%	1.81
By ethnicity	Han	%	92.51
	Ethnic minorities	%	7.49

ESG indicators		Unit	Data in 2023
B3.2 Average training hours completed per employee by gender and employee category⁶			
By gender	Male	hour	24.00
	Female	hour	22.00
By rank	Senior management	hour	10.00
	Middle management	hour	22.00
	Non-management	hour	23.47
Average training hours completed per employee by other categories⁶			
By training content	Marketing line	hour	21.41
	Laboratory technology line	hour	32.24
	Functional line	hour	10.72
By age	Below age 30	hour	24.80
	Age 30 to 50	hour	21.30
	Above age 50	hour	12.20
By ethnicity	Han	hour	23.00
	Ethnic minorities	hour	22.00
B5 Supplier management			
B5.1 Number of suppliers by geographical region			
By region	Total suppliers in China mainland	unit	353
	North China	unit	21
	East China	unit	95
	South China	unit	175
	Central China	unit	33
	Northwest China	unit	2
	Southwest China	unit	26
	Northeast China	unit	1

ESG indicators	Unit	Data in 2023	
B6 Product responsibility			
B6.2 Number of products and service related complaints received			
Number of complaints received	case	302 ⁷	
Number of customer complaints dealt with	case	302	
B6.5 Consumer data protection and privacy			
Information security breaches or other major network security incidents	case	0	
Approval rate of corporate information security risk assessments	%	100	
Average hours of information security training per person	hour	6	
Coverage rate of informing customers about privacy policies	%	100	
Coverage rate of customers using data control services	%	100	
Customer opt-in consent rate for privacy policy coverage	%	100	
Customer coverage rate for information disclosure policies	%	100	
Frequency of information system and data security audits	case/year	2	
Employee coverage rate for information security and privacy protection training	%	100	
B7 Anti-corruption			
B7.1 Number of concluded legal cases regarding corrupt practices and outcomes			
Number of concluded legal cases regarding corrupt practices	case	0	
B7.3 Anti-corruption training provided to directors and staff			
Number of participants trained	Board of Directors	person	5
	Staff	person	128
Training hours	Board of Directors	hour	15
	Staff	hour	384
B8 Community investment			
B8.2 Resources contributed to the focus area			
Complimentary medical examinations	case	330	
Charitable clinical diagnostic activities	case	300	
Health lectures	case	370	

Illustration for social KPIs:

1. As the changes in the Company's business led to high employee turnover rate in 2023, the indicators are greatly different from 2022;
2. STEM refers to Science, Technology, Engineering and Mathematics;
3. The employee turnover rate is calculated based on: $\text{Turnover rate (per category)} = \frac{\text{Number of employees in the specified category leaving employment}}{\text{Total number of employees}}$;
4. Social KPIs cover all employees of Yunkang Group;
5. The percentage of employees trained is calculated based on: $\text{Percentage of employees trained} = \frac{\text{Number of employees in the specified category who took part in training}}{\text{Total number of employees who took part in training}}$;
6. The average training hours completed per employee is calculated based on: $\text{Average training hours completed per employee} = \frac{\text{Total number of training hours completed by employees in the specified category}}{\text{Total Number of employees in the specified category}}$.
7. In 2023, due to changes in the Company's business and market demand, the number of complaints increased as compared with 2022.

11 APPENDIX 2: INDEX OF ESG REPORTING GUIDE OF THE STOCK EXCHANGE

ESG indicators	Description of indicators	Page
A1 Emissions general disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	98-103
A1.1	The types of emissions and respective emissions data.	111
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	111
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	111
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	111
A1.5	Description of emission target(s) set and steps taken to achieve them.	98-103
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	98-103
A2 Use of resources general disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	98-103
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in'000s) and intensity (e.g. per unit of production volume, per facility).	111
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	111
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	98-103
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	98-103

ESG indicators	Description of indicators	Page
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable with reference to per unit produced.	Not applicable. Yunkang is a non-production enterprise and does not involve packaging material used for finished products
A3 The environment and natural resources general disclosure	Policies on minimizing the issuer's significant impacts on the environment and natural resources.	98-103
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	98-103
A4 Climate change general disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted and those which may impact the issuer.	94-98
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	94-98
B1 Employment general disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	75, 89-92
B1.1	Total workforce by gender, employment type (for example, full – or part-time), age group and geographical region.	113
B1.2	Employee turnover rate by gender, age group and geographical region.	114
B2 Health and safety general disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards:	77-80
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	77
B2.2	Lost days due to work injury.	115

ESG indicators	Description of indicators	Page
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	77-80
B3 Development and training general disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	80-88
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	88
B3.2	The average training hours completed per employee by gender and employee category.	88
B4 Labour standards general disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labor.	75
B4.1	Description of measures to review employment practices to avoid child and forced labor.	75
B4.2	Description of steps taken to eliminate such practices when discovered.	75
B5 Supply chain management general disclosure	Policies on managing environmental and social risks of the supply chain.	69-73
B5.1	Number of suppliers by geographical region.	69-73
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	69-73
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	69-73
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	69-73

ESG indicators	Description of indicators	Page
B6 Product responsibility general disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	47-68
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons	Not applicable. Yunkang is a non-production enterprise and does not involve products sold or shipped subject to recalls
B6.2	Number of products and service related complaints received and how they are dealt with.	58-61
B6.3	Description of practices relating to observing and protecting intellectual property rights.	68
B6.4	Description of quality assurance process and recall procedures.	47-53
B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	62-64
B7 Anti-corruption general disclosure	Information on the policies and compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	36-37
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	36-37
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	36-37
B7.3	Description of anti-corruption training provided to directors and staff.	36-37
B8 Community investment general disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	105-110
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sport).	105-110
B8.2	Resources contributed (e.g. money or time) to the focus area.	105-110

FEEDBACK

Dear reader,

Hello! Thank you for reading the “Yunkang Group 2023 Environmental, Social and Governance Report”. To strengthen communication and exchange with stakeholders and continuously improve the ESG management work of Yunkang Group, we look forward to hearing your valuable feedback.

Yunkang Group Limited
April 2024

1. What is your overall evaluation of this report?
 Good Above average Average No opinion
2. Do you think this report can objectively reflect the actual performance of the Company in fulfilling ESG responsibilities?
 Yes Average No No opinion
3. How would you rate the clarity, accuracy, and completeness of the information, data, and indicators disclosed in this report?
 High Above average Average Below average Low No opinion
4. How do you rate the design and layout of this report?
 Good Above average Average No opinion
5. Which content section of this report interests you the most?
 Feature Story Responsible Governance and Sound Operation
 Adhering to Quality and Striving for Excellence Putting People First and Growing Together
 Green Development and Environmental Protection Caring for the Community and Fulfilling Responsibility
 No opinion
6. Which content section of this report do you think needs the most improvement?
 Feature Story Responsible Governance and Sound Operation
 Adhering to Quality and Striving for Excellence Putting People First and Growing Together
 Green Development and Environmental Protection Caring for the Community and Fulfilling Responsibility
 No opinion
7. What information would you like to know that is not disclosed in this report?
8. What are your opinions and suggestions on the ESG work of the Company and the preparation of this report?
You can send your feedback and suggestions to ir@yunkanghealth.com, and we will fully consider your opinions and suggestions.

云康
YUNKANG