



Yunkang Group Limited 云康集团有限公司

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立的有限公司)

Stock Code 股份代號 : 2325

Yunkang Group Limited 2022 Annual Results

March 2023

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Results Overview

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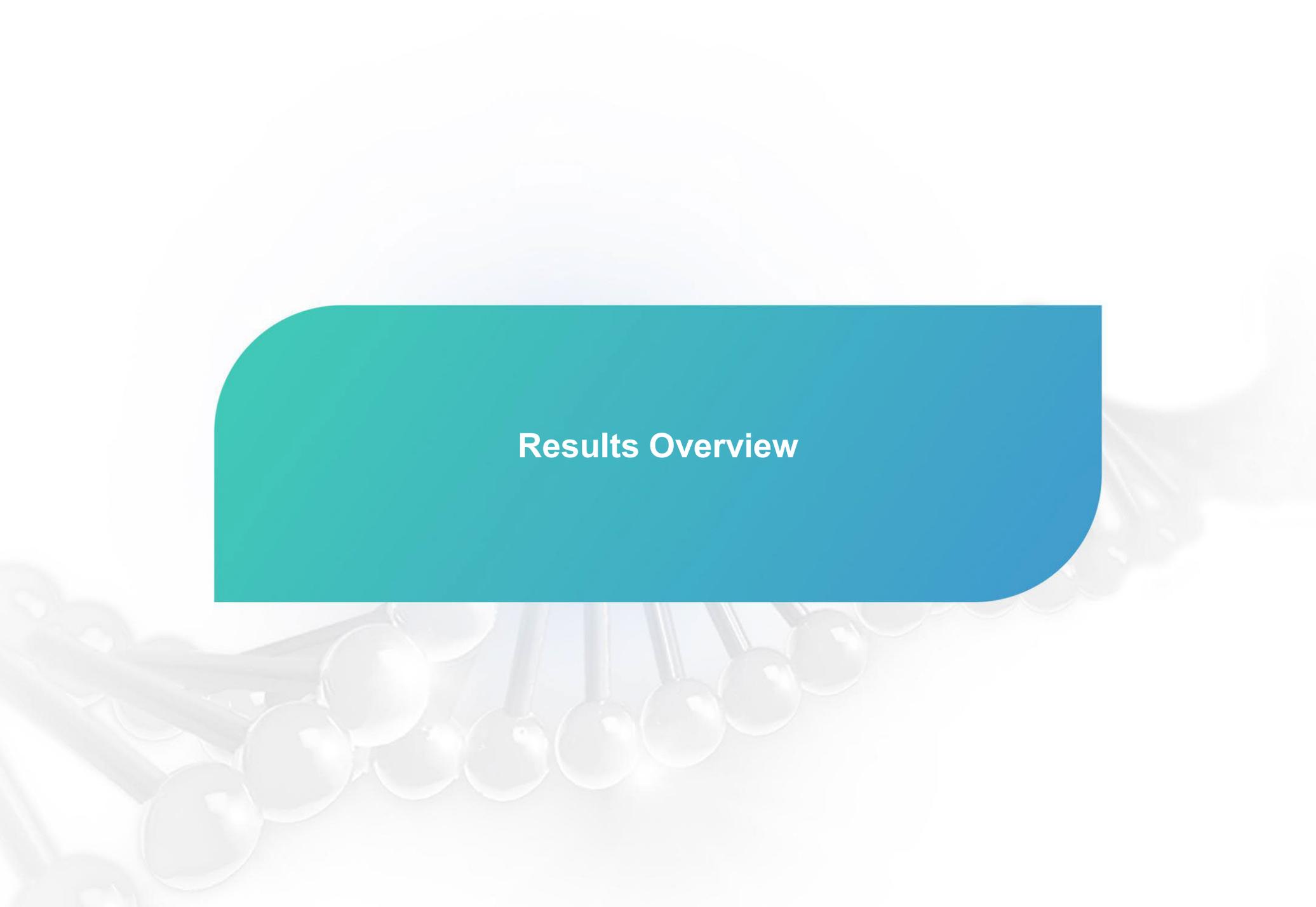
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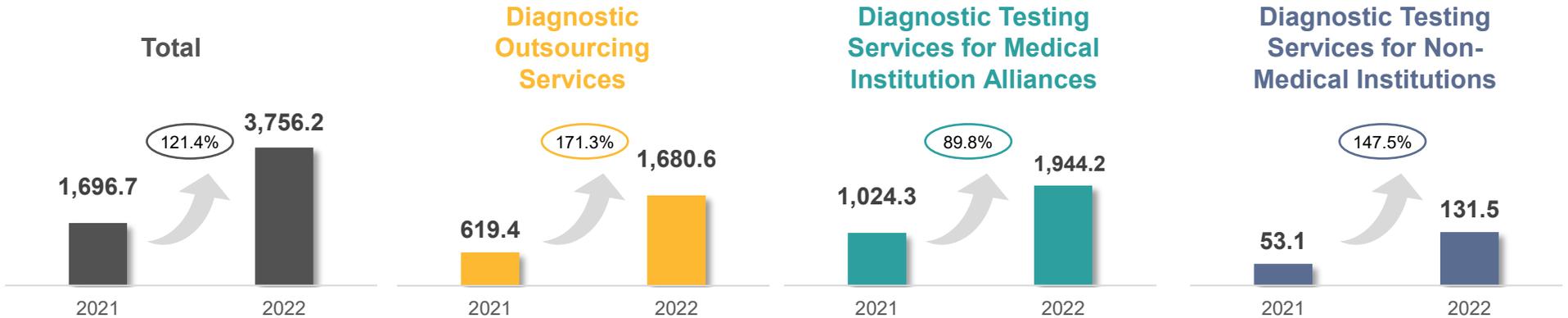
Business Outlook



Results Overview

Revenue keeps growing, three business lines and businesses of all regions keep improving

Revenue by business line (RMB million)



Revenue by region (RMB million)



Expanding network to guide quality medical resources to move downwards



Yunkang — a medical operation service provider in China



3,600+

No. of medical and non-medical customers¹



398

No. of on-site diagnostic centers we serve



840

No. of medical institutions¹ within the alliances we serve



31

No. of provinces, cities and autonomous regions covered¹



10+

No. of self-operated independent clinical laboratories¹



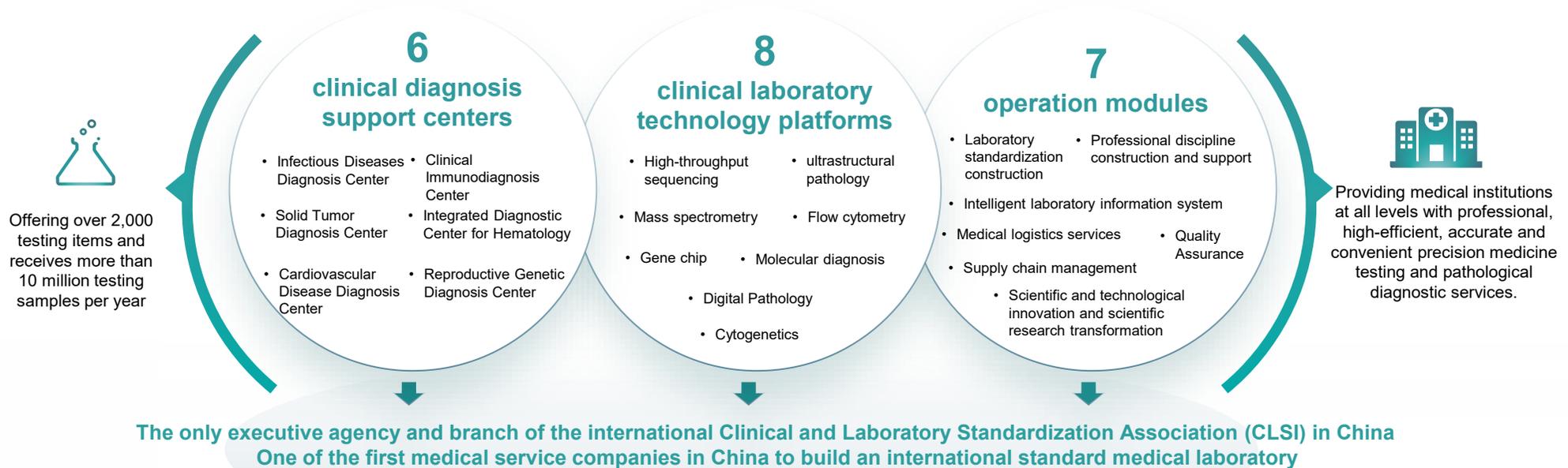
2,000+

No. of kinds of tests¹

Technological innovation and improvement of precision diagnosis and treatment technology

Leading medical operation service provider in China

— Focusing on the clinical demands and guided by the “clinical + disease” —



Qualifications

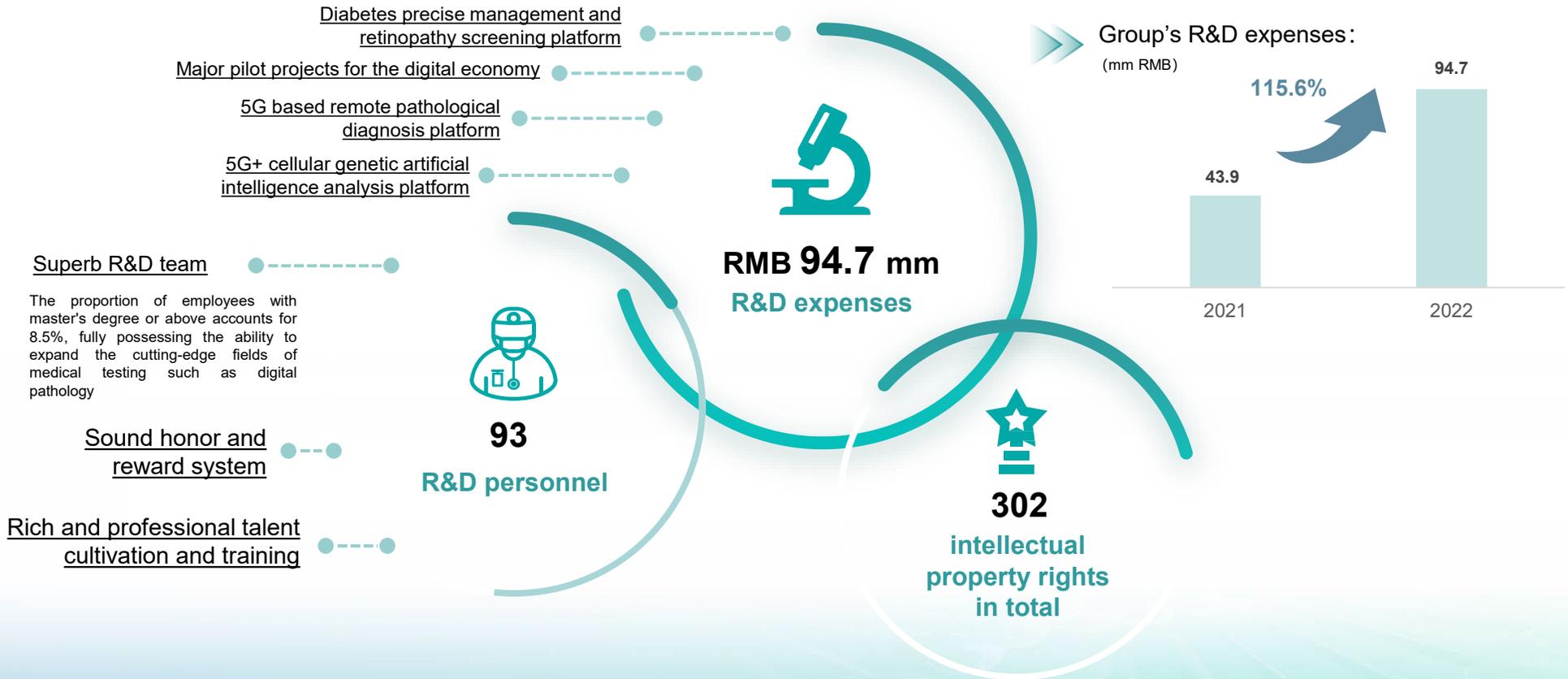
- National high-tech enterprise
- High throughput sequencing for prenatal screening and diagnosis professional clinical pilot unit
- Clinical pilot unit of high-throughput sequencing tumor diagnosis and treatment project
- Obtained the Laboratory Accreditation Certificate of China National Accreditation Commission for Conformity Assessment (CNAS-ISO15189)
- Certified by the American Association of Pathologists (CAP)
- Chief research and development unit and executive unit of the International diabetes Federation (IDF) Global diabetes Grassroots Prevention Plan

Rewards

- "2022 Listed Company Annual Award" by the Hong Kong Stock Analysts Association
- 2022 Glenway Global Investment Carnival "Ginger Award"
- Sina Finance "Top 10 Best New Stock Listed Companies in Jinjilin Hong Kong and the United States"
- "Ten Innovative Enterprises" in the National Smart Medical Competition
- The second prize of the "Outstanding Achievement Award for Scientific Research in Higher Education Institutions (Science and Technology) Science and Technology Progress Award" of the Ministry of Education
- Guangdong Medical Science and Technology Award of Guangdong Medical Association

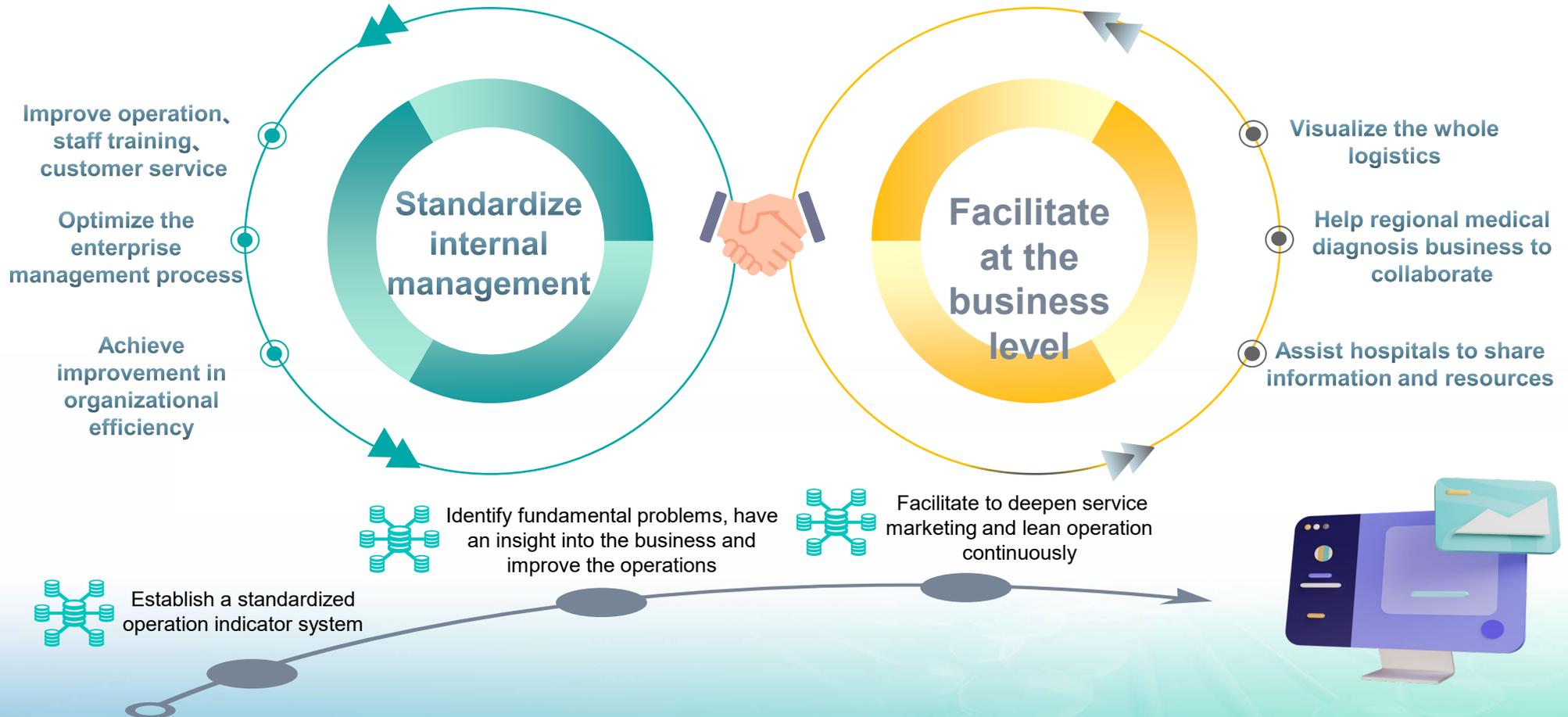
R&D innovation to improve accuracy and efficiency of testing

Yunkang has carried out a series of model innovation practices in the fields of medical laboratory technology research and development, gene testing application demonstration, hierarchical diagnosis and treatment innovation services, digital economy and healthcare big data, 5G and telemedicine applications. We have developed into one of the important medical technology innovation bases in China



Establish efficient operation system by digital operation

In terms of digitalization, the Group successively completed the layout of 10 digital operation systems such as Tengyun (Sales Cloud), marking Yunkang's digital operation model has taken shaped, and coupled with the planned "Jingyun (Efficiency Cloud)-lab operation system" with "precision technology, lean management" as the target and the rollout of the "data center" module" shared by all systems, Yunkang's digital operation will embrace a new era.



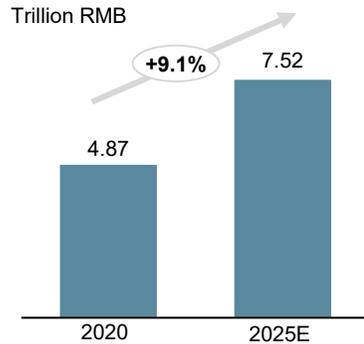
Note: as of 2022.12.31



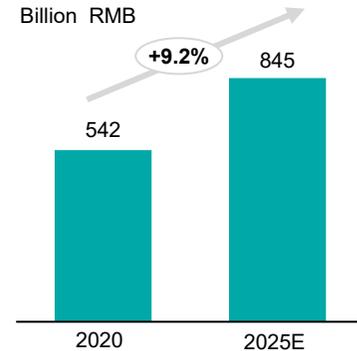
Business Overview

Diagnostic testing services in China has great potential

Medical Operation Service Market in China experienced rapid growth

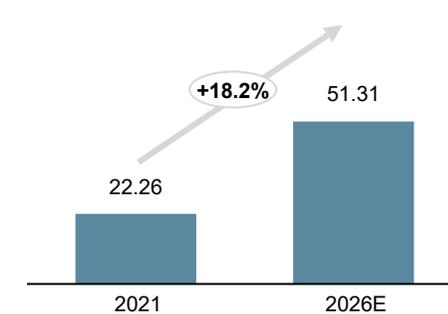


Clinical Testing Services in China expand quickly

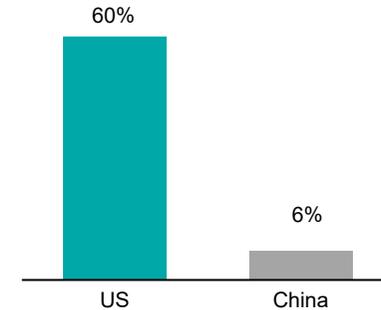


ICL penetration rate is low in China, large room to grow in the future

China ICL market size (excluding COVID-19 testing)



2021 ICL penetration rate in US and China



Encouraging policies improve demand of diagnostic testing services for medical institution alliances

The 2022 Government Work Report: promote hierarchical diagnosis and treatment and enhance the order of medical treatment.....promote the extension of quality medical resources to cities and counties and improve the capacity of primary disease prevention and treatment

The Outline of the Fourteenth Five-Year Plan released in March 2022: measures are to promote the coordinated development of county-level disease prevention control institutions and county-level medical alliances, and to improve the laboratory testing capacity of medical institutions; other measures include advancement of the ability of county hospitals in the testing and treatment of infectious diseases

In 2022, with the opening-up of the laboratory developed test (the "LDT") policies: the third-party medical testing institutions were urged to keep up with innovations to obtain more competitive diagnostic technologies and service capabilities

On March 23, 2023, Opinions on Further Improving the Medical and Health Service System: improve the capacity of public health services; highlight the leading position of county-level hospitals; promote the construction of medical centers, urban medical complexes, county-level medical alliances

Key drivers for diagnostic testing outsourcing services



Post Covid-19, demand for public health have increased
The requirement for the effectiveness of medial input and output by local finances have increased



As the aging intensifies, the number of patients with chronic diseases and cancers increase, China's medical service market continue expand



DRG/DIP payment method reform was carried out nationwide, hospitals paid more attention to cost control



Uneven distribution of medical resources, diagnosis testing support in country-level in need



Compact medical and health alliances in counties were established, country-level areas get more medical resources



Booming biotechnologies make the development and application of biotechnologies more revolutionary

Revenue scale of three business lines is expanding



Increase operational efficiency of medical institution alliance¹



Address uneven distribution of medical resources



Scalable network effect



First-mover advantages



Diagnostic outsourcing services



Diagnostic testing services for medical institution alliances



Diagnostic testing services for non-medical institutions

- ✓ 2021-2022 revenue growth: **89.8%**
- ✓ Established several provincial comprehensive laboratories and regional rapid response laboratories in 2022
- ✓ **key product lines including tumor, infectious diseases and blood diseases maintained stable growth**, while the scale of income from outsourcing services further expanded

- ✓ 2021-2022 revenue growth: **171.3%**
- ✓ No. of on-site diagnostic centers: 398³ (2021⁵: 275)
- ✓ **Annual average revenue⁴** of on-site diagnostic centers: 4.2 RMB million (2021⁶: 2.2 RMB million)
- ✓ **Proportion of the revenue from diagnostic testing services for medical institution alliances** of the Group's total revenue: 44.7%⁷ (2021⁸: 36.5%)

- ✓ 2021-2022 revenue growth: **147.5%**
- ✓ **Significant increase in demands for COVID-19 testing** by individual customers and non-medical institution customers under the impact of the COVID-19 pandemic

Medical diagnosis expertise

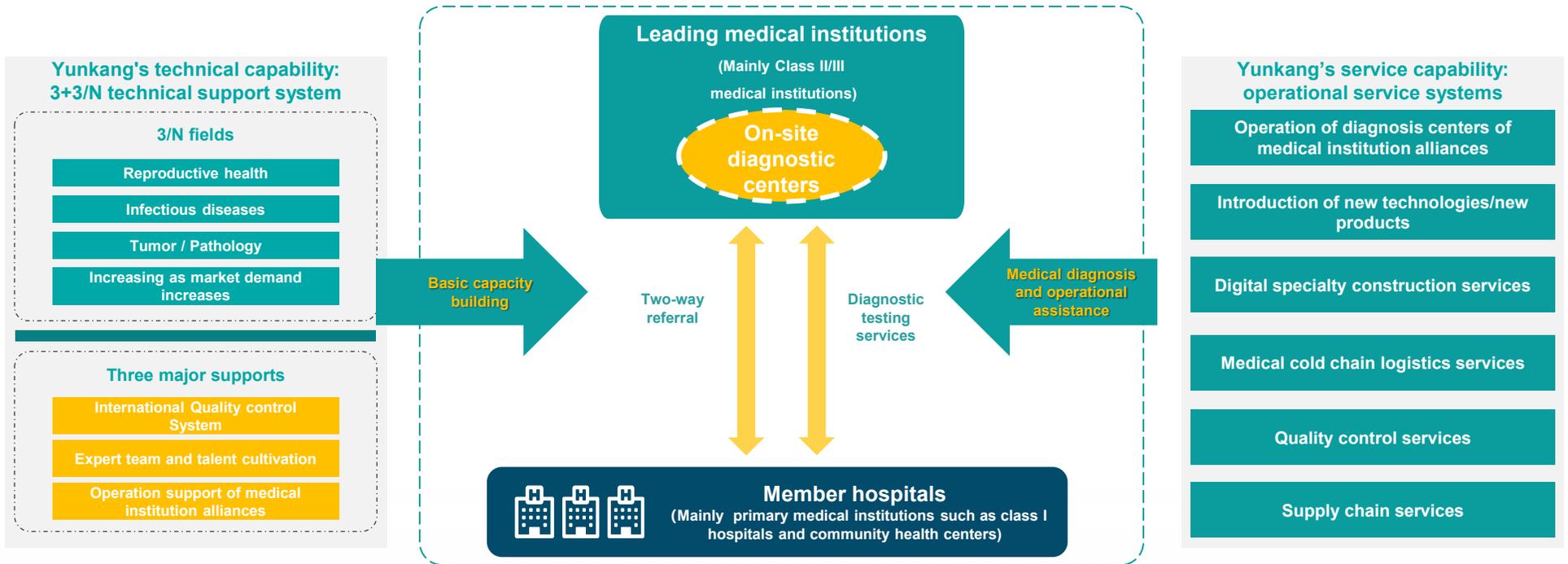
CLSI² international standard



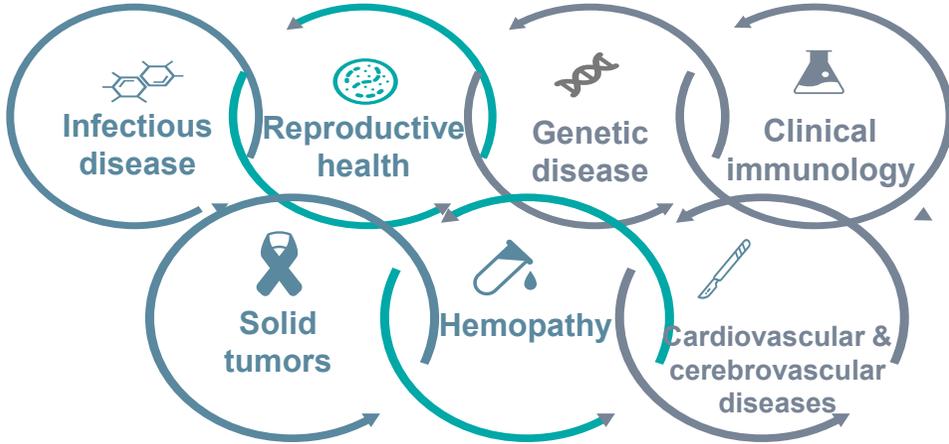
Professional, Standardized and Smart Diagnostic Testing Services

Note: 1. Medical institution alliance refers to a collaboration of medical institutions and is a widely used term in China, which refers to regional healthcare system consisting of primary, secondary and tertiary medical institutions, under which medical resources can be shared efficiently, aiming to improve the service quality of primary medical institutions, allocate patients to the appropriate hospitals based on their medical conditions, and balance the uneven distribution of medical resources and diagnosis demands in China; 2. CLSI stands for Clinical & Laboratory Standards Institute ; 3, 4, 7. Year ended 31 December, 2022; 5, 6, 8. Year ended 31 December, 2021

Business Line 1: Innovative business model of diagnostic testing services for medical institution alliances

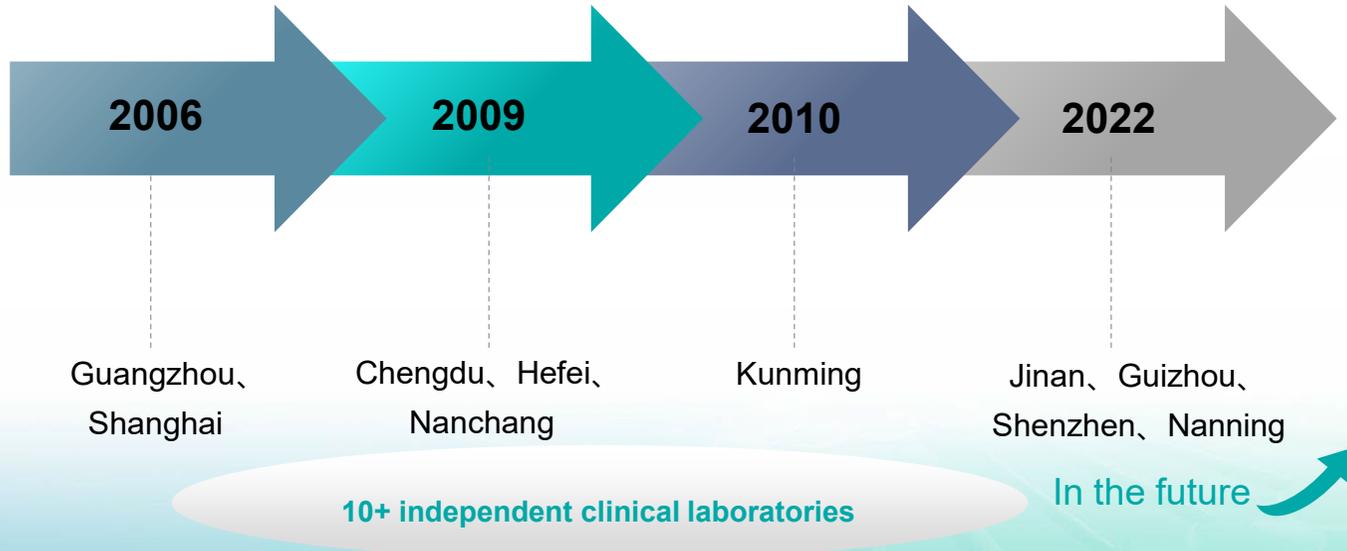
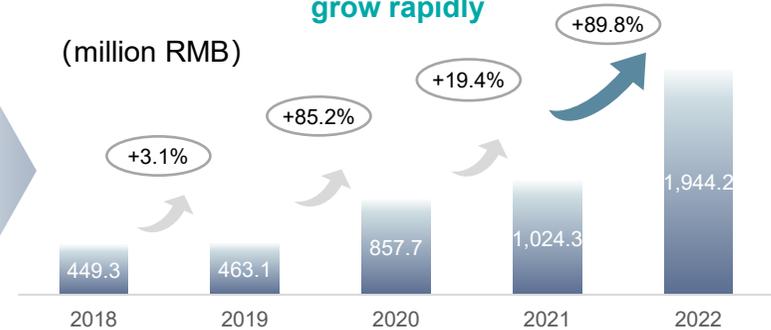


Business Line 2: Provide diagnostic outsourcing services for medical institutions, keep expanding independent clinical laboratories

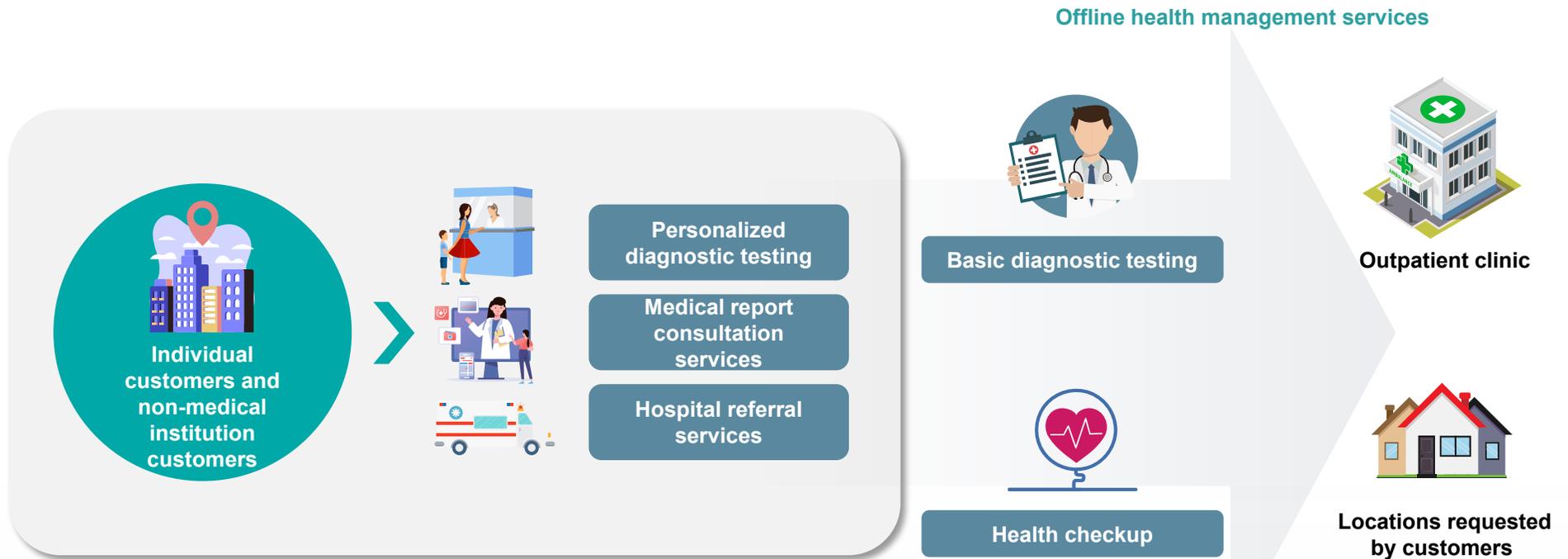


Revenue for diagnostic outsourcing services grow rapidly

(million RMB)



Business Line 3: Significant increase in revenue of diagnostic testing services for non-medical institutions



The number of diagnostic tests in outpatient clinics is increasing rapidly year by year



Due to the significant increase in demands for COVID-19 testing by individual customers and non-medical institution customers under the impact of the COVID-19 pandemic, the diagnostic testing services for non-medical institutions recorded revenues of RMB131.5 million during the Reporting Period, **representing an increase of 147.5% as compared with the same period of 2021**

Loyal customer network with broad nationwide coverage

Overall customer network...

2022

- 31** provinces, cities and autonomous regions
- 10+** self-operated independent clinical laboratories
- 1,500+** medical technicians
- 2,000+** kinds of tests
- 3,600+** medical and non-medical customers

...within which diagnostic testing services for medical institution alliances covered

2022

- 398** medical institution alliances
- 840** medical institutions

Actively growing network in the specialty areas (“3+1”)

- tumors
- infectious diseases
- genetics and reproduction
- + precision medicine



Digital operation——“Cloud” System improve internal management

Yunkang launched 10 digital cloud systems to facilitate sales management, human resources system, training system, settlement system, general ledger system, fixed asset system, warehousing system, logistics system and customer service system. The system not only further optimizes the enterprise management process at the internal management level, but also facilitates at the business level – visualize the whole logistics from receiving samples to issuing reports, help regional medical diagnosis business division to collaborate, and assist hospitals at all levels to share information and resources.



Harmony Cloud
Human Resources System



Velocity Cloud
Logistics System



Sales Cloud
Sales Management System



Heart Cloud
Customer Service System



Efficiency Cloud
Laboratory Service and Operation System



Storage Cloud
Warehousing System



Asset Cloud
Fixed Asset System



Accounting Cloud
General Ledger System

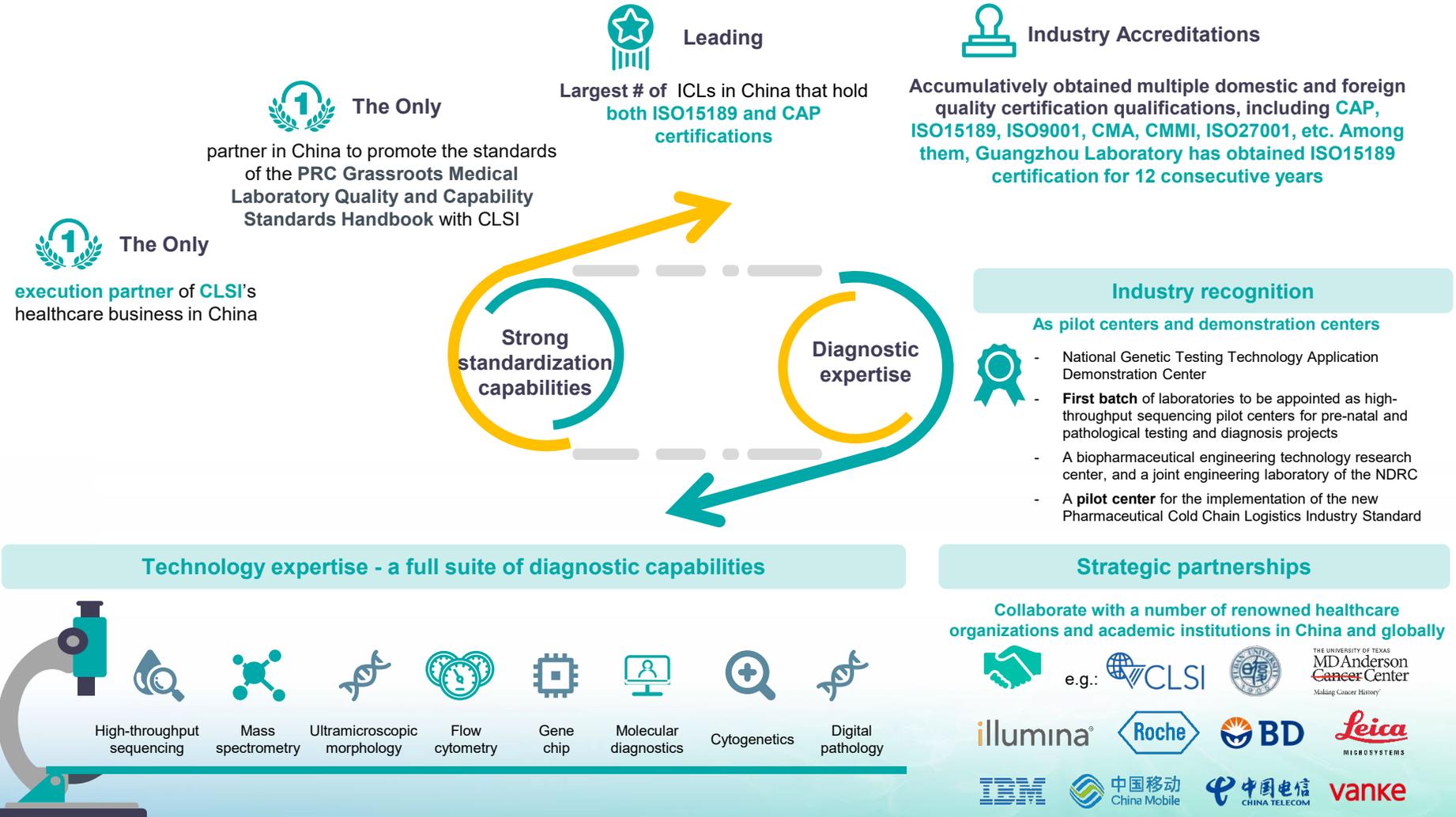


Empower Cloud
Training System



Safe Cloud
Settlement System

Establishing a standardized system to improve the quality of products and services



Practice social responsibilities, achieve joint progress and development of employees, society and the environment

- Establish an ESG governance framework and refine ESG governance responsibilities
- Benchmark international best ESG governance practices, and comprehensively improve ESG governance from the construction of medical alliances, inclusive healthcare, talent attraction, and community investment
- Strengthen the disclosure of environmental and anti-corruption related information, and actively respond to the new ESG requirements of the Hong Kong Stock Exchange

Establish an ESG working group to comprehensively promote ESG work



Improve the **effectiveness** of ESG management and implement ESG management measures



To enhance the efficiency of the Board and maintain a high level of corporate governance, the Company has adopted a Board Diversity Policy



Actively respond to the policy of "graded diagnosis and treatment", and assist medical institutions to improve their medical diagnosis and collaborative service capabilities according to the actual needs of regional governments and medical institutions at all levels



Successfully provided professional services for more than 2,000 diagnostic items to more than 3,600 medical institutions from 398 medical alliances across the country



Actively promote the integration of industry and academics, and establish a two-way benign cooperative relationship with major scientific research institutions based on "teaching support - management guidance"



Provide employees with great salary and welfare, career development system, and sound promotion mechanism, so employees can grow together with the company, and let the company become the guarantee of employees' lives, the belonging of souls and the dignity of being a person



Actively respond to the national green and low-carbon development strategy, and reduce the consumption of resources and energy through adding new energy cars into the sample transportation fleet



Identify climate change risk identification and opportunities with reference to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

Proactively respond to **stricter** ESG disclosure requirements



Respond to **Sustainable Development Goals of the United Nations**

Sustainable Development Goals



Yunkang ESG Performance

Environment



50.2% logistics vehicles are new energy cars



Smart specimen box is made of environmentally friendly and pollution-free materials and can be recycled



Strictly implement the classification of medical waste, entrust qualified manufacturers to deal with it, and reduce the impact of medical waste on the environment

Society



Carry out community charity diagnosis ~500 times



100% pass rate of company information security risk assessment



Staff training 188,240 hours

Governance



Corruption cases and violations



Develop a board diversity policy

14.3%

Female directors

Rewards

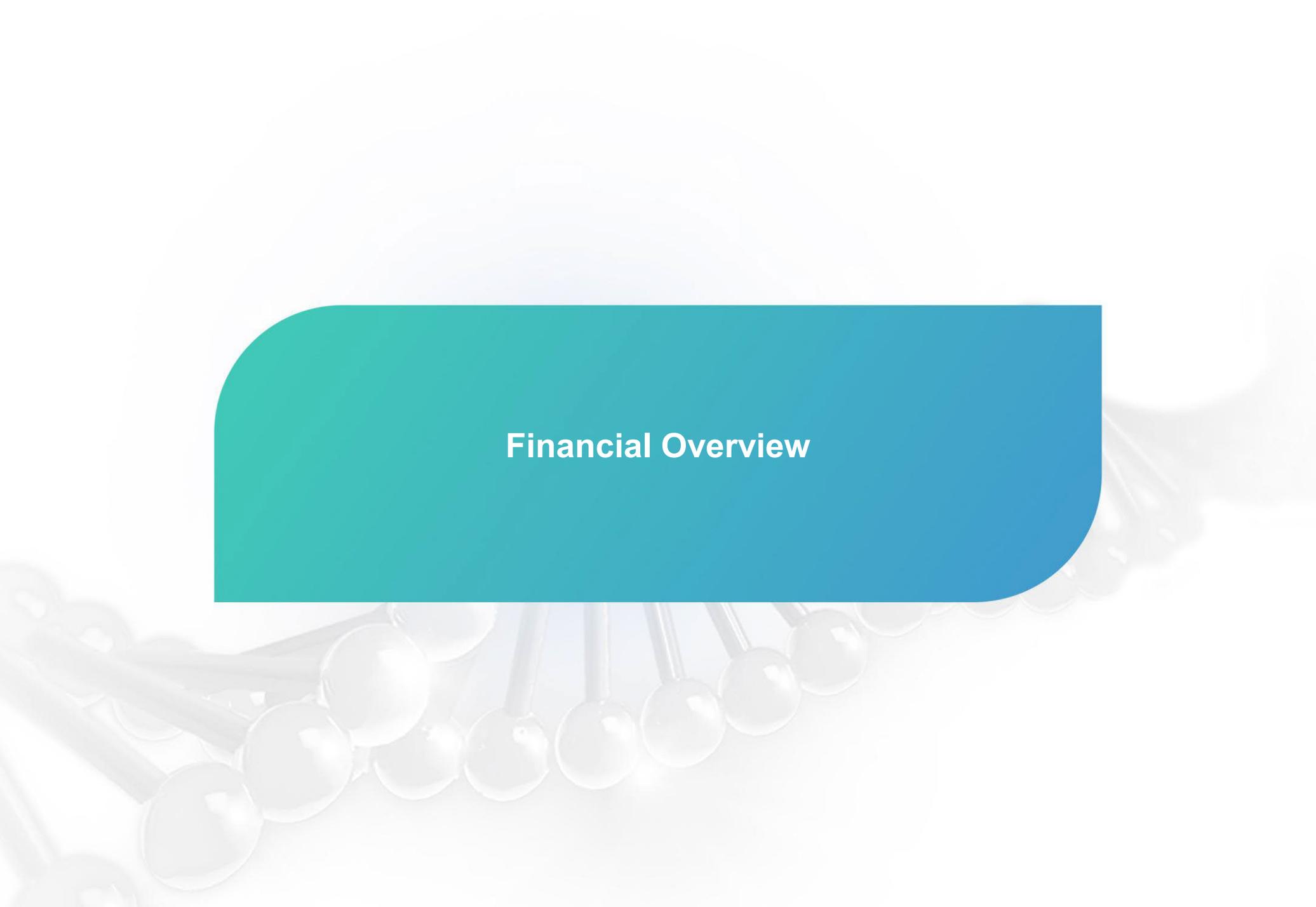
Second place of the "Outstanding Achievement Award in Scientific Research in Colleges and Universities Science and Technology Progress Award" of the Ministry of Education of the People's Republic of China

National Smart Healthcare Competition "Top Ten Innovative Enterprises"

"The Establishment, Promotion and Application of Diabetes Precision Management and Retinopathy Screening Platform" won the Guangdong Science and Technology Award

The third prize of the 5th "Bloom Cup" 5G Application Collection Competition of the Ministry of Industry and Information Technology of the People's Republic of China Guangdong Regional Competition

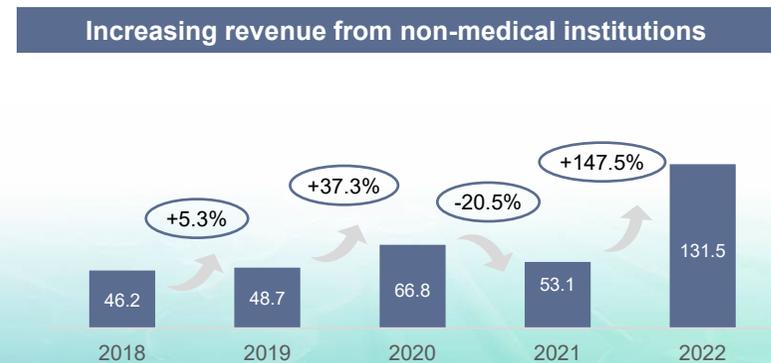
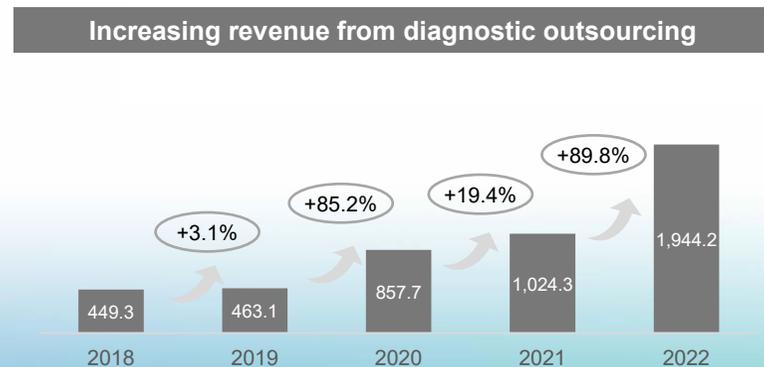
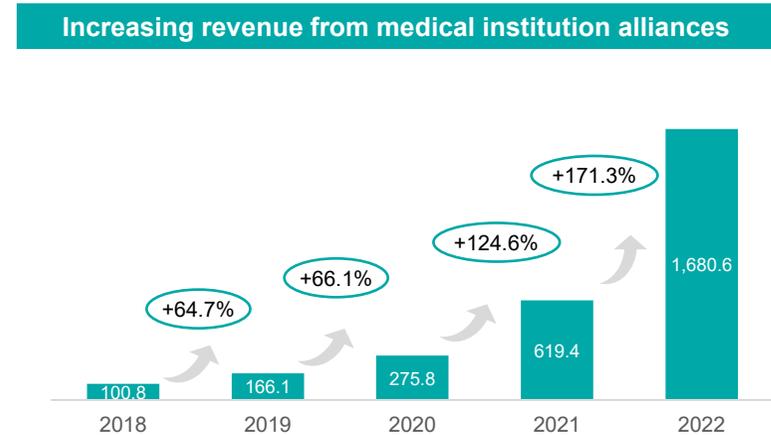
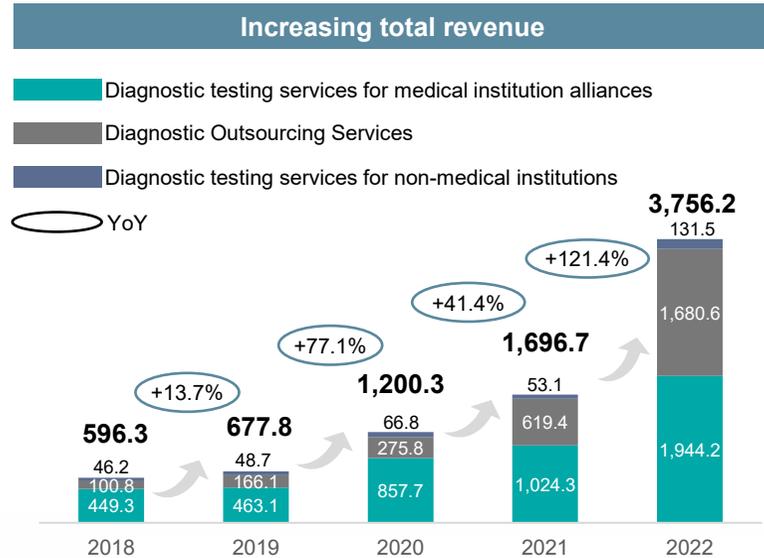
Poverty alleviation and relief unit



Financial Overview

Rapidly and steadily growing revenue from three business lines

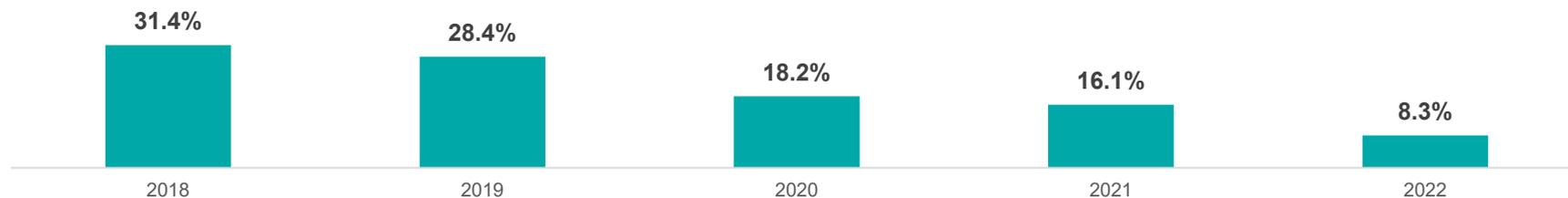
Revenue (RMB million)



Expenses-to-revenue ratio overall is decreasing, and revenue is steadily growing

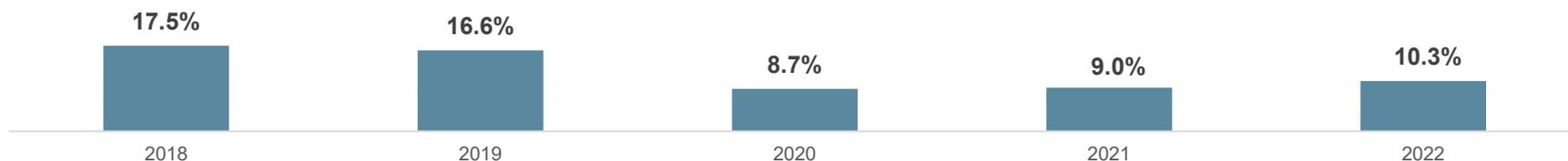
Selling expense ratio

(% of revenue)



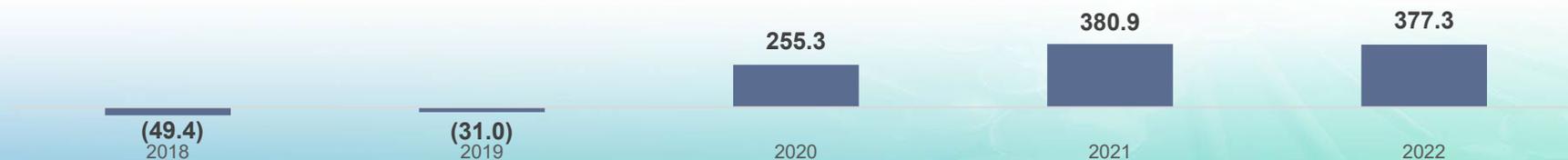
Administrative expense ratio

(% of revenue)



Profit attributable to owners of the Company

(RMB million)



With steadily improving solvency and operational efficiency, dividends have been paid

Current ratio



Quick ratio



Inventory turnover

(Day)

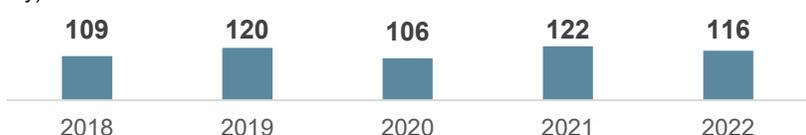


Debt to asset ratio¹



Trade payables turnover

(Day)



Trade receivables turnover

(Day)



Dividends

2022 interim dividend

On August 11, 2022, the Board declared an interim dividend for the six months ended June 30, 2022 of HK\$0.088 per share, totaling HK\$54.6 million, which was paid on September 16, 2022 to the shareholders whose names appear on the register of members of the Company on August 25, 2022

2022 final dividend

The Board resolved to recommend the payment of a final dividend of HK\$0.22 per share for the year ended December 31, 2022, totaling HK\$136.7 million, on August 31, 2023, to Shareholders whose name appear on the register of members of the Company as at the close of business on Wednesday, July 5, 2023. The final dividend is subject to the approval of Shareholders at the AGM

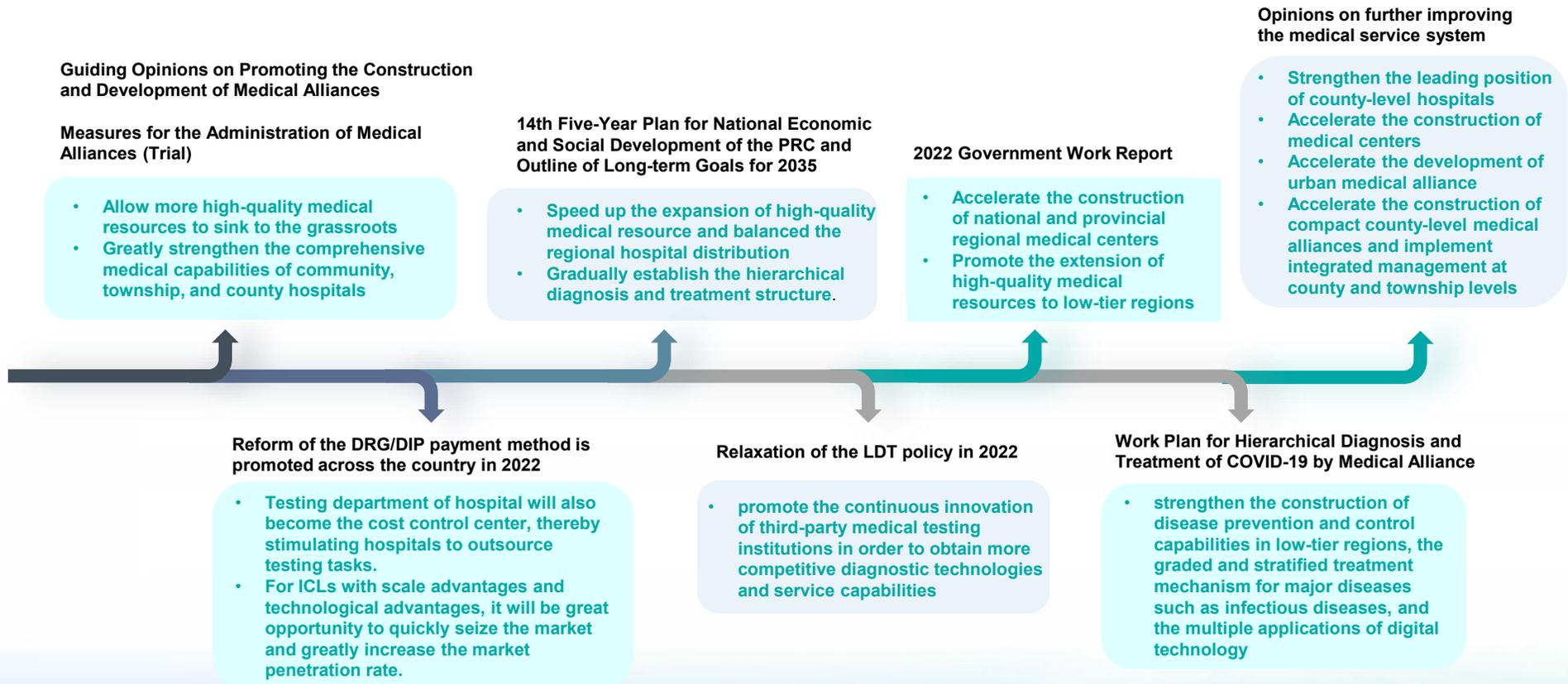
2022 dividends: HK\$191.3 million

2022 dividend payout rate: 46.67%

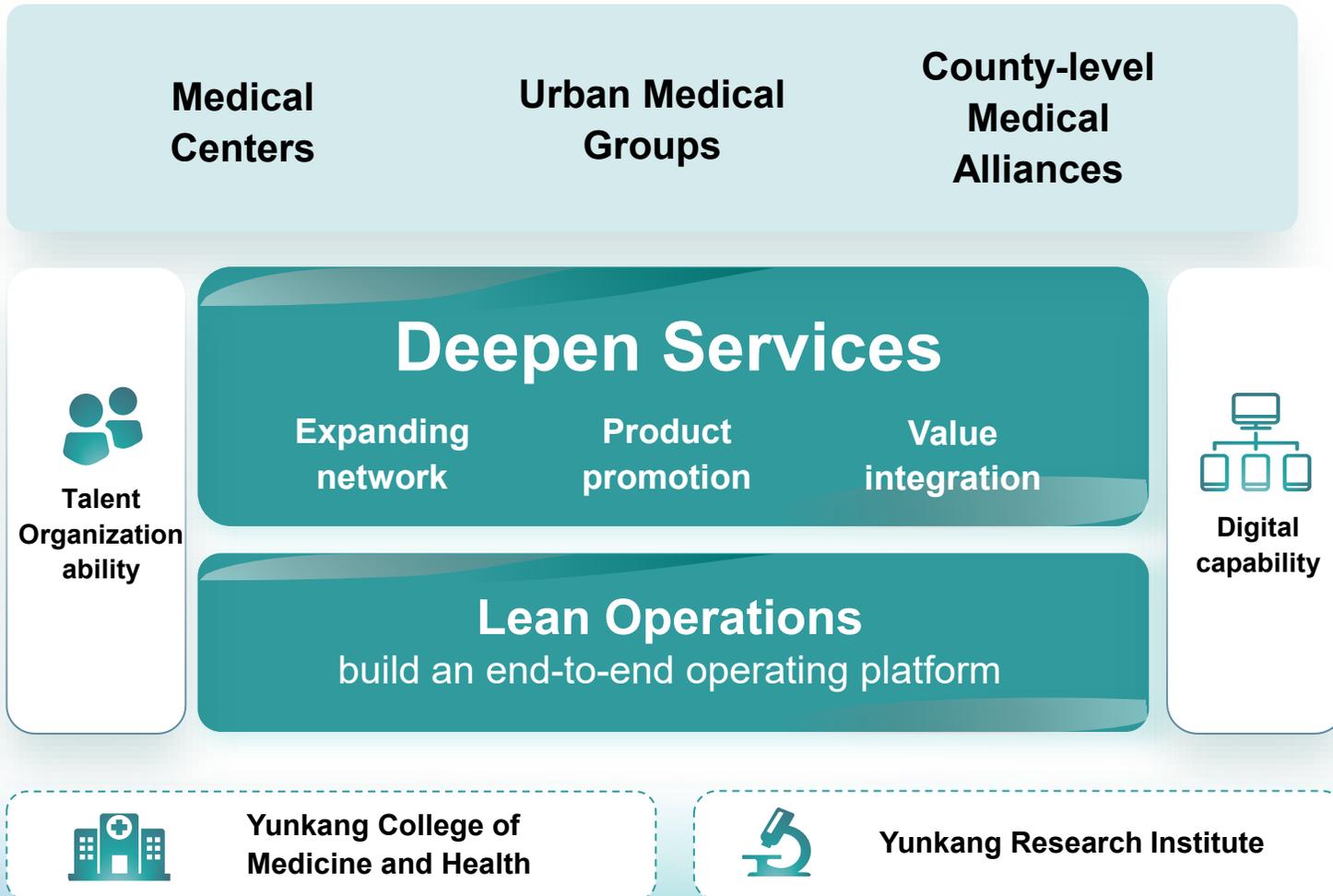


Business Outlook

Favorable policies promote the upgrading of demand for medical services



Development strategies



Yunkang - Serving health with technology



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E-mail: IR@yunkanghealth.com

Appendix

Financial information: consolidated income statement

(Unit: RMB in thousands)	Year ended 31 December				
	2018	2019	2020	2021	2022
Continuing operations					
Revenue	596,308	677,826	1,200,320	1,696,740	3,756,201
Cost of revenue	(355,923)	(378,632)	(544,425)	(797,603)	(2,448,471)
Gross profit	240,385	299,194	655,895	899,137	1,307,730
Selling expenses	(187,080)	(192,655)	(219,015)	(273,304)	(312,005)
Administrative expenses	(104,639)	(112,749)	(104,753)	(152,078)	(386,673)
Net impairment losses on financial assets	(117)	(6,386)	(5,315)	(23,073)	(187,620)
Other income and gains, net	24,194	15,656	14,650	7,012	37,119
Operating (loss)/profit	(27,257)	3,060	341,462	457,694	458,551
Finance costs, net	(4,810)	(11,731)	(17,075)	(6,474)	(15,127)
Profit before income tax	(32,552)	(10,632)	322,828	451,220	443,424
Income tax expenses	3,808	(757)	(52,519)	(78,722)	(69,475)
Profit from continuing operations	(28,744)	(11,389)	270,309	372,498	373,949
Profit for the period	(50,344)	(31,544)	260,172	381,893	373,949
Profit attributable to owners of the Company	(49,408)	(30,957)	255,334	380,932	377,309
Earnings per share for profit attributable to the owners of the Company	-	-	-	0.76	0.66

Financial information: consolidated statement of financial position

(Unit: RMB in thousands)	As at 31 December				
	2018	2019	2020	2021	2022
Assets					
Non-current assets					
Property and equipment	99,920	102,692	277,052	485,200	420,602
Intangible assets	39,726	55,095	6,509	5,675	3,756
Investments accounted for using the equity method	3,520	21,559	20,000	-	-
Prepayments and other receivables	288,000	400,620	10,000	17,227	15,658
Financial assets at fair value through other comprehensive income ("FVOCI")	53,778	187,627	108,700	110,004	84,341
Financial assets at fair value through profit or loss ("FVTPL")	47,532	57,362	59,244	58,243	160,241
Deferred income tax assets	24,412	25,739	40,182	35,809	53,911
	556,888	850,694	521,687	712,158	738,509
Current assets					
Inventories	17,191	15,156	24,553	41,697	41,317
Trade receivables	230,599	260,405	484,514	825,301	2,432,165
Prepayments and other receivables	27,519	48,736	351,048	44,416	118,749
Financial assets at fair value through profit or loss ("FVTPL")	-	-	150,000	-	642,569
Restricted cash	30,004	30,300	42,041	31,146	145,926
Cash and cash equivalents	400,380	63,955	335,835	800,695	787,742
	705,693	418,552	1,387,991	1,743,255	4,168,468
Assets associated with Disposal Group	-	-	47,053	-	-
	705,693	418,552	1,435,044	1,743,255	4,168,468
Total assets	1,262,581	1,269,246	1,956,731	2,455,413	4,906,977

Financial information: consolidated statement of financial position (Cont.)

(Unit: RMB in thousands)	As at 31 December				
	2018	2019	2020	2021	2022
Equity					
Equity attributable to owners of the Company					
Share capital	-	7	1,395	21,126	743,248
Other reserves	929,194	939,388	954,899	955,382	936,510
(Accumulated losses)/retained earnings	(132,763)	(163,720)	91,614	475,196	852,505
	796,431	775,675	1,047,908	1,451,704	2,532,263
Non-controlling interests	15,126	14,732	18,476	(124)	7,316
Total equity	811,557	790,407	1,066,384	1,451,580	2,539,579
Liabilities					
Non-current liabilities					
Borrowings	59,001	49,722	50,904	82,363	328,115
Deferred revenue	4,450	5,875	150	-	-
Lease liabilities	13,352	6,138	8,550	44,162	57,677
Deferred income tax liabilities	52	5,131	11,477	6,470	2,122
	76,855	66,866	71,081	132,995	387,914
Current liabilities					
Borrowings	128,070	136,526	421,272	208,322	363,669
Trade and other payables	233,657	258,208	328,569	556,663	1,492,097
Current income tax liabilities	1,088	1,282	33,149	71,932	85,433
Lease liabilities	11,354	15,957	16,500	27,171	36,658
Deferred revenue	-	-	7,175	6,750	1,645
	374,169	411,973	806,665	870,838	1,979,484
Liabilities associated with Disposal Group	-	-	12,601	-	-
	374,169	411,973	819,266	870,838	1,979,484
Total liabilities	451,024	478,839	890,347	1,003,833	2,367,398
Total equity and liabilities	1,262,581	1,269,246	1,956,731	2,455,413	4,906,977

Yunkang Group development history

