云康
YUNKANG

Yunkang Group Limited
云康集团有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 2325

2023
Interim Report

CONTENTS

"2022 RSU Scheme"	the 2022 restricted share unit scheme adopted by the Company on November 23, 2022
"AI"	artificial intelligence
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Audit Committee"	the audit committee of the Board
"Board"	the board of Directors of the Company
"China" or "PRC"	the People's Republic of China and, except where the context requires, references in this interim report to the PRC or China exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"CLSI"	Clinical and Laboratory Standards Institute, a globally recognized not-for-profit standards development organization with over 24,000 individuals with membership access, whose standards are recognized by laboratories, accreditors, and government agencies around the world to improve medical laboratory testing
"Company"	Yunkang Group Limited (云康集团有限公司), a company incorporated under the laws of the Cayman Islands with limited liability on July 20, 2018
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules, unless the context requires otherwise, refers to Mr. Zhang Yong, YK Development, Daan International, Guangzhou Daan Gene Technology, Da An Gene, Huizekx Limited, Mouduans Limited, Tongfuzc Limited, WJJR Investment Limited, Jin Jun Ying Limited and Source Capital RW Limited
"Corporate Governance Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"Da An Gene"	Daan Gene Co., Ltd. (廣州達安基因股份有限公司), a company limited by shares established in the PRC whose shares are listed on the SME Board of the Shenzhen Stock Exchange (Stock Code: 002030.sz) and one of our Controlling Shareholders
"Daan International"	Daan International Holdings Limited (達安國際集團有限公司), a company incorporated in Hong Kong with limited liability on September 2, 2008, a subsidiary of Da An Gene and one of our Controlling Shareholders
"Director(s)"	director(s) of the Company
"DRG/DIP"	diagnosis-related groups/diagnosis-intervention packet

"FVOCI"	fair value through other comprehensive income
"FVTPL"	fair value through profit or loss
"GDP"	gross domestic product
"Global Offering"	the offer for subscription of Shares as described in the Prospectus
"Group"	the Company, its subsidiaries and the consolidated affiliated entities as defined in the Prospectus
"Guangzhou Daan Gene Technology"	Guangzhou Daan Gene Technology Co., Ltd. (廣州市達安基因科技有限公司), a company ultimately controlled by Da An Gene
"HK$", "HKD" or "Hong Kong Dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"ICL(s)"	independent clinical laboratory(ies), perform(s) tests or procedures to help diagnose and/or treat medical conditions
"IVD"	in vitro diagnostics
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM. For avoidance of doubt, the Main Board excludes the GEM
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules
"PCR"	polymerase chain reaction, a method widely used to rapidly make millions to billions of copies of a specific DNA sample
"Prospectus"	the prospectus of the Company dated May 5, 2022
"R&D"	research and development
"Renminbi" or "RMB"	Renminbi yuan, the lawful currency of the PRC
"Reporting Period"	the six months ended June 30, 2023
"SFO"	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time

"Share(s)"	ordinary share(s) in the share capital of the Company with nominal value of US$0.000002 each
"Shareholder(s)"	shareholder(s) of the Company
"SPDB Guangzhou Wuyang Branch"	Guangzhou Wuyang Branch of Shanghai Pudong Development Bank Co., Ltd.
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary" or "subsidiaries"	has the meaning ascribed thereto under the Listing Rules
"USD" or "US$"	United States dollars, the lawful currency of the United States
"we", "us" or "our"	the Company or the Group, as the context requires
"YK Development"	YK Development Limited, a limited liability company duly incorporated in the British Virgin Islands on July 12, 2018 and one of the Company's Controlling Shareholders
"Yunkang Industry"	Yunkang Health Industry Investment Co., Ltd. (雲康健康產業投資股份有限公司), previously known as Gaoxin Da An Health Industry Investment Co., Ltd. (高新達安健康產業投資有限公司), a limited liability company established in the PRC on May 28, 2008 controlled by us through the Contractual Arrangements (as defined in the Prospectus)
"%"	per cent

BOARD OF DIRECTORS

Executive Director

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

Non-executive Directors

Ms. Huang Luo
Dr. Guo Yunzhao *(resigned on August 30, 2023)*
Dr. Wang Pinghui *(appointed on August 30, 2023)*
Dr. Wang Ruihua

Independent Non-executive Directors

Mr. Yu Shiyou
Mr. Yang Hongwei *(resigned on August 30, 2023)*
Mr. Lan Fenghui *(appointed on August 30, 2023)*
Mr. Xie Shaohua

AUDIT COMMITTEE

Mr. Xie Shaohua *(Chairman)*
Dr. Guo Yunzhao *(resigned on August 30, 2023)*
Dr. Wang Ruihua *(appointed on August 30, 2023)*
Mr. Yu Shiyou

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

JOINT COMPANY SECRETARIES

Mr. Lin Yingjia
Ms. Chan Lok Yee

AUTHORIZED REPRESENTATIVES

Mr. Zhang Yong
Ms. Chan Lok Yee

REGISTERED OFFICE

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HONG KONG LEGAL ADVISER

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HONG KONG SHARE REGISTRAR

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INVESTOR RELATIONS

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COMPANY WEBSITE

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STOCK CODE

2325

FINANCIAL HIGHLIGHTS

	Six months ended June 30,		
	2023	2022	Change
	RMB'000	RMB'000	
	(Unaudited)	(Unaudited)	
Revenue	**476,865**	1,378,656	(65.4)%
– Diagnostic outsourcing services	**254,438**	680,362	(62.6)%
– Diagnostic testing services for medical institution alliances	**197,876**	650,700	(69.6)%
– Diagnostic testing services for non-medical institutions	**24,551**	47,594	(48.4)%
Cost of revenue	**(295,200)**	(727,584)	(59.4)%
Gross profit	**181,665**	651,072	(72.1)%
Profit before income tax	**50,809**	283,500	(82.1)%
Profit for the period	**48,027**	234,761	(79.5)%
Profit attributable to owners of the Company:	**48,715**	234,363	(79.2)%

	Six months ended June 30,		
	2023	2022	Change
	RMB	RMB	
	(Unaudited)	(Unaudited)	
Earnings per share			
Basic	**0.08**	0.44	(81.8)%
Diluted	**0.08**	0.44	(81.8)%

During the Reporting Period, the Group recorded a revenue of RMB476.9 million, representing a decrease of 65.4% compared to the same period in 2022. The decrease was primarily attributable to the impact of weaker market demand for diagnostic testing services, which resulted in a decrease in the revenue from the Group's diagnostic testing services compared to the same period last year. As the Group pursues a development strategy focusing on "in-depth services and lean operations" in the future, we are developing our main businesses steadily by deepening our service systems and creating efficient operation systems.

During the Reporting Period, the revenue generated from diagnostic outsourcing services reached RMB254.4 million, representing a decrease of 62.6% compared to the same period in 2022, primarily due to the decrease in revenue from outsourced testing services compared to the same period last year as demand for diagnostic testing services declined nationwide.

During the Reporting Period, the revenue generated from diagnostic testing services for medical institution alliances reached RMB197.9 million, representing a decrease of 69.6% compared to the same period in 2022, primarily due to the impact of generally weaker market demand for diagnostic testing services, which resulted in a decrease in the scale of testing service business of the Group's infectious disease centers compared to last year. During the Reporting Period, the Group was actively driving the increase in testing items of the PCR testing platform of infectious disease centers by carrying out multiple types of PCR molecular testings on viral hepatitis, respiratory infections, gastrointestinal infections, urinary and reproductive tract infections and reproductive genetics.

Diagnostic testing services for non-medical institutions are mainly provided through our outpatient clinics, serving individual customers who are general public and employees of our non-medical institution customers. During the Reporting Period, revenue generated from diagnostic testing services for non-medical institutions reached RMB24.6 million, representing a decrease of 48.4% compared to the same period in 2022. The decrease was primarily due to the impact of weaker market demand for diagnostic testing services nationwide.

During the Reporting Period, the Group recorded a profit of RMB48.0 million, representing a decrease of 79.5% compared to the same period in 2022. The decrease was primarily due to the decrease in revenue and gross profit margin resulting from the decline in the Group's business scale.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

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

INDUSTRY OVERVIEW

In recent years, driven by supportive social and technological factors and policies, China's third-party diagnostic testing service market is growing fast.

With regard to social factors, the rising share of healthcare expenditure in GDP, aging population, increasing number of chronic and cancer patients, nationwide promotion and reform towards payment based on DRG/DIP in health insurance, the separation of technologies and consumables, and the further increased market penetration of ICLs in China will promote the development of the third-party diagnostic testing industry.

- *Further surge in demand for public health and rising percentage of health expenditure in GDP*

  In 2023, national health expenditure reached RMB2,421.1 billion, representing an increase of nearly RMB167.0 billion compared with RMB2,254.2 billion in 2022, accounting for 8.8% of China's GDP. Despite the increase, China's healthcare investment as a percentage of its GDP is still significantly lower than that of developed countries such as the United States, Germany and Japan. In the post-epidemic era, China is committed to further strengthening its healthcare system by enhancing the public's awareness of disease prevention and control, developing medical infrastructure and further increasing its medical and healthcare investment.

- *Aging and the growing number of patients with chronic diseases and cancers*

  According to the National Bureau of Statistics of China, elderly people aged 65 or above reached approximately 14.9% of China's population in 2022, indicating that China is becoming a deeply aging society. As the population continues to age, the number of patients with chronic diseases and cancers will continue to increase in China, resulting in the public's growing demand for healthcare services with increased health awareness and an expanding medical service market in China.

- *Promotion of DRG/DIP payment method reform nationwide driven by medical insurance policy*

  The nationwide adoption of the DRG/DIP medical insurance policy has led to a payment method reform in China's healthcare industry. Hospitals at all levels are incentivized to prioritize cost control and their medical technology departments such as the examination department and pathology department would also put greater emphasis on cost control. This led to an increased demand for outsourcing diagnostic testing services from hospitals. As a result, third-party testing institutions with advanced technology and economies of scale can leverage their advantages to seize market share rapidly and enjoy significant increase in market penetration in the industry.

- *Separation of technologies and consumables: analysis on the classification and management of technologies and consumables*

  In 2020, the National Healthcare Security Administration of China stated that it would explore the feasibility of "separation of technologies and consumables" in response to Proposal No. 9931 from the Third Session of the 13th National People's Congress. In 2021, eight departments including the National Healthcare Security Administration, National Health Commission and National Development and Reform Commission jointly issued the Pilot Plan for Deepening the Reform of Medical Service Prices. Experts said that the separation of technologies and consumables can better reflect the value of medical personnel's technical services and that the separation of medical consumables can reduce the operating costs of hospitals through medical insurance negotiations and centralized procurement. The separation of technologies and consumables will lead to a decrease in the standard prices of diagnostic testing and those less profitable projects or functions of hospitals will be outsourced or operated under joint initiatives. For third-party diagnostic testing institutions, costs can be reduced by leveraging their economies of scale. Accordingly, those who are able to strike a balance among cost control, timeliness and quality will seize more industry opportunities from the separation of technologies and consumables.

- *Further increase in ICL market penetration in China*

  Compared with other developed countries, the market size of ICL in China is still in its infancy, leaving ample room for further development and growth. Overall, there is a scarcity of healthcare resources in China, and the distribution of healthcare resources is geographically uneven. The development of medical institutions is unbalanced, with tertiary hospitals playing a dominant role in the provision of hospital medical services. Through professionalized and scalable operations, third-party testing institutions can extend their service networks to the county and town levels, offering the same quality as those provided by tertiary hospitals. This can improve the standard and service capacity of primary healthcare in response to the uneven distribution of healthcare resources.

Regarding technological factors, the rapid development of biotechnologies has led to an accelerated revamp of the industry's technology. With the increasingly pivotal role of diagnosis, testing technologies are constantly evolving and advancing. Conventional technologies such as PCR and next-generation sequencing (NGS) are continually being upgraded, while emerging technologies such as mass spectrometry and multi-omics are driving the development of the industry forward. Precision medicine has also become a major trend of medical treatment. Biomedical testing, such as genetic testing, is conducted in addition to traditional routine examinations, the results of which are analyzed using big data. By tailoring treatment plans for patients through precision medicine, treatment methods or medications can be more precise, thereby improving the chances of recovery while reducing unnecessary side effects. Being pioneers of emerging technologies, third-party testing institutions can provide clinical practice with more competitive diagnostic products, thereby improving the national standard of medical and healthcare services. The application of digital technology in the healthcare industry, along with the integration and innovation of biotechnology and next-generation digital technology, is driving reforms in the industry. The digital transformation of the healthcare industry is at a critical stage, with the application of information technology and networking becoming the norm of leading third-party testing institutions. The future development of the industry is bound to be deeply integrated with digital technologies, such as big data and AI.

With regard to policy factors, in recent years, the PRC government has promulgated a series of regulations to promote the system of medical institution alliances and a series of supportive healthcare policies, including the Guidance on Promoting Medical Institution Alliances in China (《關於推進醫療聯合體建設和發展的指導意見》) issued by the State Council in April 2017 and the Interim Measures on Medical Institution Alliance Management (《醫療聯合體管理辦法(試行)》) issued by the National Health Commission of the PRC in July 2020, the Guidelines for Establishing Pilot Compact County Medical and Healthcare Alliances (《關於開展緊密型縣域醫療衛生共同體建設試點的指導方案》) issued in May 2019, the Notice on the Launching of Pilot Work on Self-developed In Vitro Diagnostic Reagents for Use by Medical Institutions (《關於開展醫療機構自行研製使用體外診斷試劑試點工作的通知》) issued in 2022, the Government Work Report 2023, the Opinions on Further Improving the Medical and Health Service System (《關於進一步完善醫療衛生服務體系的意見》) issued in March 2023, and the Pilot Scheme for the Construction of Compact Urban Medical Institution Alliances (《緊密型城市醫療集團建設試點工作方案》) issued in January 2023. The promulgation and implementation of these policies will (i) further enhance the capacity of public health services; (ii) promote the construction of medical centers, urban medical institution alliances and county-level medical alliances, highlighting the county-wide leading position of county-level hospitals; and (iii) promote hierarchical diagnosis and treatment and lower-tier channelling of medical resources, driving the demand for diagnosis and testing services of medical institution alliances.

Driven by multiple favorable factors, the big health industry, especially the third-party testing sector which emphasizes quality, cost and efficiency, enjoys cost-effective advantages and is poised to seize promising development opportunities.

Our Competitive Advantages

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

- *Construction of a standard, process-oriented and digital intelligent platform*

  With a focus on clinical needs and disease-oriented, the Group has established six major clinical diagnostic support centers, including reproductive genetics, solid tumors, clinical immunity, infectious diseases, blood diseases, cardiovascular diseases and other areas, and has established seven operation modules (including standardized construction of laboratories, technology innovation and research transformation, construction and supporting of professional disciplines, supply chain management, information system of smart laboratories, quality management and medical logistics services) and eight clinical laboratory technology platforms, including high- throughput sequencing, mass spectrometry, ultra-micro pathological morphology, flow cytometry, gene chip, molecular diagnostics, cytogenetics and digital pathology. To date, the Group has become an integrated medical operation service platform, providing medical institutions at all levels with professional, efficient, accurate and convenient precision medical verification and pathology diagnosis services.

- *Quality engine – aligning with international standards and empowering hospitals with professionalism to build a quality medical diagnostic service system*

  Adhering to the strategic concept of "Quality is the Lifeline", we are committed to providing customers with professional, precise, efficient and convenient medical and health services by actively promoting the lean management of production and operation, creating a quality culture of "everyone participates for continuous improvement". Adapting international standards and guidelines to China, we are the only execution partner of the healthcare business of the CLSI in China and the only medical institution in China participating in the promotion of the Quality and Competency Standards Guideline for Primary Medical Laboratories in China. We have actively obtained recognition of a number of authoritative standards in China and abroad and established a series of laboratory and logistics standard operating procedures, striving to build world-leading laboratories in line with international standards, and continuously improve the quality of our products and services. As one of the first medical service companies to build medical laboratories with international standards, we have established independent medical laboratories with ISO15189 quality control system accreditation and CAP accreditation in Southern, Eastern and Southwestern China. The Group has obtained various domestic and overseas quality accreditations including CAP, ISO15189, ISO9001, CMA, CMMI and ISO27001. By the end of the Reporting Period, we had successfully completed the ISO15189 and CAP accreditation in Guangzhou, Chengdu and Shanghai, and the CMA and ISO9001 accreditation in Guangzhou. In addition, the Group empowers hospitals with its expertise to create a high-quality medical diagnostic service system. During the Reporting Period, the Group assisted multiple hospitals in passing the ISO15189 on-site assessment.

- *Digital operations – cloud-based systems to support lean operations*

  The quality management and efficiency enhancement among the laboratories of the Group across China are inseparable from the digital operation system. In 2022, the Group successively rolled out 10 digital operation systems such as "Tengyun", fully integrating the Group's sales management system, human resources system, training system, settlement system, general ledger system, fixed asset system, warehousing system, logistics system and customer service system, etc. The Group's digital operation will embrace a new era. Analyzing operation big data can help us establish a standardized operation indicator system and identify fundamental issues, have an insight into our business and improve the operations, facilitating the Group to deepen our service marketing and lean operations continuously. At the same time, the Group spared no efforts to support the innovative application of digital information technologies such as 5G and AI in the medical big data analysis and clinical diagnosis and treatment, took measures including building information platforms to continuously improve the accuracy and efficiency of laboratory testing, and created new digital medical scenarios to facilitate the innovative development of clinical services.

BUSINESS REVIEW

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

- *Stable development of PCR co-laboratories business*

  PCR testing platforms are widely used in the field of infectious disease testing. During the COVID-19 epidemic, the Group co-built a laboratory service network based on PCR testing platforms, and established a good cooperative relationship with hospital customers. After the COVID-19 epidemic substantially stablized, the Group has built upon existing foundation and quickly continued to offer tailored comprehensive solutions to hospitals in relation to the establishment of standardization processes, quality management systems and new technology platforms, promotion of clinical applications, and talent pipeline development, thereby facilitating the development of clinical business and hospitals. Through concerted efforts, many hospitals which are parties to joint initiatives have achieved stable development for PCR co-laboratories, conducting PCR molecular testing for items including viral hepatitis, respiratory infections, gastrointestinal infections, genitourinary infections and reproductive genetics.

- *Returning to the principal business of diagnostic testing, strengthening the integration of multiple-technology platforms and enhancing the capabilities for R&D as well as technology conversion*

  The Group has established disciplinary capabilities in multiple disease areas, including infectious diseases, reproductive health, genetic diseases, solid tumors, blood diseases, clinical immunology, cardiovascular and endocrinology. For the Group's diagnostic testing items, we adopt disease line dimensions in our classification system as per the specialized classification habits of our end clinical customers. Each disease line is divided into three levels: "disease line – sub-series – testing items". We match the diagnostic needs of specialized clinical disciplines through various key sub-series. Furthermore, taking customers' needs into consideration, we thoroughly check and analyze key items in each disease line to identify demands for new project development and optimize the key testing items. Through lean management of the entire process of laboratory services, we continuously improve products and services in terms of testing performance, delivery timeliness, and clinical consultations. During the Reporting Period, the Group launched more than 150 new testing projects, providing more than 2,000 testing items.

  During the Reporting Period, the Group set up two new independent laboratories in Changsha, Hunan and Haikou, Hainan in addition to 10 existing independent laboratories, totaling 12 independent laboratories, achieving synergies with the Group's joint initiatives.

- *Continuously expanding and deepening cooperation with tertiary and secondary hospitals, consolidating and enhancing the Group's leading position in the industry*

  The Group has achieved fruitful results in supporting the construction and development of medical institution alliances, contributing to the acceleration of medical institution alliance reforms. By jointly establishing on-site diagnostic centers in leading hospitals in various regions, expanding their testing items and improving their testing capabilities, we helped such hospitals provide standardized testing services for all their member hospitals in medical institution alliances, providing grassroots hospitals and patients with convenient and professional testing services with a wide range of testing items, the results of which are mutually recognized.

  The Group continuously expands and deepens cooperation with tertiary and secondary hospitals. As at June 30, 2023, the Group had 410 on-site diagnostic centers, covering a total of 1,167 medical institutions and over 3,700 medical and non-medical customers. During the Reporting Period, the revenue from secondary and tertiary hospitals represented nearly 77% of the Group's total revenue.

  During the joint collaboration with hospitals, the Group not only provided "3+1" (i.e. tumor, infection, genetics and reproduction + precision medicine) technical system support but also extended support to the in-depth service system, including the operation of diagnostic centers under regional medical institution alliances, introduction of new technologies/new products, digital construction services for specialized clinical disciplines, medical cold chain logistics services, quality control services and supply chain services, so as to empower the development of hospitals with in-depth services.

  With regard to logistics systems, the Group's logistics services have reached down to town level. A logistics management system for test samples has been established to achieve end-to-end cold chain transportation and visual-based tracking as well as professionalism in terms of equipment, and to ensure the quality of test samples and safety of transportation. During the Reporting Period, 98.7% of the Group's test samples were delivered within 12 hours within the same province and 36 hours across provinces, and 100% of the test reports were delivered within 24 hours. With regard to medical cold chain logistics, we have further improved our logistics compliance management capabilities and successfully renewed the Medical Device Operation Permit for seven years under the new requirements of the drug administration authorities, helping to standardize the operation of the Group's diagnostic testing business.

- *Tapping deeper into lower-tier markets, seizing the policy opportunities of county-level medical communities to promote their development*

  In recent years, national policies have been promoting the establishment of county-level medical alliances to address the deficiencies in grassroots healthcare. The purpose is to address certain issues, including insufficient service capacity, lack of technical capabilities and funds, insufficient integration of tiered diagnosis and treatment system, weak information infrastructure at the grassroots level, and inadequate comprehensive regulatory measures. The healthcare system is vigorously channeling medical resources to lower-tier cities, which means medical institutions at all levels, from tertiary hospitals to town-level health centers, will have the incentive and the need to procure services from third-party medical operation service providers. The industry thereby presents unprecedented opportunities.

  The Group has long been planning for county-level medical communities and created a number of benchmark projects. Taking the Longmen County General Hospital, a typical example of a county-level medical community in Guangdong Province, as an example, the Group has been engaged in deep cooperation with the hospital for five years. During this five-year period, we have built the Longmen county's own county-level pathology diagnostic center and resolved the hospital's pathology diagnostic shortcomings. We provided chained services of "personnel-platform-experts-logistics" and gained high recognition from the hospital in every aspect from service quality and testing response speed to professional report interpretation.

  Over the years, the Group has leveraged its advantages in service platform to support primary medical institutions throughout the region through remote consultations, technical assistance, expert visits, academic training and other forms. We established a county-level medical service network equipped with "integrated management and standardized services" and empowered the construction of the county-level medical community through lean and comprehensive "technology + service" solutions.

- *Customer-oriented digital intelligent R&D platform – the Yunkang Digital Remote Pathology Consultation System*

  As information technology develops, remote pathology consultation will play an increasingly important role in the medical industry. The advantages of remote pathology consultation include addressing the shortage of pathologists, optimizing the allocation of medical resources, promoting tiered diagnosis and treatment, assisting in clinical teaching and research, improving the standards of primary healthcare, saving the time and economic costs for medical treatment, strengthening regional exchanges and cooperation, and channeling medical resources to lower-tier cities so that severe illnesses can be treated locally without the need for cross-county travel.

  The Group's remote pathology consultation system focused on customer service. We have upgraded the system based on the testing needs of diseases such as gynaecologic tumors, liver-biliary-pancreatic tumors, digestive system tumors, urological tumors, lung cancer and breast cancer so as to increase the efficiency of diagnosing doctors for reviewing slides, shorten the reporting time, improve information security and achieve real-time monitoring and online management of pathology test samples of collaborating hospitals. At the same time, this reduces patient waiting time for examinations, expedites clinical surgery turnover and saves clinical medical resource consumption.

During the Reporting Period, by improving the report review process for publishing reports, we accelerated the review time and reduced the waiting time for our customers' clinical doctors to receive pathology report results, thereby enhancing the timeliness of the reports. At the same time, the preparation of the function extension of the remote pathology platform system allowed us to achieve seamless integration between the remote pathology system and the AI software, enabling remote aided diagnosis for cervical liquid-based cytology testing, etc. In the development of new pathology projects, we upgraded projects focusing on testing needs of gynaecological tumors, liver-biliary-pancreatic tumors, digestive system tumors, urological tumors, lung cancer, breast cancer and other relevant diseases. The Group has a team comprising hundreds of domestic and foreign pathologists and has assisted doctors in issuing digital pathological diagnosis reports, helping hospitals raise departmental efficiency.

- *Testing services productive platform focusing on cutting-edge technologies – the Yunkang Precision Medicine Center*

Precision medicine is a personalized approach to healthcare and clinical decision-making for patients based on their intrinsic biological information, clinical symptoms, and signs. In addition to traditional testing, biomedical testing such as tumor testing or patients' genetic testing is conducted. Personal data are then compared to those from a human genetic database and analyzed using big data to help identify the most suitable treatment method or medication for patients. The main purpose is to find out a personalized treatment method with the highest efficacy and fewer side effects.

The Group believes that as increasing number of patients seek personalized medical solutions, precision medicine will continue to gain prominence in the medical industry. Diagnostic testing plays a vital role in advancing precision medicine, as it allows doctors to accurately assess patients' symptoms and tailor treatment plans accordingly. With the Group's experience in diagnostic testing and its leading position in the market, it has taken the initiative to leverage this industry opportunity as a first mover. During the Reporting Period, the Group established four new precision medicine centers.

- *Joint innovation platform for diagnostic testing*

With the medical reform entering a stage of premium development, the Group is determined to adapt to the accelerating trend of the global bioeconomy, meet the rapidly growing demand for the health and well-being of the people, and accomplish the important national strategy of achieving high-level technological self-reliance. The Group actively fosters innovation and strongly advocates the deep integration of industry, academia, research and services in the medical industry, rapidly enhancing the quality and efficiency of medical and health services.

During the Reporting Period, the Group actively responded to relevant policy guidelines. The Group gathered industry clusters that encompassed upstream and downstream stakeholders in IVD equipment and reagent R&D and manufacturing, professional cold chain logistics, data services and academic support services, and established a powerful collaboration with the Laboratory Department of Guangdong Provincial People's Hospital, which possesses robust research capabilities and abundant quality medical and health resources, to establish the Diagnostic Testing Joint Innovation Platform for the purpose of jointly exploring laboratory developed test (LDT) innovation projects, providing practical experience for national policies and setting up a national-level demonstration of industry, academia, research, and service integration.

During the Reporting Period, the Group added over 30 new national and provincial-level experts to its expert team, joined multiple alliances for severe diseases, and set up nearly 10 sub-platforms.

- *Robust project to reduce costs, increase efficiency and enhance operational efficiency*

  During the Reporting Period, the Group launched the Robust Project Scheme to improve efficiency by optimizing cost allocation. Pursuant to the scheme, we reduced the cost during the COVID-19 epidemic by conducting data analysis at key junctures to identify cost disparity, and established benchmarking standards. At the same time, the scheme aimed at regulating the supervision mechanism, implementing efficient monitoring and establishing an internal auditing system. Through examination and analysis of quality, timeliness and cost control points in the value creation process of the Group, we constantly optimized and improved the quality and efficiency of our operations. With the use of data, the Group has established management protocols based on standards, rules and mechanisms as core elements with implementation as the starting point, aiming at establishing a management system with clear objectives, specific tasks and well-defined responsibilities to enhance operational efficiency and thereby enhancing the Group's overall operational efficiency.

DEVELOPMENT STRATEGIES

Strategic engine: a development strategy focusing on in-depth services and lean operations

- *In-depth services*

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

  In terms of in-depth services, the Group's in-depth services marketing place its technical platforms, expert resources, product solutions, business cooperation solutions, professional logistics capabilities, digital operation capabilities and market promotion capabilities in close proximity to its customers, in order to build an integrated customer-relationship system where allocation of human resources is based on advantages and profit is shared based on contributions. The core value of this system lies in joint construction based on cooperative collaboration, symbiotic synergy and shared development. Service products under the in-depth services system are most critical to creating value for customers, including core products of technology platform solutions that meet customers' core value propositions, and value-added services that improve customers' operational efficiency and provide a positive working experience.

  The Group will start with collaborations through the Diagnostic Testing Joint Innovation Platform, the specialty alliance and telemedicine cooperation networks, as well as the "industry-academia-research-healthcare" transformation. We will then continue to deepen the specialty alliance and telemedicine collaboration networks with high-level hospitals serving as core entities, the urban medical institution alliances focusing on municipal and district-level leading hospitals as well as the county-level medical alliances emphasizing county-level leading hospitals.

The Group has been striving to be a pioneer and leader in the establishment of national medical institution alliances since its establishment. Leveraging its advantages in the industry chain, experts and technical resources, the Group has accumulated years of experience in building a medical institution alliances network and platform, optimizing the medical institution alliances service model, empowering primary medical institutions and benefiting patients. In the future, the Group will continue to intensify its business network of medical institution alliances by deepening, strengthening and expanding business on its existing basis. In addition, with the advantages of our technology platform and past successful experience, coupled with the deepening and implementation of digital operation platform, professional logistics platform and lean management concept, our technical strength and operational capabilities can meet the multi-level and comprehensive needs of urban medical groups and county-level medical alliances in the field of testing and diagnosis. We expect to leverage our first-mover advantage to promptly integrate into the construction of urban medical institution alliances and county-level medical alliances, with a view to bringing greater benefits to the Shareholders.

- *Lean operations*

The Group will take its products as key points to do a good job in the overall management of customers, boosting a general lean management with the "7S" Project and Robust Project as the starting point.

In terms of lean operations, the Group's lean operations are based on the lean management principle under which "everyone participates for continuous improvement", and we have achieved and maintained industry-leading standards in the three major areas of quality, costs and efficiency. "Lean" refers to the four dimensions involving specialization, standardization, processtization and digitalization. Specialization means having a spirit of continuous improvement and striving for excellence, aiming to achieve maximum output with minimal costs. Standardization involves establishing principles, rules and indicators for operations, and continuously optimizing and improving them. Processtization is to optimize the value creation process of the enterprise and solidify process accountability. Digitalization is to identify opportunities and problems based on digital insights using the Group's ten digital clouds, so as to seize value-creation opportunities and constantly improve operational efficiency. In terms of on-site management, the Group makes use of the 7S management tools (sorting, rectification, sweeping, cleaning, saving, safety and quality) to eliminate redundancy, reduce waste and leakage, establish 7S management standards and improve the lean management quality of all employees. In terms of process rule formulation, we sort out the value creation processes, identify key control points for quality, costs and efficiency, establish standards and goals based thereon, and develop mechanisms for improvement, so as to ensure the achievement of lean management goals.

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

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

The Group strives to build an end-to-end digital operating platform based on sample streams. Relying on end-to-end business data, we establish standard indicators, trace the quality of samples to strengthen management and gain insight into opportunities for business improvement. The digital operation platform is the information source of lean operations and the basic support for the construction of standards, which refers to the closed loop formed by logistic services of hospital receiving samples, laboratory issuing reports and customer giving feedback on sample quality. In the entire closed loop, the integrity and accuracy of the data at several process nodes, such as hospital receiving samples, logistics transportation, sample preprocessing, sample testing, report issuing and provision of opinions and feedback on quality, must be guaranteed. We plan to spend two to three years to update and improve the digital platform of our laboratories.

BUSINESS OUTLOOK

To achieve our long-term objectives, which is to help optimize the allocation of medical resources and accelerate industry development, the Group adopts active development strategies, which include but are not limited to the following:

- *Promoting the joint construction of medical institution alliances and county-level medical alliances to assist in the construction of medical highlands in various regions*

  The Group plans to increase efforts to expand the diagnostic testing services provided for medical institution alliances. The Group consolidates high-quality medical resources from its own industry chain and different regions, and actively seeks support from relevant departments of the local government. Our target is to build a joint laboratory together with leading hospitals backed by their technologies and based on the Group's laboratory. The Group aims at promoting the construction of regional medical hubs, strengthening the cooperation in high-quality medical resources and expanding the cooperation in scientific research and service. Through the construction of regional medical technology sharing centers, collaborative service centers of medical institution alliances, industrial innovation transformation centers and medical service networks, a distinctive model will be formed for the construction, operation and innovation of medical institution alliances and county-level medical alliances.

- *Continuing to expand regional markets*

  The Group also plans to establish more sales and customer service representative offices to enhance customer service. The Group believes that expanding the coverage of its office network will enable its sales, marketing and after-sales service personnel to have closer interaction with customers, fostering stronger and deeper business relationships. The Group intends to conduct more on-site visits, provide feedback to customers on a regular basis and maintain communication with them. Through closer and more frequent communications, the Group hopes to gain a deeper understanding of customers' needs and design and provide solutions to such needs, in order to maintain our market position.

- *Continuously upgrading and enhancing our operational capabilities*

  The Group believes that it is crucial for us, as a medical operation service platform, to continuously upgrade and enhance our operational capabilities, which is conducive to improving customer experience. We plan to concentrate on the following areas: (i) improving local service capabilities by strategically establishing small self-operated independent clinical laboratories in selected areas and regions adjacent to our main customers or based on market needs in China, in order to better provide timely services to our customers; (ii) providing digital diagnostic testing, by offering testing services in a digital manner and developing technologies and operating systems to support its operations; and (iii) seeking potential opportunities for acquisition and investment to further enhance operational capabilities, by acquiring or investing in companies with which synergies can be achieved, such as upstream companies engaged in advanced diagnostic technology, molecular biology, biotechnology and their clinical applications.

  Through the above measures, the Group is of the view that its market share will continue to grow. The Group also plans to further penetrate areas where it currently lacks influence as a market leader, and gradually expand into other regions of China to strive for a larger market share in the future.

- *Enlarging our diagnostic capability portfolio, collaborating to increase the market share of special testing products and customizing regional products*

  The Group plans to expand its diagnostic capability portfolio, particularly in the fields of oncology, genetic diseases infectious diseases, and pharmacogenetics. Meanwhile, the Group proactively collaborates with upstream IVD partners to meet the actual clinical needs of customers. By combining the professional technology and academic resources of upstream partners with the Group's comprehensive medical examination services and systematic operation capabilities, highly competitive products and services can be developed to rapidly expand our share in certain market segments. The Group cooperates with industry chain partners in the fields of infectious diseases, solid tumors and other diseases. We constantly improve the products and service quality of high-end special testing and timely improve products based on clinical feedback to provide customers with accurate and rapid diagnostic testing services.

- *Increasing the number of departments, testing items and penetration rate of cooperative hospitals at a faster pace through the Company's unique joint initiative model with hospitals*

  The joint initiative model achieves growth in three aspects. The first aspect is to have business cooperation with hospitals. In the future, we will continue to dedicate to clinical services and carry out in-depth cooperation through multiple modes such as specialty alliance, scientific research, joint innovation of diagnostic testing and healthcare-academia-research-service integration. The second aspect is expansion of collaborative departments. At the beginning of a joint initiative, we usually start with laboratory and pathology departments. During the Reporting Period, the Group strengthened special key services and cooperation in obstetrics and gynecology, pediatrics, internal medicine, surgery, respiratory medicine, oncology, neurology, hematology and other departments. In the future, we will tap further into the needs of other departments and intensify cooperation in ICU, physical examination, thoracic surgery, endocrinology, cardiovascular and other departments. The third aspect involves the number of product lines and testing items. With more cooperative hospitals, cooperative departments, product lines and tests, we expect to maintain rapid growth in the future.

- *Incessantly attracting and training our talents*

  The Group plans to incessantly attract and train talented and experienced personnel to support our continuous business expansion. In particular, the Group will focus on technical and medical personnel, as well as management personnel, who we consider to be the backbone of our business. The Group intends to establish an employee promotion and development system with a hierarchical structure and corresponding salary plans. We may also formulate incentive schemes to motivate employees and align their interests with ours in the future. Moreover, the Group will implement training programs for different departments to enhance their professional and technical know-how, and increase investment in the Yunkang Medical and Health Management College to attract and cultivate more talents.

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

FINANCIAL REVIEW

Overview

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

Revenue

Revenue of the Group amounted to RMB476.9 million for the Reporting Period, representing a decrease of 65.4% compared to RMB1,378.7 million for the six months ended June 30, 2022. The decrease was primarily attributable to the impact of weaker market demand for diagnostic testing services, which resulted in a decrease in the revenue from the Group's diagnostic testing services compared to the same period last year.

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

	For six months ended June 30,		
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	Change
Diagnostic outsourcing services	**254,438**	680,362	(62.6)%
Diagnostic testing services for medical institution alliances	**197,876**	650,700	(69.6)%
Diagnostic testing services for non-medical institutions	**24,551**	47,594	(48.4)%
	476,865	1,378,656	(65.4)%

Diagnostic Outsourcing Services

Revenue generated from diagnostic outsourcing services decreased by 62.6% from RMB680.4 million for the six months ended June 30, 2022 to RMB254.4 million for the six months ended June 30, 2023, primarily due to the impact of the decrease in revenue from outsourced testing services compared to the same period last year as demand for diagnostic testing services declined nationwide.

Diagnostic Testing Services for Medical Institution Alliances

Revenue generated from diagnostic testing services for medical institution alliances decreased by 69.6% from RMB650.7 million for the six months ended June 30, 2022 to RMB197.9 million for the six months ended June 30, 2023, primarily due to the impact of generally weaker market demand for diagnostic testing services, which resulted in a decrease in the scale of testing service business of the Group's infectious disease centers compared to last year. During the Reporting Period, the Group actively promoted the expansion of testing items of the PCR testing platforms of infectious disease centers by carrying out multiple types of PCR molecular testings on viral hepatitis, respiratory infections, gastrointestinal infections, urinary and reproductive tract infections and reproductive genetics.

Diagnostic Testing Services for Non-Medical Institutions

Diagnostic testing services for non-medical institutions are mainly provided through our outpatient clinics, serving individual customers who are general public and employees of our non-medical institution customers. During the Reporting Period, revenue generated from diagnostic testing services for non-medical institutions decreased by 48.4% from RMB47.6 million for the six months ended June 30, 2022 to RMB24.6 million for the six months ended June 30, 2023, primarily due to the impact of declined market demand for diagnostic testing services.

Cost of Revenue

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

The Group's cost of revenue decreased by 59.4% from RMB727.6 million for the six months ended June 30, 2022 to RMB295.2 million for the six months ended June 30, 2023, which was primarily attributable to the impact of weaker market demand for diagnostic testing services.

Gross Profit and Gross Profit Margin

As of result of the aforementioned factors, the Group's gross profit decreased by 72.1% from RMB651.1 million for the six months ended June 30, 2022 to RMB181.7 million for the six months ended June 30, 2023. The Group's overall gross profit margin decreased from 47.2% for the six months ended June 30, 2022 to 38.1% for the six months ended June 30, 2023, primarily due to the decrease in business scale resulting from the impact of declined market demand for diagnostic testing services.

Other Income

Other income increased by 19.4% to RMB6.1 million for six months ended June 30, 2023, as compared to RMB5.1 million for six months ended June 30, 2022. The increase was primarily due to the increase in government grants received. The government grants mainly include those grants from the local government in recognition of the R&D projects of the Group. There are no unfulfilled conditions or other contingencies attached to these grants.

Other Gains/(Losses), net

Other gains/(losses), net increased to RMB31.1 million for six months ended June 30, 2023, as compared to net loss of RMB0.2 million for six months ended June 30, 2022. The increase was primarily attributable to (i) an increase in foreign exchange gains, resulting from currency fluctuations during the Reporting Period; and (ii) an increase in gains on redemption of financial assets at FVTPL.

Selling Expenses

The Group's selling expenses decreased by 60.3% from RMB219.1 million for the six months ended June 30, 2022 to RMB86.9 million for the six months ended June 30, 2023, which are in line with the decrease in revenue of the Group.

Administrative Expenses

The Group's administrative expenses decreased by 37.4% from RMB128.6 million for the six months ended June 30, 2022 to RMB80.5 million for the six months ended June 30, 2023, primarily due to (i) the decrease in staff cost as a result of cost control; and (ii) no listing expenses being incurred during the Reporting Period.

The Group's R&D expenses increased by 3.9% from RMB25.4 million for six months ended June 30, 2022 to RMB26.4 million for six months ended June 30, 2023, mainly due to steady investment in on-going R&D projects.

Impairment Losses on Financial Assets

The Group's impairment losses on financial assets were mainly provisions for accounts receivable. For the six months ended June 30, 2023, the Group's impairment losses on financial assets were approximately RMB4.3 million, representing a decrease of 79.6% year-on-year, as the balance of trade receivables was less than that as at December 31, 2022.

Finance Costs, net

The Group's net finance costs increased from RMB3.8 million for the six months ended June 30, 2022 to RMB15.1 million for the six months ended June 30, 2023, primarily due to an increase in interest expense on interest-bearing borrowings.

Profit before Income Tax

As of result of the aforementioned factors, the Group recorded profit before income tax of RMB50.8 million for the six months ended June 30, 2023, compared to RMB283.5 million for the six months ended June 30, 2022. This was mainly attributable to the decrease in revenue and gross profit as a result of the decrease in business scale.

Income Tax Expense

The Group's income tax expenses decreased from RMB48.7 million for the six months ended June 30, 2022 to RMB2.8 million for the six months ended June 30, 2023, primarily due to the significant decrease in revenue, which resulted in a decrease in the Group's profits.

Property and Equipment

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

The Group's property and equipment slightly decreased from RMB420.6 million as at December 31, 2022 to RMB410.9 million as at June 30, 2023, and had remained at a stable level.

Financial Assets Measured at Fair Value

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

As at June 30, 2023, the balance of financial assets at FVTPL was RMB453.7 million, representing a decrease of RMB349.1 million compared to December 31, 2022, which was attributable to the redemption of investments in several private funds during the Reporting Period.

As at June 30, 2023, the balance of financial assets at FVOCI was RMB84.3 million, which was same as that as at December 31, 2022. During the Reporting Period, the fair value changes on financial assets measured at FVOCI were considered as immaterial.

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

Inventories

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

The Group's inventories decreased from RMB41.3 million as at December 31, 2022 to RMB19.1 million as at June 30, 2023, which is line with the decline in the Group's business scale.

Trade Receivables

The Group's trade receivables decreased from RMB2,432.2 million as at December 31, 2022 to RMB1,942.5 million as at June 30, 2023, primarily due to collection of trade receivables and decrease in revenue as a result of a decline in demand for diagnostic testing services since December 2022. The Group's credit period with customers is generally within 180 days. In line with industry practice, the settlement period of certain customers including public hospitals and the Chinese Center for Disease Control and Prevention (中國疾病預防控制中心), which requires long-period internal administrative procedures for bill payment, has been prolonged as a result of the COVID-19 pandemic. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department. Overdue balances are reviewed regularly by senior management to minimize credit risks.

Prepayments and Other Receivables

The Group's prepayments and other receivables increased from RMB134.4 million as at December 31, 2022 to RMB213.4 million as at June 30, 2023, primarily due to an increase of RMB170.0 million in prepayment for an investment, pursuant to which a subsidiary of the Company entered into an agreement with an independent third party to acquire equity interests of two private companies in the PRC at a consideration of approximately RMB170.0 million in total. There is industry synergy between the Company and the target companies that focus on medical industry.

Trade and Other Payables

The Group's trade and other payables decreased from RMB1,492.1 million as at December 31, 2022 to RMB1,249.6 million as at June 30, 2023, which is primarily in line with the decline in the Group's business scale, offset by an increase of RMB116.7 million in dividend payables.

Capital Management

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

Liquidity and Capital Resources

The Group's cash and cash equivalents increased from RMB787.7 million as at December 31, 2022 to RMB1,268.6 million as at June 30, 2023, primarily attributable to the increase in net cash generated from operating activities and net cash generated from investing activities. For details of the Group's borrowings, please refer to the item headed "Borrowings and Gearing Ratio" in this section and note 20 to the interim condensed consolidated financial statements of this report.

Net Current Assets

The Group had net current assets decreased from RMB2,189 million as at December 31, 2022 to RMB1,663 million as at June 30, 2023.

Key Financial Ratios

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

	For the six months ended June 30,	
	2023	2022
Gross profit margin[(1)]	**38.1%**	47.2%

	As at June 30, 2023	As at December 31, 2022
Current ratio[(2)]	**1.83**	2.11
Quick ratio[(3)]	**1.82**	2.08
Debt to asset ratio[(4)]	**0.50**	0.48

Notes:

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

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

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

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

Contingent Liabilities

As at June 30, 2023, the Group did not have any material contingent liabilities, guarantee or any litigation or claim of material importance, pending or threatened against any of its member.

Financing and Treasury Policies

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

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

Foreign Exchange Risk

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

Cash Flow and Fair Value Interest Rate Risk

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

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

Credit Risk

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

Liquidity Risk

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

Borrowings and Gearing Ratio

As at June 30, 2023, the Group had borrowings of RMB918.5 million (December 31, 2022: RMB691.8 million), of which RMB606.8 million were at fixed interest rates (December 31, 2022: RMB471.4 million). Equivalence of approximately RMB92.2 million borrowings as at June 30, 2023 were originally denominated in Hong Kong dollars.

As at June 30, 2023, the gearing ratio of the Group (calculated as total interest-bearing borrowings and lease liabilities divided by total equity plus other financial liabilities as at the same date) increased to 43.9%, compared to 31.0% as at December 31, 2022.

Pledge of Assets

As at June 30, 2023, borrowings of approximately RMB176.1 million (December 31, 2022: RMB100.4 million) were secured by the Group's equipment and pledged by the Group's deposits.

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

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

Events after the Reporting Period

No important events affecting the Group have occurred since June 30, 2023 and up to the date of this report.

Future Plans for Material Investments and Capital Assets

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

Employees and Remuneration

As at June 30, 2023, the Group had 1,931 employees (as at June 30, 2022: 2,476). The total remuneration cost incurred by the Group for the six months ended June 30, 2023 was RMB153.6 million (for the six months ended June 30, 2022: RMB200.9 million). The remuneration package of the Group's employees includes salary and bonus, which are generally determined by their qualifications, industry experience, position and performance. The Group makes contributions to social insurance and housing provident funds as required by the PRC laws and regulations. Apart from offering a competitive remuneration and benefits package, the Group provides corporate and vocational training to its employees according to the training and development policy of the Group.

The Company adopted a restricted share unit scheme on November 23, 2022 to attract retain and incentivize the key personnel and partners of the Company, and to promote the value of the Company by offering these individuals an opportunity to acquire the shares of the Company and a proprietary interest in the success of the Company, thereby linking their interests with the Company's performance. For details, please refer to the Company's announcements dated November 23, 2022 and July 28, 2023.

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

(i) Interests in the Company

As at June 30, 2023, the interests and short positions of the Directors and chief executives of the Company and their associates in any of the Shares, underlying Shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

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

(L) denotes a long position

Notes:

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

(2) The calculation is based on the total number of 621,250,500 Shares in issue as at June 30, 2023.

(ii) Interests in Associated Corporations of the Company

Name of Director/ chief executive	Name of associated corporation	Capacity/ nature of interest	Number of shares in the associated corporation interested	Approximate percentage of shareholding in the associated corporation
Mr. Zhang Yong	Huizekx Limited	Beneficial owner	1 (L)	100%
Mr. Zhang Yong	YK Development	Interested in a controlled corporation	3,203,250 (L)	64.04%

(L) denotes a long position

Save as disclosed above, as at June 30, 2023, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO); or which would be required to be recorded in the register to be kept by the Company pursuant to Section 352 of the SFO, or which would be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at June 30, 2023, so far as the Directors are aware, the followings are the persons, other than the Directors or chief executives of the Company, who had interests or short positions in the Shares and underlying Shares which would be required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

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

(L) denotes a long position

Notes:

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

(2) YK Development is held as to approximately 23.47%, 6.95%, 3.04%, 0.50% and 2.00%, by Mouduans Limited, Tongfuzc Limited, WJJR Investment Limited, Jin Jun Ying Limited and Source Capital RW Limited, respectively. Pursuant to Guidance Letter HKEX GL89-16, Huizekx Limited, Mouduans Limited, Tongfuzc Limited, WJJR Investment Limited, Jin Jun Ying Limited, Source Capital RW Limited and YK Development are a group of Controlling Shareholders of the Company.

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

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

(5) The calculation is based on the total number of 621,250,500 Shares in issue as at June 30, 2023.

Save as disclosed above, as at June 30, 2023, the Directors and chief executives of the Company were not aware of any other person (other than the Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would be required to be notified to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO; or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

2022 RSU SCHEME

On November 23, 2022 (the "**Adoption Date**"), the 2022 RSU Scheme was approved and adopted by the Company. Further details of the 2022 RSU Scheme are set out in the Company's announcements dated November 23, 2022 and July 28, 2023. As at June 30, 2023, no RSU had been granted or agreed to be granted, vested, cancelled or lapsed under the 2022 RSU Scheme.

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

1. Purposes of the 2022 RSU Scheme

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

2. Selected Participants in the 2022 RSU Scheme

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

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

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

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

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

3. **Total number of Shares under the 2022 RSU Scheme**

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

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

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

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

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

5. **Vesting**

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

6. **Acceptance of RSUs**

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

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

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

8. Remaining life

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

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

COMPLIANCE WITH THE CODE PROVISIONS SET OUT IN PART 2 OF THE CORPORATE GOVERNANCE CODE

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

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

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

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

COMPLIANCE WITH THE MODEL CODE

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

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51B(1) of the Listing Rules, the changes in the information of the Directors subsequent to the publication of the annual report of the Company for the year ended December 31, 2022 are set out below:

In September 2022, Dr. Wang Ruihua ceased to be an independent director of BCEG Environmental Remediation Co., Ltd. (北京建工環境修復股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 300958).

With effect from August 30, 2023, (i) Dr. Guo Yunzhao resigned as a non-executive Director and a member of the Audit Committee; and (ii) Mr. Yang Hongwei resigned as an independent non-executive Director.

With effect from August 30, 2023, (i) Dr. Wang Pinghui was appointed as a non-executive Director; (ii) Mr. Lan Fenghui was appointed as an independent non-executive Director; and (iii) Dr. Wang Ruihua, a non-executive Director, was appointed as a member of the Audit Committee.

INTERIM DIVIDEND

The Board did not declare any interim dividend for the six months ended June 30, 2023 (for the six months ended June 30, 2022: HK$0.088 per share).

AUDIT COMMITTEE

The Audit Committee has reviewed the unaudited condensed consolidated financial statements and the interim report for the six months ended June 30, 2023 of the Group. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control measures with senior management members. The Audit Committee does not have any disagreement with the accounting treatment adopted by the Company.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The net proceeds from the Global Offering amounted to approximately HK$811.8 million. As at June 30, 2023, approximately HK$356.0 million of the net proceeds of the Global Offering had been utilized as follows:

	Allocation of net proceeds from the Global Offering in the proportion disclosed in the Prospectus		Proceeds from the Global Offering utilized as at June 30, 2023	Proceeds from the Global Offering utilized during the Reporting Period	Amounts not yet utilized as at June 30, 2023	Expected timeline of full utilization of the unutilized proceeds from the Global Offering
	HK$ million	Percentage	HK$ million	HK$ million	HK$ million	
Expanding and deepening our medical institution alliance network	446.5	55.0%	166.7	36.8	279.8	By the end of 2025
Upgrading and enhancing our operational capabilities of a medical operation service provider	162.3	20.0%	114.5	14.6	47.8	By the end of 2024
Expanding our diagnostic capabilities and enriching our diagnostic testing portfolio	81.2	10.0%	19.3	12.0	61.9	By the end of 2024
Potential investment and acquisition opportunities	40.6	5.0%	-	-	40.6	By the end of 2025
Recruiting and training up our talent pool	40.6	5.0%	14.9	10.2	25.7	By the end of 2025
Our working capital and general corporate purposes	40.6	5.0%	40.6	-	-	N/A
Total	811.8	100.0%	356.0	73.6	455.8	

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

EVENT AFTER THE END OF THE REPORTING PERIOD

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

By Order of the Board
Yunkang Group Limited
Zhang Yong
Chairman

Guangzhou, the PRC, August 30, 2023

Interim Condensed Consolidated Statement of Comprehensive Income

	Note	Six months ended June 30, 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue	5	**476,865**	1,378,656
Cost of revenue	7	**(295,200)**	(727,584)
Gross profit		**181,665**	651,072
Selling expenses	7	**(86,874)**	(219,076)
Administrative expenses	7	**(80,512)**	(128,630)
Net impairment losses on financial assets		**(4,274)**	(20,917)
Other income		**6,052**	5,068
Other gains/(losses) – net	6	**31,091**	(190)
Fair value changes on financial assets at fair value through profit or loss	16(b)	**18,713**	–
Operating profit		**65,861**	287,327
Finance income	8	**2,960**	4,153
Finance costs	8	**(18,012)**	(7,980)
Finance costs – net	8	**(15,052)**	(3,827)
Profit before income tax		**50,809**	283,500
Income tax expenses	9	**(2,782)**	(48,739)
Profit for the period		**48,027**	234,761
Other comprehensive income, net of tax			
Items that may not be reclassified to profit or loss			
– Changes in the fair value of financial assets at fair value through other comprehensive income, net of tax	16(a)	**–**	–
Total comprehensive income for the period		**48,027**	234,761

Interim Condensed Consolidated Statement of Comprehensive Income

	Note	Six months ended June 30, 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Profit attributable to:			
– Owners of the Company		**48,715**	234,363
– Non-controlling interests		**(688)**	398
		48,027	234,761
Total comprehensive income attributable to:			
– Owners of the Company		**48,715**	234,363
– Non-controlling interests		**(688)**	398
		48,027	234,761
Earnings per share for profit attributable to the owners of the Company			
– Basic and diluted (in RMB)	10	**0.08**	0.44

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

Interim Condensed Consolidated Statement of Financial Position

	Note	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Assets			
Non-current assets			
Property and equipment	11	**410,904**	420,602
Intangible assets		**3,156**	3,756
Prepayments and other receivables	15	**185,258**	15,658
Financial assets at fair value through other comprehensive income ("FVOCI")	16(a)	**84,341**	84,341
Financial assets at fair value through profit or loss ("FVTPL")	16(b)	**163,623**	160,241
Deferred income tax assets		**56,586**	53,911
		903,868	738,509
Current assets			
Inventories	13	**19,121**	41,317
Trade receivables	14	**1,942,533**	2,432,165
Prepayments and other receivables	15	**28,188**	118,749
Financial assets at FVTPL	16(b)	**290,046**	642,569
Restricted cash	17	**125,884**	145,926
Cash and cash equivalents	17	**1,268,575**	787,742
		3,674,347	4,168,468
Total assets		**4,578,215**	4,906,977
Equity			
Equity attributable to owners of the Company			
Share capital and share premium	18	**626,510**	743,248
Shares held for employee share scheme	18	**(188,525)**	–
Other reserves	19	**936,510**	936,510
Retained earnings		**901,220**	852,505
		2,275,715	2,532,263
Non-controlling interests		**6,647**	7,316
Total equity		**2,282,362**	2,539,579

Interim Condensed Consolidated Statement of Financial Position

	Note	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Liabilities			
Non-current liabilities			
Borrowings	20	**233,439**	328,115
Lease liabilities	12	**48,522**	57,677
Deferred income tax liabilities		**2,809**	2,122
		284,770	387,914
Current liabilities			
Borrowings	20	**685,038**	363,669
Trade and other payables	21	**1,249,606**	1,492,079
Current income tax liabilities		**40,036**	85,433
Lease liabilities	12	**34,658**	36,658
Deferred revenue		**1,745**	1,645
		2,011,083	1,979,484
Total liabilities		**2,295,853**	2,367,398
Total equity and liabilities		**4,578,215**	4,906,977

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

The interim condensed consolidated financial statements on pages 36 to 64 were approved by the Board of Directors of the Company on August 30, 2023 and were signed on its behalf by:

Zhang Yong
Director

Xie Shaohua
Director

		Attributable to owners of the Company						
	Note	Share capital and share premium RMB'000 (Note 18)	Shares held for employee share scheme RMB'000 (Note 18)	Other reserves RMB'000 (Note 19)	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance as at January 1, 2023		**743,248**	**–**	**936,510**	**852,505**	**2,532,263**	**7,316**	**2,539,579**
Profit for the period		**–**	**–**	**–**	**48,715**	**48,715**	**(688)**	**48,027**
Other comprehensive income								
– Changes in fair value of equity investments at FVOCI, net of tax	16(a)	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income for the period		**–**	**–**	**–**	**48,715**	**48,715**	**(688)**	**48,027**
Transaction with owners:								
Capital withdrawn from non-controlling interests		**–**	**–**	**–**	**–**	**–**	**19**	**19**
Shares purchased under the 2022 RSU Scheme	18	**–**	**(188,525)**	**–**	**–**	**(188,525)**	**–**	**(188,525)**
Dividends	23	**(116,738)**	**–**	**–**	**–**	**(116,738)**	**–**	**(116,738)**
(Unaudited) Balance as at June 30, 2023		**626,510**	**(188,525)**	**936,510**	**901,220**	**2,275,715**	**6,647**	**2,282,362**
Balance as at January 1, 2022		21,126	–	955,382	475,196	1,451,704	(124)	1,451,580
Profit for the period		–	–	–	234,363	234,363	398	234,761
Total comprehensive income for the period		–	–	–	234,363	234,363	398	234,761
Transaction with owners:								
Transfer of gain on disposal of equity investments at FVOCI to retained earnings		716,349	–	–	–	716,349	–	716,349
Transaction with non-controlling interests		53,899	–	–	–	53,899	–	53,899
(Unaudited) Balance as at June 30, 2022		791,374	–	955,382	709,559	2,456,315	274	2,456,589

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

Interim Condensed Consolidated Statement of Cash Flows

	Note	Six months ended June 30, 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cash flows of operating activities			
Cash generated from operations		**219,156**	(103,285)
PRC enterprise income tax paid		**(50,616)**	(64,163)
Net cash generated from operating activities		**168,540**	(167,448)
Cash flows of investing activities			
Purchases of property and equipment		**(45,480)**	(169,471)
Payment of software and other intangible assets development costs		**(1,202)**	–
Prepayments for an investment		**(169,999)**	–
Payments for financial assets at FVOCI		**–**	(82,000)
Purchases of financial assets at FVTPL		**(274,715)**	(222,513)
Proceeds from redemption of financial assets at FVOCI and FVTPL		**664,619**	–
Net proceeds from disposal of property and equipment		**973**	–
Receipt of amounts due from a related party		**–**	19,750
Collection of loans receivable		**100,864**	–
Restricted cash released		**17,053**	–
Net cash generated from/(used in) investing activities		**292,113**	(454,234)
Cash flows from financing activities			
Proceeds from borrowings		**459,273**	315,095
Repayments of borrowings		**(232,580)**	(163,639)
Interest paid		**(16,004)**	(6,319)
Principal elements and interest expenses of lease payments		**(10,747)**	(17,958)
Proceeds from initial public offering		**–**	767,065
Proceeds from partial exercise of the over-allotment option		**–**	54,714
Shares held for employee share scheme	18	**(188,525)**	–
Payment of listing expenses		**–**	(44,431)
Net cash generated from financing activities		**11,417**	904,527
Net increase in cash and cash equivalents		**472,070**	282,845
Cash and cash equivalents at beginning of the period		**787,742**	800,695
Effect of exchange rate changes on cash and cash equivalents		**8,763**	–
Cash and cash equivalents at end of the period	17	**1,268,575**	1,083,540

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

1 GENERAL INFORMATION

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

The Company is an investment holding company, and its subsidiaries are primarily engaged in the provision of diagnostic testing services in the People's Republic of China.

The shares of the Company were listed on the Main Board of the Stock Exchange on May 18, 2022.

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

These condensed interim financial statements were approved by the Board on August 30, 2023.

The financial statements have not been audited.

2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The condensed consolidated interim financial statements for the six months ended June 30, 2023, of the Group have been prepared in accordance with the Listing Rules and Hong Kong Accounting Standard 34 Interim Financial Reporting ("HKAS 34"), issued by the Hong Kong Institute of Certified Public Accountants.

The financial information does not include all the notes of the type normally included in an annual report. Accordingly, this report is to be read in conjunction with the annual report for the year ended December 31, 2022, and any public announcements made by the Group during the interim reporting period.

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

(a) New and amended standards and interpretation adopted by the Group

The following new standards and amendments to existing standards are mandatory for accounting periods beginning on or after January 1, 2023. The adoption of these new standards and amendments to existing standards does not have any significant impact to the results and financial position of the Group:

HKFRS 17 and Amendments to HKFRS 17	Insurance Contract (including Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information)
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

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

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

Standards and amendments that have been issued but not yet effective for accounting periods beginning on or after July 1, 2023, and not been early adopted by the Group are as follows:

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as current or non-current	January 1,2024
Amendments to HKAS 1	Non-current liabilities with covenants	January 1,2024
Amendments to HKFRS 16	Lease liability in sale and leaseback	January 1,2024
Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements	Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	January 1,2024
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules	To be determined
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	To be determined
Amendments to HKAS 21	Lack of Exchangeability	To be determined

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In preparing this interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the annual financial statements for the year ended December 31, 2022.

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

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

The interim condensed consolidated financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at December 31, 2022.

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

4.1.1 Liquidity risk

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

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

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
As at June 30, 2023					
Borrowings	**704,339**	**186,625**	**17,491**	**36,224**	**944,679**
Lease liabilities	**36,898**	**21,195**	**15,116**	**15,890**	**89,099**
Trade and other payables (excluding accrued staff costs and other taxes payable)	**1,065,264**	**–**	**–**	**–**	**1,065,264**
	1,806,501	**207,820**	**32,607**	**52,114**	**2,099,042**
As at December 31, 2022					
Borrowings	384,246	270,613	32,513	36,224	723,596
Lease liabilities	38,471	21,629	17,463	23,839	101,402
Trade and other payables (excluding accrued staff costs and other taxes payable)	1,361,739	–	–	–	1,361,739
	1,784,456	292,242	49,976	60,063	2,186,737

As at June 30, 2023, trade payables of RMB649,170,000 was attributable to purchase of raw materials from related parties of the Group. The Group has closely managed its liquidity risk and may delay its settlements with related parties when needed.

As at June 30, 2023, current and non-current borrowings of Group amounted to RMB685,038,000 and RMB233,439,000, respectively, which were mainly used to meet the Group's needs of working capital.

4 FINANCIAL RISK MANAGEMENT *(Continued)*

4.2 Fair value estimation

(a) Fair value hierarchy

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

(Unaudited) At June 30, 2023	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL				
– Structured notes	–	–	212,375	212,375
– Investment in private funds	–	77,671	–	77,671
– Unlisted companies	–	–	163,623	163,623
Financial assets at FVOCI				
– Unlisted companies	–	–	84,341	84,341
Total financial assets	–	77,671	460,339	538,010

At December 31, 2022	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at FVTPL				
– Debt instruments	–	–	34,911	34,911
– Investment in private funds	–	401,165	206,493	607,658
– Unlisted companies	–	–	160,241	160,241
Financial assets at FVOCI				
– Unlisted companies	–	–	84,341	84,341
Total financial assets	–	401,165	485,986	887,151

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

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

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

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

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the six months ended June 30, 2023 (2022: same).

4 FINANCIAL RISK MANAGEMENT *(Continued)*

4.2 Fair value estimation *(Continued)*

(a) Fair value hierarchy (Continued)

During the six months ended June 30, 2023, the Group recognized total fair value changes on financial assets at FVTPL amounting to RMB18,713,000 (six months ended June 30, 2022: nil), which included gains of RMB7,671,000 and RMB11,042,000 arising from financial assets at FVTPL in level 2 and in level 3, respectively.

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

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Financial assets at FVOCI		
Balance at beginning of the period/year	**84,341**	110,004
Additions	**–**	–
Changes in fair value	**–**	(25,163)
Disposals	**–**	(500)
Balance at the end of the period/year	**84,341**	84,341
Financial assets at FVTPL		
Balance at beginning of the period/year	**401,645**	58,243
Additions	**204,715**	344,653
Changes in fair value	**11,042**	(1,251)
Disposals	**(241,404)**	–
Balance at the end of the period/year	**375,998**	401,645

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

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

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

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

There was no change to valuation techniques during the six months ended June 30, 2023 (2022: same).

4 FINANCIAL RISK MANAGEMENT *(Continued)*

4.2 Fair value estimation *(Continued)*

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

If the fair value of the Group's financial assets at FVOCI had been 10% higher/lower, other comprehensive income before income tax for the six months ended June 30, 2023 would have been approximately RMB8,434,100 higher/lower (2022: RMB18,600,400).

If the fair value of the Group's financial assets at FVTPL had been 10% higher/lower, the profit before income tax for the six months ended June 30, 2023 would have been approximately RMB45,366,900 higher/lower (2022: RMB28,075,600).

(d) Fair values of other financial instruments (Unrecognized)

The Group also has a number of financial instruments which are not measured at fair value in the statement of financial position. For the majority of these instruments, the fair values are not materially different to their carrying amounts, since the interest receivable/payable is either close to current market rates or the instruments are short-term in nature.

5 SEGMENT AND REVENUE INFORMATION

(a) Description of segments

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

The principal operating entities of the Group are domiciled in the PRC. Accordingly, all of the Group's revenue were derived in the PRC during the six months ended June 30, 2023 (2022: same).

(b) Revenue by business line

	Six months ended June 30,	
	2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Recognized at a point in time:		
Diagnostic service	**476,865**	1,378,656

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

5 SEGMENT AND REVENUE INFORMATION *(Continued)*

(d) Information about major customers

All the revenues derived from single external customers were less than 10% of the Group's total revenue during six months ended June 30, 2023 (2022: same).

(e) Unsatisfied performance obligations

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

6 OTHER GAINS/(LOSSES) – NET

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Gains on redemption of financial assets at FVTPL	**22,225**	–
Exchange gain – net	**9,179**	–
Gains/(losses) on disposal of property and equipment	**743**	(40)
Others	**(1,056)**	(150)
	31,091	(190)

7 EXPENSES BY NATURE

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

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of reagent and pharmaceuticals consumed	**111,216**	420,546
Staff costs	**153,601**	200,854
Marketing and promotion expenses	**43,681**	106,442
Subcontracting costs	**47,686**	125,638
Depreciation and amortization charges	**35,879**	81,976
Transportation expenses	**10,287**	43,184
Office expenses	**7,567**	14,605
Travelling and entertainment expenses	**11,931**	24,525
Consultancy and professional service fees	**14,547**	5,534
Listing expenses	**–**	27,483
Rental expenses	**5,575**	4,761
Outsourced R&D expenses	**2,367**	1,119
Other expenses	**18,249**	18,623

8 FINANCE COSTS – NET

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Finance income		
Bank interest income	**2,960**	4,153
Finance costs		
Interest on interest-bearing borrowings	**(16,039)**	(6,319)
Interest on lease liabilities	**(1,973)**	(1,661)
	(18,012)	(7,980)
Finance costs – net	**(15,052)**	(3,827)

9 INCOME TAX EXPENSES

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax	**5,054**	52,890
Deferred income tax	**(2,272)**	(4,151)
	2,782	48,739

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

Cayman Islands

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

Hong Kong

Hong Kong profits tax rate is 16.5% since April 1, 2018 when the two-tiered profits tax regime took effect, under which the tax rate is 8.25% for assessable profits on the first HK$2 million and 16.5% for any assessable profits in excess of HK$2 million. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the six months ended June 30, 2023 (2022: same).

9 INCOME TAX EXPENSES *(Continued)*

PRC Corporate Income Tax ("CIT")

CIT was made on the estimated assessable profits of the entities within the Group incorporated in the PRC and was calculated in accordance with the relevant tax rules and regulations of the PRC after considering the available tax refunds and allowances. The general CIT rate is 25% for the six months ended June 30, 2023 (2022: same).

Certain entities within the Group, which generated most of the Group's profits, have been approved as high technology enterprises under the relevant tax rules and regulations, and accordingly, are subject to a reduced preferential CIT rate of 15% for the six months ended June 30, 2023 (2022: same).

Certain of the Group's entities in the PRC meet the standards for small enterprises under the relevant tax rules and regulations, and accordingly, the part of their taxable income not exceeding RMB1 million subject to a reduced CIT rate of 20%.

10 EARNINGS PER SHARE

(a) Basic earnings per share

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

	Six months ended June 30,	
	2023 (Unaudited)	2022 (Unaudited)
Profit attributable to owners of the Company (RMB'000)	**48,715**	234,363
Weighted average number of ordinary shares in issue less shares held under the 2022 RSU Scheme during the period	**619,248,072**	527,710,850
Basic earnings per share attributable to the owners of the Company (expressed in RMB per share)	**0.08**	0.44

(b) Diluted earnings per share

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

The Company had no dilutive potential shares in issue, thus the diluted earnings per share for six months ended June 30, 2023 and 2022 are the same as basic earnings per share of the respective periods.

11 PROPERTY AND EQUIPMENT

	Property and equipment RMB'000	Right-of-use assets RMB'000	Total RMB'000
As at January 1, 2023			
Cost	**729,392**	**293,875**	**1,023,267**
Accumulated depreciation	**(259,927)**	**(69,332)**	**(329,259)**
Impairment	**(273,406)**	**–**	**(273,406)**
Net book amount	**196,059**	**224,543**	**420,602**
(Unaudited)			
Six months ended June 30, 2023			
Opening net book amount	**196,059**	**224,543**	**420,602**
Additions	**26,990**	**13,901**	**40,891**
Disposals	**(230)**	**(16,282)**	**(16,512)**
Depreciation charge	**(22,233)**	**(11,844)**	**(34,077)**
Closing net book amount	**200,586**	**210,318**	**410,904**
As at June 30, 2023			
Cost	**744,649**	**291,494**	**1,036,143**
Accumulated depreciation	**(274,011)**	**(81,176)**	**(355,187)**
Impairment	**(270,052)**	**–**	**(270,052)**
Net book amount	**200,586**	**210,318**	**410,904**
As at January 1, 2022			
Cost	411,239	252,286	663,525
Accumulated depreciation	(137,284)	(41,041)	(178,325)
Net book amount	273,955	211,245	485,200
(Unaudited)			
Six months ended June 30, 2022			
Opening net book amount	273,955	211,245	485,200
Additions	220,335	18,707	239,042
Disposals	(143)	–	(143)
Depreciation charge	(69,702)	(12,522)	(82,224)
Closing net book amount	424,445	217,430	641,875
As at June 30, 2022			
Cost	631,431	270,993	902,424
Accumulated depreciation	(206,986)	(53,563)	(260,549)
Net book amount	424,445	217,430	641,875

12 LEASES

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Right-of-use assets included in "Property and equipment"		
– Leased properties	**60,258**	74,199
– Leased equipment and motor vehicles	**3,073**	1,329
– Land use rights	**146,987**	149,015
	210,318	224,543
Lease liabilities		
– Current	**34,658**	36,658
– Non-current	**48,522**	57,677
	83,180	94,335

13 INVENTORIES

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Reagent and pharmaceuticals	**19,121**	41,317

14 TRADE RECEIVABLES

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Trade receivables		
– Third parties	**2,181,025**	2,671,922
– Related parties (Note 22(d))	**408**	369
	2,181,433	2,672,291
Less: allowance for impairment of trade receivables	**(238,900)**	(240,126)
	1,942,533	2,432,165

(a) At June 30, 2023 and December 31, 2022, the aging analysis of the trade receivables based on recognition date were follows:

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Up to 180 days	**360,435**	1,655,558
181 days to 1 year	**1,277,717**	734,521
1 to 2 years	**436,094**	235,267
2 to 3 years	**80,129**	24,233
More than 3 years	**27,058**	22,712
	2,181,433	2,672,291

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

15 PREPAYMENTS AND OTHER RECEIVABLES

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Included in current assets		
Prepayments		
– Prepayments to third party suppliers	**8,106**	4,684
– Other tax recoverable	**3,168**	2,719
	11,274	7,403
Other receivables		
– Loan receivable	**–**	100,000
– Deposits receivables	**14,580**	9,699
– Cash advance to employees	**1,090**	474
– Amounts due from related parties (Note 22(d))	**1,592**	1,470
	17,262	111,643
Less: allowance for impairment of other receivables	**(348)**	(297)
	16,914	111,346
	28,188	118,749
Included in non-current assets		
Prepayments		
– Prepayment for an investment	**169,999**	–
– Prepayment for equipment to third party suppliers	**9,888**	10,292
	179,887	10,292
Other receivables		
– Deposits	**5,371**	5,366
	185,258	15,658
Total	**213,446**	134,407

(a) A subsidiary of the Company entered into an agreement with an independent third party to acquire equity interests of two companies in the PRC at a consideration of RMB169,999,000 in total. There is industry synergy between the Company and the target companies that focus on medical industry. All the applicable percentage ratios as defined under Chapter 14 of the Listing Rules in relation to the acquisition were less than 5%.

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

16 FINANCIAL ASSETS AT FAIR VALUE

(a) Financial assets at FVOCI

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

Equity investments at FVOCI included the following:

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Unlisted		
– Private company A (Note (i))	**81,599**	81,599
– Private company B (Note (ii))	**2,742**	2,742
	84,341	84,341

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

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

During the six months ended June 30, 2023, the fair value changes on financial assets measured at FVOCI are considered as immaterial.

16 FINANCIAL ASSETS AT FAIR VALUE *(Continued)*

(b) Financial assets at FVTPL

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

Financial assets measured at FVTPL include the following:

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Included in current assets		
Investment in private funds		
– Managed by investment manager A	–	302,783
– Managed by investment manager B	–	98,382
– Managed by investment manager C	–	206,493
– Managed by investment manager D (Note (i))	77,671	–
Debt instrument	–	34,911
Structured notes (Note (ii))	212,375	–
	290,046	642,569
Included in non-current assets:		
Unlisted companies (Note (iii))	163,623	160,241
	453,669	802,810

(i) A subsidiary of the Company acted as a limited partner and subscribed a private open fund with RMB70 million with lock-up period of 365 days. It is an open-fund and the investment strategy is focus on the short-term and liquidity assets, including bonds and equity securities.

(ii) The net proceeds of the structured note are invested in funds for cash management purpose.

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

Amounts recognized in profit or loss

	Six months ended June 30, 2023 RMB'000 (Unaudited)	Six months ended June 30, 2022 RMB'000 (Unaudited)
Fair value gains recognized in profit or loss	18,713	–

(c) Fair value, impairment and risk exposure

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

17 CASH AND CASH EQUIVALENTS

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Cash at bank	**1,394,439**	933,648
Cash on hand	**20**	20
	1,394,459	933,668
Less: Restricted cash (Note (a))	**(125,884)**	(145,926)
Cash and cash equivalents	**1,268,575**	787,742

(a) As at June 30, 2023, the majority of the Group's restricted cash were deposits for bank borrowings.

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

(a) Share capital and share premium

	Number of ordinary shares	Share capital USD	Share capital RMB'000	Share premium RMB'000	Total RMB'000
Authorized					
As at January 1, 2023 and June 30, 2023	25,000,000,000	50,000	338		
Issued and paid					
Balance at January 1, 2023	621,250,500	1,242	9	743,239	743,248
Dividends (Note 23)	–	–	–	(116,738)	(116,738)
(Unaudited)					
Balance at June 30, 2023	621,250,500	1,242	9	626,501	626,510
Balance at January 1, 2022	9,999,990	1,000	7	21,119	21,126
Effect of the share subdivision	489,999,510	–	–	–	–
Shares issued upon the completion of initial public offering, net of transaction costs	113,188,500	226	2	716,347	716,349
Shares issued upon partial exercise of the over-allotment option, net of transaction costs	8,062,500	16	*	53,899	53,899
(Unaudited)					
Balance at June 30, 2022	621,250,500	1,242	9	791,365	791,374

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

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

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

(b) Shares held for employee share scheme

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

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

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

	Number of Ordinary shares	Cost of acquired shares RMB'000
Balance at January 1, 2023	–	–
Acquisition of shares by the Share Scheme Trust	15,101,643	188,525
(Unaudited) **Balance at June 30, 2023**	15,101,643	188,525

(ii) During the period ended June 30, 2023, 15,101,643 shares were purchased from open market by the Share Scheme Trust at a total consideration of approximately HKD207,898 thousand (equivalent to approximately RMB188,525 thousand) (2022: Nil).

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

When the Share Scheme Trust transfers the Company's shares to the awardees upon vesting, the related costs of the awarded shares vested are credited to "Shares held for employee share scheme", with a corresponding adjustment made to "Share premium".

19 OTHER RESERVES

	Capitalization reserves (Note) RMB'000	Reserves for financial assets at FVOCI RMB'000	Total RMB'000
Balance at January 1, 2022	930,845	24,537	955,382
Changes in fair value of financial assets at FVOCI	–	(18,872)	(18,872)
Balance at December 31, 2022	930,845	5,665	936,510
Balance at January 1, 2023	**930,845**	**5,665**	**936,510**
(Unaudited)			
Balance at June 30, 2023	**930,845**	**5,665**	**936,510**

Note:

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

20 BORROWINGS

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Borrowings included in non-current liabilities:		
Bank borrowings		
– Guaranteed	**281,992**	233,115
Other borrowings		
– Secured and/or guaranteed	**122,816**	143,086
Less: current portion of non-current borrowings	**(171,369)**	(48,086)
	233,439	328,115
Borrowings included in current liabilities:		
Bank borrowings	**513,669**	315,583
– Guaranteed	**429,860**	297,000
– Unsecured	**83,809**	18,583
Current portion of non-current borrowings	**171,369**	48,086
	685,038	363,669
Total borrowings	**918,477**	691,784

(a) As at June 30, 2023, the effective interest rate of the borrowings was 3.90% per annum (December 31, 2022: 3.73%).

21 TRADE AND OTHER PAYABLES

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Trade payables (Note (a))		
– Third parties	**329,521**	520,617
– Related parties (Note 22(d))	**649,170**	680,058
	978,691	1,200,675
Other payables		
– Related parties (Note 22(d))	**16,700**	13,007
– Marketing and promotion expenses payables	**29,100**	60,371
– Decoration expenses payables	**28,611**	35,546
– Accrued expenses	**10,689**	34,202
– Listing expenses payables	**–**	4,522
– Others	**1,473**	13,416
	86,573	161,064
Accrued staff costs	**46,301**	105,805
Other taxes payable	**21,303**	24,535
Dividend payables	**116,738**	–
	1,249,606	1,492,079

(a) The aging analysis of the trade payables based on goods and services received is as follows:

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Up to 6 months	**126,453**	717,981
6 months to 1 year	**458,492**	348,081
1 to 2 years	**387,666**	131,332
2 to 3 years	**3,290**	2,806
More than 3 years	**2,790**	475
	978,691	1,200,675

(b) As at June 30, 2023, the carrying amounts of trade and other payables were denominated in RMB and their carrying amounts approximated their fair values (December 31, 2022: same).

22 RELATED PARTY TRANSACTIONS

(a) Names and relationships with related parties

Related parties are those parties that have the ability to control, jointly control or exercise significant influence over the other party in holding power over the investee; the exposure or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. Parties are also considered to be related if they are subject to common control or joint control. Related parties may be individuals or other entities.

Save as disclosed elsewhere in these consolidated financial statements, the directors of the Company are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the six months ended June 30, 2023:

Name of related parties	Relationship with the Group
Mr. Zhang Yong	The Controlling Shareholder of the Group
Da An Gene and its subsidiaries ("Da An Group")	The shareholder with significant influence to the Group
Zhuhai Hengqin Shiwei Kangjie Life Science Research Institute Co., Ltd. and its subsidiaries	Company controlled by Mr. Zhang Yong

(b) Key management compensation

	Six months ended June 30,	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries, bonuses and other benefits	**2,881**	2,464
Contribution to pension scheme expenses	**232**	226
	3,113	2,690

22 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Transactions with related parties

	Six months ended June 30, 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue from		
– Da An Group	**191**	2,260
Purchase of goods and services		
– Da An Group	**16,813**	170,728
Interest expense paid/payable to related parties on lease liabilities		
– Da An Group	**–**	71
Commercial property management service fee to related parties		
– Da An Group	**1,732**	1,590

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

(d) Balances with related parties

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Amounts due from related parties		
Trade		
Trade receivables		
– Da An Group	**408**	369
Other receivables		
– Da An Group	**1,592**	1,470
	2,000	1,839
Amounts due to related parties		
Trade		
Trade payables		
– Da An Group	**(649,170)**	(680,058)
Other payables		
– Da An Group	**(16,700)**	(13,007)
	(665,870)	(693,065)
Lease liabilities due to related parties		
– Da An Group	**(13,531)**	(13,531)

22 RELATED PARTY TRANSACTIONS *(Continued)*

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

As at June 30, 2023 and, the balances due from/to related parties are unsecured, interest-free, and are denominated in RMB. Other receivables primarily include deposits in relation to transactions with related parties. Other payables primarily represent commercial property management service fees payable in relation to the leased offices and amount payable for equipment purchased from Da An Group.

(e) Other information with the related parties

As a result of the business development of the Group's subsidiaries, CDB Development Fund Co., Ltd., the Group and Da An Gene entered into an investment agreement dated December 9, 2015 (the "Investment Agreement"), pursuant to which the Group is obliged to repurchase the relevant equity held by CDB Development Fund Co., Ltd. in the Group's subsidiaries in accordance with the time stipulated in the Investment Agreement, and/or Da An Gene may repurchase the relevant equity when the Group is unable to repurchase the same in accordance with the provisions in the Investment Agreement.

As at June 30, 2023, there were no guarantees or pledges provided to the related parties (December 31, 2022: same).

23 DIVIDENDS

On June 28, 2023, the shareholders at the general meeting approved a final dividend for the year ended December 31, 2022 of HK$0.22 per share to the Shareholders whose name appeared on the register of members of the Company on July 5, 2023. Accordingly, cash dividends totalling HK$133,353,000 (equivalent to RMB116,738,300) are expected to be distributed after deducting the dividends to be received by shares held by the trustee of the 2022 RSU Scheme on August 25, 2023. These dividends will be distributed out of the Company's share premium.

The Board did not declare any interim dividend for the six months ended June 30, 2023 (June 30, 2022: HK$0.088 per share).

24 COMMITMENTS

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

	As at June 30, 2023 RMB'000 (Unaudited)	As at December 31, 2022 RMB'000 (Audited)
Contracted but not provided for:		
– Property and equipment	**297,293**	309,418

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

25 CONTINGENT LIABILITIES

As at June 30, 2023, the Group did not have any material contingent liabilities (December 31, 2022: same).

26 SUBSEQUENT EVENTS

There were no material subsequent events during the period from July 1, 2023, to the approval date of the Interim Financial Information.