



東軟熙康控股有限公司
NEUSOFT XIKANG HOLDINGS INC.

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 9686

INTERIM REPORT
2023

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Corporate Information

BOARD OF DIRECTORS

Chairman and Non-executive Director

Dr. LIU Jiren (劉積仁)

Executive Director

Ms. ZONG Wenhong (宗文紅) (*Chief Executive Officer*)

Non-executive Directors

Ms. LU Zhaoxia (盧朝霞)

Dr. WANG Nan (王楠)

Mr. PU Chengchuan (蒲成川)

Dr. CHEN Lianyong (陳連勇)

Independent Non-executive Directors

Ms. CHEN Yan (陳艷)

Dr. FANG Weiyi (方唯一)

Dr. YIN Guisheng (印桂生)

AUDIT COMMITTEE

Ms. CHEN Yan (陳艷) (*Chairman*)

Dr. CHEN Lianyong (陳連勇)

Dr. YIN Guisheng (印桂生)

REMUNERATION COMMITTEE

Ms. CHEN Yan (陳艷) (*Chairman*)

Dr. LIU Jiren (劉積仁)

Dr. FANG Weiyi (方唯一)

NOMINATION COMMITTEE

Dr. LIU Jiren (劉積仁) (*Chairman*)

Dr. FANG Weiyi (方唯一)

Dr. YIN Guisheng (印桂生)

STRATEGY COMMITTEE

Dr. LIU Jiren (劉積仁) (*Chairman*)

Ms. ZONG Wenhong (宗文紅)

Dr. CHEN Lianyong (陳連勇)

Dr. FANG Weiyi (方唯一)

Dr. YIN Guisheng (印桂生)

JOINT COMPANY SECRETARIES

Ms. WANG Shuli (王淑力)

Mr. WONG Wai Chiu (黃偉超)

AUTHORISED REPRESENTATIVES

Ms. ZONG Wenhong (宗文紅)

Mr. WONG Wai Chiu (黃偉超)

REGISTERED OFFICE

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KY1-1104

Cayman Islands

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Shanghai

PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40/F, Dah Sing Financial Centre

248 Queen's Road East

Wan Chai

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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Cricket Square

Grand Cayman, KY1-1102

Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712-1716

17th Floor, Hopewell Centre

183 Queen's Road East

Wan Chai

Hong Kong

Corporate Information

AUDITOR**PricewaterhouseCoopers**

Certified Public Accountants and Registered Public

Interest Entity Auditor

22/F, Prince's Building

Central

Hong Kong

LEGAL ADVISORS TO THE COMPANY

As to Hong Kong law:

Clifford Chance

27/F Jardine House

One Connaught Place

Central

Hong Kong

As to PRC law:

Tian Yuan Law Firm

Suite 509, Tower A, Corporate Square

35 Financial Street

Xicheng District

Beijing

PRC

As to Cayman Islands law:

Maples and Calder (Hong Kong) LLP

26th Floor, Central Plaza

18 Harbour Road

Wanchai

Hong Kong

COMPLIANCE ADVISOR**Somerley Capital Limited**

20/F, China Building

29 Queen's Road Central

Hong Kong

PRINCIPAL BANKERS

Industrial Bank Co., Ltd., Xi'an Road Branch

China Merchants Bank Co., Ltd., Nanhu Technology

Development Area Branch

COMPANY WEBSITE

<https://www.xikang.com>

STOCK CODE

09686

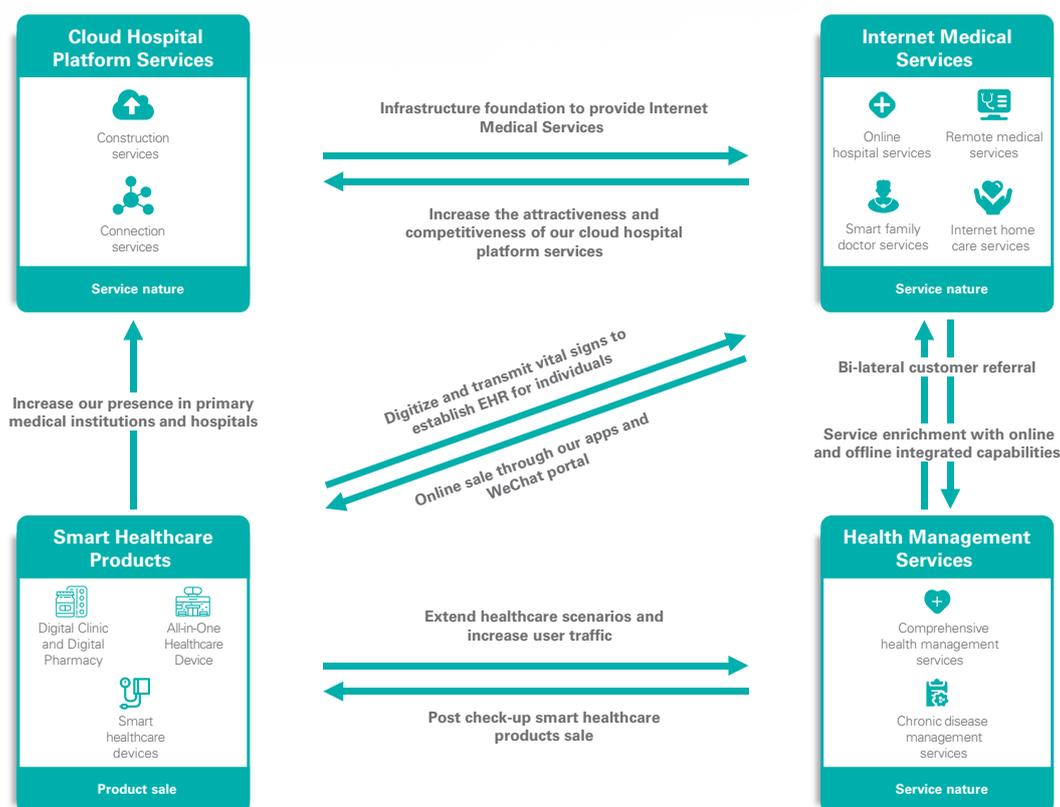
Financial Highlights

	Six months ended June 30,		
	2023	2022	Change
	(Unaudited)	(Unaudited)	(%)
	<i>(RMB in thousands, except percentages)</i>		
Revenue	218,925	241,475	-9.3%
Gross profit	67,300	45,913	46.6%
Gross margin	30.7%	19.0%	11.7%
Loss for the period	(95,002)	(157,387)	-39.6%
Add: Share-based compensation expenses	9,747	44,795	-78.2%
Add: Interest expenses for financial liability for redeemable rights	4,918	8,248	-40.4%
Adjusted net loss for the period (non-HKFRS measure)	(80,337)	(104,344)	-23.0%

Management Discussion and Analysis

BUSINESS REVIEW

We are a leader in city-specific cloud hospital platform, and nurtured a cloud hospital network that connects local governments, medical institutions, patients and insurers to enable equitable access to medical resources and more effective and efficient delivery of healthcare. Through the cloud hospital network, we facilitate the delivery of Internet medical services, including online hospital services, remote medical services, smart family doctor services and Internet home care services. We also provide health management services and offer smart healthcare products. The following diagram illustrates the relationships among our four business segments and the synergistic effects generated among them:



For the six months ended June 30, 2023, our revenue amounted to RMB218.9 million, a decrease of 9.34% from RMB241.5 million for the same period of the previous year; our gross profit margin was 30.7%, an increase of 11.7% from 19.0% for the same period of the previous year.

Cloud Hospital Platform Services

We provide local governments, medical institutions and insurers with: (i) platform construction services that construct or upgrade cloud hospital platforms for local governments or independent cloud hospital systems for large medical institutions; and (ii) platform connection services that connect medical institutions to our cloud hospital platforms, which enable them to provide Internet medical services. Our cloud hospital platforms typically offer six function modules, namely the online hospital services module, remote medical services module, family doctor services module, Internet nursing care services module, health management services module and chronic disease management services module. Customers are able to choose one or a bundle of such modules to be implemented in their cloud hospital platforms. These modules are developed by us, and the functions of such modules can be modified and tailored to address various healthcare needs.

Management Discussion and Analysis

As of June 30, 2023, our network consisted of 29 city-specific cloud hospital platforms in China. As of the same date, 2,500 hospitals were connected to our cloud hospital network, and there were 35,700 medical institutions connected to our platform, the majority of which were in the public sector. For the six months ended June 30, 2023, we generated 39.6% of our revenue from our cloud hospital platform services offered via city-specific cloud hospital platforms, and the revenue generated from cloud hospital platform services amounted to RMB53.1 million, an increase of 4.8% from RMB50.7 million of the same period of the previous year.

The following table sets forth a breakdown of our revenue from the cloud hospital platform services by type of customer for the periods indicated:

	Six Months ended June 30,			
	2023		2022	
	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>			
Local governments	8,483	16.0	14,498	28.6
Medical institutions	34,376	64.7	26,948	53.1
Others	10,284	19.3	9,271	18.3
Total	53,143	100.0	50,717	100.0

Internet Medical Services

Supported by our cloud hospital platforms, third-party and our own medical institutions can provide online and offline integrated Internet medical services consisting of online hospital services, remote medical services, smart family doctor services and Internet home care services. These services are provided by the medical institutions to which we provide cloud hospital platform services. Users of the health management services can conveniently access Internet medical services after health check-up services.

For the six months ended June 30, 2023, approximately 755,000 total online consultations took place over our platforms, and approximately 336,000 prescriptions were processed over our platforms. During the same period, the volume of our remote medical services was approximately 715,000, the volume of our smart family doctor services was approximately 1,778,000, and the volume of Internet home care services was approximately 45,000 over our platforms. For the six months ended June 30, 2023, we generated 92.6% from our Internet medical services offered via city-specific cloud hospital platforms, and the revenue generated from Internet medical services amounted to RMB70.0 million, an increase of 11.9% from RMB62.5 million as compared to the same period of the previous year.

Management Discussion and Analysis

The following table sets forth a revenue breakdown by business line of the Internet medical services segment for the periods indicated:

	Six Months ended June 30,			
	2023		2022	
	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>			
Online hospital services	54,300	77.6	54,624	87.4
Remote medical services	9,264	13.2	5,478	8.8
Smart family doctor services	–	–	–	–
Internet home care services	6,390	9.2	2,424	3.8
Total	69,954	100.0	62,526	100.0

Health Management Services

We provide integrated health management services to institutional and individual clients through our own medical institutions. Our institutional clients typically are government agencies, corporations, banks and insurers, who purchase our services for the benefit of their employees. In particular, we offer comprehensive health management services, which mainly include offline health check-ups through our own medical institutions and online health management services including virtual well-being tutorials and lifestyle planning recommendations provided by our online health management professionals. Meanwhile, we provide chronic disease management services, which mainly include chronic disease condition monitoring, healthcare news feed services and intervention planning services based on individuals' chronic disease conditions.

For the six months ended June 30, 2023, the volume of our health management services was approximately 170,000, and the revenue generated from health management services amounted to RMB82.8 million, an increase of 51.8% from RMB54.6 million as compared to the same period of the previous year.

Management Discussion and Analysis

The following table sets forth a breakdown of our revenue from health management services by type of customer for the periods indicated:

	Six Months ended June 30,			
	2023		2022	
	Amount	%	Amount	%
	<i>(RMB in thousands, except for percentages)</i>			
Institutional clients	67,172	81.1	41,743	76.5
Individual clients	15,668	18.9	12,845	23.5
Total	82,840	100.0	54,588	100.0

Smart Healthcare Products

We mainly offer Digital Clinic (智慧雲診室) and Digital Pharmacy (智慧雲藥房) products and All-in-One Healthcare Devices (健康一體機) as well as other smart healthcare devices to cover various healthcare needs under different settings.

For local government and primary medical institutions, our smart healthcare product offerings mainly include Digital Clinic and Digital Pharmacy products and All-in-One Healthcare Devices, among other things. These products are integrated into our cloud hospital platforms and digitize and transmit vital signs and test results to our platform, to facilitate remote medical consultations, drug delivery and establish EHRs for individuals. For the six months ended June 30, 2023, the sales volume of our Digital Clinic and Digital Pharmacy products was 73 and the sales volume of our All-in-One Healthcare Devices was 128.

We also provide corporations and individuals with our smart healthcare devices, which mainly include smart blood pressure monitors, smart blood glucose meters, and smart wearables, among others. These devices allow patients or healthcare consumers and their family members to better monitor and manage health. For the six months ended June 30, 2023, the revenue generated from smart healthcare products amounted to RMB13.0 million, a decrease of 82.4% from RMB73.6 million as compared to the same period of the previous year.

Management Discussion and Analysis

The following table sets forth a breakdown of our revenue from the smart healthcare products by setting for the periods indicated:

	Six Months ended June 30,			
	2023		2022	
	Amount	%	Amount	%
<i>(RMB in thousands, except for percentages)</i>				
Smart healthcare products targeted at institutional settings	12,629	97.2	73,123	99.3
Smart healthcare products targeted at individual settings	359	2.8	521	0.7
Total	12,988	100.0	73,644	100.0

Development after the Reporting Period

On the Listing Date, the Shares of our Company were listed on the Main Board of the Stock Exchange. We issued a total of 133,805,500 Shares in the Global Offering with an offer price of HK\$4.76. Net proceeds from the Global Offering, after deducting relevant fees, expenses and commissions, assuming no exercise of the over-allotment option, were approximately HK\$554.5 million, which will be used in accordance with the use of proceeds as disclosed in the Prospectus. As of the Listing Date, the Company has not utilized any net proceeds from the Global Offering. For details of the use of proceeds, please refer to the section headed "Future Plans and Use of Proceeds" in the Prospectus and the section headed "Use of Proceeds from the Global Offering" of this report.

Management Discussion and Analysis

BUSINESS PROSPECTS

In the second half of 2023, to realize our mission to empower the healthcare transformation through information technology, we plan to pursue the following strategies:

- We plan to further expand our cloud hospital network to new cities and enrich our service offerings and capabilities on our existing city-specific cloud hospital platforms, thereby enlarging our network of medical institutions and attracting new and maintaining existing users;
- We aim to further strengthen our collaborations with medical specialists of different areas at top medical institutions, and enhance and diversify our medical specialty-based service offerings to address the diversified needs of patients, thereby further improving their experience and enlarging the user base of our cloud hospital platforms. Meanwhile, we intend to continually work with medical specialty consortiums to develop medical specialty-based processes, systems and programs to diversify the clinical application settings in which we empower primary medical institutions; and
- We plan to continually improve the technology infrastructure of our platforms and our data processing and security capabilities. We intend to increase investments in research and development to enhance the security, reliability and flexibility of our cloud hospital platforms. We also intend to continually integrate big data analytics, AI and blockchain technology into our platforms to further enhance our service capabilities.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue from Contracts with Customers

Our revenue decreased by 9.34% to RMB218.9 million for the six months ended June 30, 2023 from RMB241.5 million for the same period of 2022, mainly attributable to the decrease in the revenue from our smart healthcare products.

Cloud hospital platform services

Revenue generated from our cloud hospital platform services segment increased by 4.8% to RMB53.1 million for the six months ended June 30, 2023 from RMB50.7 million for the same period of 2022, primarily because a large-scale project passed quality acceptance check during the Reporting Period and resulted in revenue of more than RMB10 million.

Internet medical services

Revenue generated from our Internet medical services segment increased by 11.9% to RMB70.0 million for the six months ended June 30, 2023 from RMB62.5 million for the same period of 2022, mainly attributable to our marketing and operations efforts, which led to increases in the volumes of remote medical services and Internet home care services. The increase in the volume of remote medical services was mainly due to an increase in demand for remote consultations, and the increase in the volume of Internet home care services was mainly caused by our cooperation with provincial health administrations in expanding coverage of Internet home care services in Zhejiang Province.

Health management services

Revenue generated from our health management services segment increased by 51.8% to RMB82.8 million for the six months ended June 30, 2023 from RMB54.6 million for the same period of 2022, mainly attributable to the recovery of our health management service business, as we suspended the operations of our health management centers in the first half of 2022 as affected by the COVID-19 pandemic, whereas we resumed normal operations at our health management centers in the first half of 2023.

Smart healthcare products

Revenue generated from our smart healthcare products segment decreased by 82.4% to RMB13.0 million for the six months ended June 30, 2023 from RMB73.6 million for the same period of 2022, mainly attributable to the decrease in the number of projects we delivered for the six months ended June 30, 2023. Such decrease was driven by decreased or delayed effort by our customers in the provision of smart healthcare products at the primary medical institutions, while we had also become more selective in project bidding in the first half of 2023. Certain customers reduced purchases of, or postponed project bidding in relation to purchases of, smart healthcare products in the first half of 2023, as they allocated less budget to such purchases during the post-pandemic transition period.

Cost of Sales and Services

Our cost of sales and services decreased by 22.5% to RMB151.6 million for the six months ended June 30, 2023 from RMB195.6 million for the same period of 2022, mainly in line with the decrease in the revenue from contracts with customers on smart healthcare products.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit increased by 46.6% to RMB67.3 million for the six months ended June 30, 2023 from RMB45.9 million for the same period of 2022.

Management Discussion and Analysis

Our gross margin increased to 30.7% for the six months ended June 30, 2023 from 19.0% for the same period of 2022, mainly attributable to the substantial increase in the gross profit of our health management services segment. In particular, we achieved an increase in our revenue from this business segment, as our health management centers resumed normal operations (which means working hours of these centers return to pre-pandemic levels, and health check-up services can be provided according to appointment schedules without substantial delays) whereas we suspended the operations of these centers during the six months ended June 30, 2022.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 20.6% to RMB47.7 million for the six months ended June 30, 2023 from RMB60.1 million for the same period of 2022, mainly attributable to the decreases in: (i) our share-based compensation, as we granted Pre-IPO SOS Options before July 2021 and recognized a majority of share-based compensation expenses by the end of 2022; and (ii) our employee benefits expenses and travelling, entertainment and general office expenses, primarily due to a decrease in the number of our selling and marketing personnel.

Research and Development Expenses

Our research and development expenses decreased by 33.3% to RMB27.8 million for the six months ended June 30, 2023 from RMB41.7 million for the same period of 2022, mainly attributable to the decreases in: (i) our employee benefits expenses and travelling, entertainment and general office expenses, primarily due to a decrease in the number of our research and development personnel; and (ii) our share-based compensation, as we granted Pre-IPO SOS Options before July 2021 and recognized a majority of share-based compensation expenses by the end of 2022.

Administrative Expenses

Our administrative expenses decreased by 22.9% to RMB59.5 million for the six months ended June 30, 2023 from RMB77.2 million for the same period of 2022, mainly attributable to the decrease in our share-based compensation, as we granted Pre-IPO SOS Options before July 2021 and recognized a majority of share-based compensation expenses by the end of 2022.

Other Income

Our other income decreased by 95.1% to RMB0.7 million for the six months ended June 30, 2023 from RMB14.4 million for the same period of 2022, mainly attributable to decreased government grants.

Other Losses/Gains, Net

We recorded net other losses of RMB6.4 million for the six months ended June 30, 2023, compared to the net other gains of RMB1.2 million for the same period of 2022, primarily due to (i) loss from fluctuation of exchange rate, and (ii) gains recorded from disposal of certain subsidiaries in the first half of 2022, and there was no similar disposal in the first half of 2023.

Net Finance Costs

Our net finance costs decreased by 6.1% to RMB16.8 million for the six months ended June 30, 2023 from RMB17.9 million for the same period of 2022, mainly attributable to a decrease in interest expenses related to redeemable rights, partially offset by an increase in interest costs on bank borrowings.

Share of Losses from Investments Accounted for Using the Equity Method

Our share of losses from investments accounted for using the equity method remained relatively stable at RMB2.2 million for the six months ended June 30, 2023, compared to RMB2.5 million for the same period of 2022.

Management Discussion and Analysis

Income Tax Credit/Expense

We recorded Income tax credit of RMB1.3 million for the six months ended June 30, 2023, compared to tax expense of RMB0.9 million for the same period of 2022, mainly attributable to a decrease in deferred income tax credit.

Loss for the period

As a result of the foregoing, our loss for the Reporting Period decreased by 39.6% to RMB95.0 million for the six months ended June 30, 2023 from RMB157.4 million for the same period of 2022.

Adjusted Net Loss

To supplement our consolidated statements of profit or loss which are presented in accordance with HKFRS, we use adjusted net loss for the Reporting Period (non-HKFRS measure) and adjusted net loss margin (non-HKFRS measure) as non-HKFRS measures, which are not required by, or presented in accordance with, HKFRS. We believe that the presentation of such non-HKFRS measures when shown in conjunction with the corresponding HKFRS measures provides useful information to potential investors and management in facilitating a comparison of our operating performance from period to period by eliminating potential impacts of certain items, such as share-based compensation expenses and interest expenses for financial liability for redeemable rights. The use of the non-HKFRS measures has limitations as an analytical tool, and investors should not consider it in isolation from, or as a substitute for or superior to, the analysis of our results of operations or financial condition as reported under HKFRS. In addition, the non-HKFRS measures may be defined differently from similar terms used by other companies.

The following table reconciles our adjusted net loss for the period (non-HKFRS measure) to the most directly comparable financial measure in accordance with HKFRS for the periods indicated:

	Six Months ended June 30,	
	2023	2022
	(RMB in thousands)	
	(Unaudited)	(Unaudited)
Loss for the period	(95,002)	(157,387)
Add: Share-based compensation expenses	9,747	44,795
Add: Interest expenses for financial liability for redeemable rights	4,918	8,248
Adjusted net loss for the period (non-HKFRS measure)	(80,337)	(104,344)

The non-HKFRS measure, adjusted net loss for the period, used by us has been adjusted for (i) share-based compensation expenses and (ii) interest expenses for financial liability for redeemable rights. In particular, the share-based compensation expenses are a non-cash expense arising from granting share-based awards to selected employees. Meanwhile, the redeemable rights arose from an investment agreement entered into by the Company and a certain investor in round C Pre-IPO investments of the Company, pursuant to which the Company has an obligation to repurchase its ordinary shares issued to such investor. The redeemable rights are recognized as a financial liability and such recognition will be automatically terminated upon the Listing. We are not expected to have any additional interest expenses for financial liability for redeemable rights.

Our adjusted net loss (non-HKFRS measure) decreased from RMB104.3 million for the six months ended June 30, 2022 to RMB80.3 million for the same period of 2023. The decrease in our adjusted net loss (non-HKFRS measure) for the six months ended June 30, 2023 was mainly due to an increase in our gross profit and decreases in the employee benefits expenses of our selling and marketing expenses, research and development expenses and administrative expenses.

Management Discussion and Analysis

Contingent Liabilities

As of June 30, 2023, we were not involved in any material legal, arbitration or administrative proceedings that were expected to materially and adversely affect our financial condition or results of operations, although there can be no assurance that this will not be the case in the future.

As of June 30, 2023, we did not have any significant contingent liabilities (as of June 30, 2022: nil). In addition, we did not have any material mortgages, pledges, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of June 30, 2023.

Capital Expenditures

During the Reporting Period, we incurred capital expenditures of RMB0.5 million mainly for purchases of property, plant and equipment (for the six months ended June 30, 2022: RMB4.5 million).

Future Plans for Material Investments or Capital Asset

Save as disclosed under the section headed "Future Plans and Use of Proceeds" to the Prospectus of the Company dated September 18, 2023, the Group did not have any other plans for material investments or capital assets.

Management Discussion and Analysis

Liquidity and Capital Resources

Historically, we have funded our working capital primarily from bank borrowings and equity financing. As of June 30, 2023, we had cash and cash equivalents of RMB227.3 million. We expect to use a portion of the proceeds from the Global Offering to fund our working capital requirements. We currently do not have any plans for material additional external financing.

The following table sets forth our cash flows for the periods indicated:

	Six Months ended June 30,	
	2023	2022
	(RMB in thousands)	
	(Unaudited)	(Unaudited)
Operating cash flows before movements in working capital	(43,857)	(74,644)
Movements in working capital	(44,545)	(73,436)
Interest received	1,075	682
Income taxes paid	(3,442)	(80)
Net cash used in operating activities	(90,769)	(147,478)
Net cash used in investing activities	(363)	(5,858)
Net cash (used in)/generated from financing activities	(33,130)	91,643
Net decrease in cash and cash equivalents	(124,262)	(61,693)
Cash and cash equivalents at the beginning of the period	350,748	364,737
Effects of exchange rate changes on cash and cash equivalents	824	1,824
Cash and cash equivalents at the end of the period	227,310	304,868

Net cash used in operating activities

Our cash flows from operating activities reflect our loss before taxation adjusted for: (i) non-cash and non-operating items (such as depreciation and amortization, share-based compensation, and financial income and costs); (ii) the effects of movement in working capital (such as changes in inventories, provisions, as well as operating assets and liabilities); and (iii) other cash items (such as interest received and income tax paid).

For the six months ended June 30, 2023, we had net cash used in operating activities of RMB90.8 million, which represents our loss before income tax of RMB96.3 million, as adjusted by non-cash and non-operating items, and movements in working capital of an increase of RMB30.4 million in other operating assets, mainly due to the increase in trade receivables as of June 30, 2023.

Net cash used in investing activities

For the six months ended June 30, 2023, we had net cash used in investing activities of RMB0.4 million, which was primarily attributable to payment for our purchases for property, plant and equipment and intangible assets.

Net cash used in financing activities

For the six months ended June 30, 2023, we had net cash used in financing activities of RMB33.1 million, which was primarily attributable to payments of lease liabilities of RMB12.1 million and payments for interests of RMB12.7 million.

Management Discussion and Analysis

Borrowings

As of June 30, 2023, the aggregate balance of our borrowings was RMB509.6 million. As of June 30, 2023, RMB102.4 million of our banking facilities remained unutilized.

As of June 30, 2023, all of our non-current borrowings and substantially all of our current borrowings were bank loans. The maturity dates of our outstanding borrowings ranged from 2024 to 2025.

Significant Investments Held

For the six months ended June 30, 2023, our Company did not hold any significant investments (including any investment in an investee company with a value of 5% or more of the Group's total assets as of June 30, 2023).

Capital Commitments

As of June 30, 2023, we had no material capital commitments.

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

For the six months ended June 30, 2023, our Company did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

RISK MANAGEMENT

Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The functional currency of our Company and the subsidiaries operating in the PRC is Renminbi. We manage our foreign exchange risk by performing regular reviews of our net foreign exchange exposures and try to minimize these exposures through natural hedges, wherever possible, and may enter into forward foreign exchange contracts, when necessary.

We operate mainly in the PRC with most of the transactions settled in Renminbi. Our management considers that our business is not exposed to any significant foreign exchange risk as we have no significant financial assets or liabilities denominated in currencies other than the respective functional currencies of our entities. As of June 30, 2023, our Company did not hold any financial instruments for hedging purposes.

Gearing ratio

As at 30 June 2023, the gearing ratio of the Group was 137% (31 December 2022: 129%).

This ratio is calculated as net debt divided by deficits on total equity. Net debt calculated as total liabilities which are considered as borrowings less cash and cash equivalents.

Cash flow and fair value interest rate risk

Our income and operating cash flows are substantially independent of changes in market interest rates and we have no significant interest-bearing assets except for those investments in wealth management products.

Other Information

DIVIDENDS

The Board did not recommend the distribution of any interim dividend for the Reporting Period.

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

Since the Company was not listed on the Stock Exchange during the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange during the Reporting Period.

EMPLOYEES AND REMUNERATION POLICIES

As of June 30, 2023, we had 1,043 full-time employees, all of whom are based in China. The following table sets forth the breakdown of our employees by function as of June 30, 2023:

Function	Number of Employees	% of Total
Management and administration	165	15.8
Sales and marketing and operational support	336	32.2
Research and development	168	16.1
Health management	374	35.9
Total	1,043	100.0

Among all of our 1,043 employees as of June 30, 2023, 598 employees had bachelor's degrees or above, accounting for 57.3% of our total employees.

We are committed to establishing competitive and fair remuneration. In order to effectively motivate our employees, we continually refine our remuneration and incentive policies through market research. We conduct performance evaluation for our employees semi-annually to provide feedback on their performance. Compensation for our employees typically consists of basic salary and a performance-based bonus. We also adopted two share option schemes to enhance enthusiasm, sense of responsibility and sense of mission of our employees, and thereby coordinate interests of our employees with the interests of our Company. For details of the share option schemes, please refer to the section headed "Share Option Schemes" of the this report.

We provide social insurance plans and housing provident funds in accordance with applicable PRC laws and regulations to our employees. We pay great attention to our employees' welfare, and continually improve our welfare system. We offer employees additional benefits such as annual leave, stipend, supplementary medical insurance, annuity, health examinations and medical insurance for family members, among other things.

The Group provides employees with adequate job training to equip them with practical knowledge and skills. We also conduct introductory training for new staff.

During the Reporting Period and up to the Listing Date, we did not have any strikes, protests or other material labor conflicts that may materially impair our business and image.

Other Information

INTERESTS AND/OR SHORT POSITIONS OF DIRECTORS AND CHIEF EXECUTIVES IN SHARES, UNDERLYING SHARES AND DEBENTURES OF OUR COMPANY OR ITS ASSOCIATED CORPORATIONS

As our Company was not listed on the Stock Exchange as of June 30, 2023, Divisions 7 and 8 of Part XV of the SFO and Section 352 of the SFO were not applicable to the Directors, Supervisors or chief executives of our Company.

As at the Listing Date, the interests and short positions of the Directors and chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporations within the meaning of Part XV of the SFO, which were required (a) to be notified to our 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 under such provisions of the SFO); or (b) to be recorded in the register required to be kept by our Company pursuant to Section 352 of the SFO; or (c) as otherwise notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules are set out as follows:

Name of Director	Nature of Interest	Number and class of securities	Approximate percentage of interest in our Company ⁽¹⁾
Dr. Liu ⁽²⁾	Interest in controlled corporations	166,984,305 (L) ordinary Shares	19.83%
Ms. ZONG Wenhong ⁽³⁾	Interest in controlled corporations	22,145,000 (L) ordinary Shares	2.63%
Dr. WANG Nan ⁽³⁾	Interest in controlled corporations	22,145,000 (L) ordinary Shares	2.63%

Notes:

- (1) The table above is calculated on the basis that the total of 841,876,805 Shares as at the Listing Date.
- (2) Smartwave, Dongkong International Fifth and Dongkong International Seventh directly held 76,500,000 Shares, 68,384,305 Shares and 22,100,000 Shares of our Company, respectively, in an aggregate of 166,984,305 Shares. Since each of Smartwave, Dongkong International Fifth and Dongkong International Seventh is wholly owned by Neusoft Holdings through various intermediary entities, Neusoft Holdings was deemed to have an interest in an aggregate of 166,984,305 Shares of our Company held by Smartwave, Dongkong International Fifth and Dongkong International Seventh by virtue of the SFO.

Neusoft Holdings is a Sino-foreign joint venture with limited liability incorporated in the PRC. As of the Listing Date, Dalian Kang Ruidao Management Consulting Centre (Limited Partnership) (大連康睿道管理諮詢中心(有限合夥)) (“**Dalian Kang Ruidao Management**”) was the single largest shareholder of Neusoft Holdings, holding 29.65% of its total shares. Neusoft Thinking Technology, the fourth largest shareholder of Neusoft Holdings, held approximately 10.82% of its total shares. Dalian Kang Ruidao Management held 99% of the total shares of Neusoft Thinking Technology. Therefore, Dalian Kang Ruidao Management effectively controlled approximately 40.47% of the total shares of Neusoft Holdings. By virtue of the SFO, Dalian Kang Ruidao Management was deemed to be interested in the Shares of the Company held by Smartwave, Dongkong International Fifth and Dongkong International Seventh, which are wholly-owned subsidiaries of Neusoft Holdings.

Dalian Kang Ruidao Management is a limited partnership incorporated in the PRC. As of the Listing Date, Tianjin Zengdao Management Consultancy Center (Limited Partnership) (天津增道管理諮詢中心(有限合夥)) (“**Tianjin Zengdao**”) held 38.62% of the capital contribution by Dalian Kang Ruidao Management. Shenyang Kang Ruidao Consulting Co., Ltd. (瀋陽康睿道諮詢有限公司) (“**Shenyang Kang Ruidao**”) was the managing partner of both Dalian Kang Ruidao Management and Tianjin Zengdao. Dr. LIU was the representative of managing partner designated by Shenyang Kang Ruidao to Dalian Kang Ruidao Management, and he also held 64.23% partnership interest of Tianjin Zengdao and 51% equity interest in Shenyang Kang Ruidao. By virtue of the SFO, Dr. LIU was deemed to be interested in the Shares of the Company held by Smartwave, Dongkong International Fifth and Dongkong International Seventh, which are wholly-owned subsidiaries of Neusoft Holdings.

Other Information

(3) 22,145,000 Shares of our Company were held by KangRich, which is wholly owned by Beijing Kangji Management Consulting Partnership (Limited Partnership) (北京康驥管理諮詢合夥企業(有限合夥)) (“Beijing Kangji”). The general partner of Beijing Kangji is Shenyang Ruiqian Business Consulting Co., Ltd. (瀋陽睿前商務諮詢有限公司) (“Shenyang Ruiqian”), which is held as to 50% by Ms. ZONG Wenhong, our executive Director and chief executive officer, and 50% by Dr. WANG Nan, our non-executive Director, and the limited partners of Beijing Kangji are the five limited partners each holding 19.9975% interest in Beijing Kangji (the “Five LPs of Kangji”). Shenyang Ruiqian is interested in 0.02% in Beijing Kangji. The partners of the Five LPs of Kangji are a total of 103 employees of the Company, including Ms. ZONG Wenhong, our executive Director and chief executive officer. None of the 103 employees of the Company is entitled to significant economic interests in the Five LPs of Kangji. Such 22,145,000 Shares held by KangRich were issued pursuant to the 2016 RSU Scheme of the Company adopted in August 2016 for the benefit of its employees. As of the Listing Date, all the underlying restricted share units under the 2016 RSU Scheme have been exercised by its grantees, namely the 103 employees of the Company, and held by KangRich as the shareholding platform on behalf of these employees. As such, the 2016 RSU Scheme has come to an end and ceased to be effective. Since each of Ms. ZONG Wenhong and Dr. WANG Nan is able to control 50% of the voting power in Shenyang Ruiqian, which is the general partner of Beijing Kangji, Ms. ZONG Wenhong and Dr. WANG Nan are deemed to be interested in the 22,145,000 Shares held by KangRich by virtue of the SFO.

(4) (L) devotes a long position.

Save as disclosed herein, as at the Listing Date, none of the Directors or the chief executives of the Company held or was deemed to hold any interests or short positions in the Shares, underlying Shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which were required (a) to be notified to our 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 under such provisions of the SFO); or (b) to be recorded in the register required to be kept by our Company pursuant to Section 352 of the SFO; or (c) as otherwise notified to our Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND/OR SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES AND UNDERLYING SHARES OF OUR COMPANY

As our Company was not listed on the Stock Exchange as of June 30, 2023, Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO were not applicable to the substantial shareholders of our Company.

So far as the Directors or chief executive of our Company are aware, as at the Listing Date, the following persons (other than the Directors or chief executives of our Company) had interests and/or short positions in the Shares or underlying Shares of our Company which shall be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept pursuant to Section 336 of the SFO or had otherwise notified to the Company:

Name of Shareholder	Nature of Interest	Number of Shares Held	Approximate percentage of interest in our Company ⁽¹⁾
Neusoft (HK) ⁽²⁾	Beneficial interest	199,213,210 (L)	23.66%
Smartwave ⁽³⁾	Beneficial interest	76,500,000 (L)	9.09%
Dongkong International Fifth ⁽³⁾	Beneficial interest	68,384,305 (L)	8.12%
PICC P&C	Beneficial interest	102,000,000 (L)	12.12%
Kingset Ventures	Beneficial interest	86,700,000 (L)	10.30%
First Care ⁽⁴⁾	Beneficial interest	64,728,790 (L)	7.69%
Syn Invest ⁽⁵⁾	Beneficial interest	42,500,000 (L)	5.05%

Other Information

Notes:

- (1) The table above is calculated on the basis that the total of 841,876,805 Shares as at the Listing Date.
- (2) Neusoft (HK) directly held 199,213,210 Shares of our Company. Neusoft (HK) was a wholly-owned subsidiary of Neusoft Corporation. By virtue of the SFO, Neusoft Corporation was deemed to have an interest in the Shares held by Neusoft (HK).
- (3) Smartwave, Dongkong International Fifth and Dongkong International Seventh directly held 76,500,000 Shares, 68,384,305 Shares and 22,100,000 Shares of our Company, respectively, in an aggregate of 166,984,305 Shares. Since each of Smartwave, Dongkong International Fifth and Dongkong International Seventh is wholly owned by Neusoft Holdings through various intermediary entities, Neusoft Holdings was deemed to have an interest in an aggregate of 166,984,305 Shares of our Company held by Smartwave, Dongkong International Fifth and Dongkong International Seventh by virtue of the SFO.

Neusoft Holdings is a Sino-foreign joint venture with limited liability incorporated in the PRC. Dalian Kang Ruidao Management was the single largest shareholder of Neusoft Holdings, holding 29.65% of its total shares. Dalian Neusoft Thinking Technology Development Co., Ltd. (大連東軟思維科技發展有限公司) (“**Neusoft Thinking Technology**”), the fourth largest shareholder of Neusoft Holdings, held approximately 10.82% of its total shares. Dalian Kang Ruidao Management held 99% of the total shares of Neusoft Thinking Technology. Therefore, Dalian Kang Ruidao Management effectively controlled approximately 40.47% of the total shares of Neusoft Holdings. By virtue of the SFO, Dalian Kang Ruidao Management was deemed to be interested in the Shares of the Company held by Smartwave, Dongkong International Fifth and Dongkong International Seventh, which are wholly-owned subsidiaries of Neusoft Holdings.

Dalian Kang Ruidao Management is a limited partnership incorporated in the PRC. Tianjin Zengdao held 38.62% of the capital contribution by Dalian Kang Ruidao Management. Shenyang Kang Ruidao was the managing partner of both Dalian Kang Ruidao Management and Tianjin Zengdao. Dr. LIU (the Chairman and non-executive Director of the Company) was the representative of managing partner designated by Shenyang Kang Ruidao to Dalian Kang Ruidao Management, and he also held 64.23% partnership interest of Tianjin Zengdao and 51% equity interest in Shenyang Kang Ruidao. By virtue of the SFO, Shenyang Kang Ruidao, Tianjin Zengdao and Dr. LIU were deemed to be interested in the Shares of the Company held by Smartwave, Dongkong International Fifth and Dongkong International Seventh, which are wholly-owned subsidiaries of Neusoft Holdings.

- (4) First Care is owned as to 70% by Suzhou 6 Dimensions Investment Partnership (蘇州通和毓承投資合夥企業(有限合夥)) (“**Suzhou 6 Dimensions**”) and 30% by Suzhou Frontline Phase II Venture Capital Partnership (蘇州通和二期創業投資合夥企業(有限合夥)) (“**Suzhou Frontline II**”). Suzhou 6 Dimensions is controlled by its general partner, Suzhou Tongyu Investment Management Partnership (Limited Partnership) (蘇州通毓投資管理合夥企業(有限合夥)) (“**Suzhou Tongyu**”). Suzhou Frontline II is controlled by its general partner, Suzhou Fuyan Venture Capital Management Partnership (Limited Partnership) (蘇州富沿創業投資管理合夥企業(有限合夥)) (“**Suzhou Fuyan**”). Both of Suzhou Tongyu and Suzhou Fuyan are in turn controlled by Suzhou Yunchang Investment Consulting Limited (蘇州蘊長投資諮詢有限公司) (“**Suzhou Yunchang**”), a company fully owned by Mr. CHEN Ziqing. By virtue of the SFO, Suzhou 6 Dimensions, Suzhou Frontline II, Suzhou Tongyu, Suzhou Fuyan, Suzhou Yunchang and Mr. CHEN Ziqing were deemed to be interested in the Shares of the Company held by First Care.
- (5) Syn Invest is wholly owned by Shenzhen Synergetic Hechuang Investment Management Partnership (Limited Partnership) (深圳市協同禾創投資管理合夥企業(有限合夥)) (“**Synergetic Hechuang**”). Synergetic Hechuang is managed by Shenzhen Synergetic Innovation Fund Management Co., Ltd. (協同創新基金管理有限公司) (“**SIFMC**”) and owned as to 80% by Shanghai Gopher Xinmian Investment Center (Limited Partnership) (上海歌斐信勉投資中心(有限合夥)) (“**Shanghai Gopher Xinmian**”). SIFMC and Synergetic Hechuang are ultimately beneficially owned by Dr. LI Wanshou, and Shanghai Gopher Xinmian is controlled by Ms. WANG Jingbo. By virtue of the SFO, Synergetic Hechuang, SIFMC, Dr. LI Wanshou, Shanghai Gopher Xinmian and Ms. WANG Jingbo were deemed to be interested in the Shares of the Company held by Syn Invest.
- (6) (L) devotes a long position.

Save as disclosed herein, as at the Listing Date, there is no other person known to the Directors or chief executive of our Company who had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 under Part XV of the SFO or who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

SHARE OPTION SCHEMES

1. Pre-IPO SOS

(1) Overview

The following is a summary of the principal terms of the Pre-IPO SOS, as amended from time to time, as adopted by the Board on March 29, 2019. All the options under the Pre-IPO SOS ("**Pre-IPO SOS Options**") have been granted in full.

(2) Purpose

For the purpose of achieving strategic goals and fuel the development of our Company, by providing participants with the opportunity to acquire proprietary interests in the Company, the Pre-IPO SOS is expected to encourage the participants to enhance their enthusiasm, sense of responsibility and sense of mission while working, and thereby coordinate interests of our employees with the interests of our Company.

(3) Administration

The Pre-IPO SOS will be administered by the Board and its designated human resource department, and the decision of the Board will be final and binding on all parties.

(4) Participants in the Pre-IPO SOS

The eligible participants in the Pre-IPO SOS ("**Pre-IPO SOS Participants**") include, among others, directors, senior management, core members of our Group joined or proposed to join our Group and any other persons as the Board may deem appropriate, subject to the following conditions:

- (a) having been working in our Group for no less than one year;
- (b) having achieved the performance standards as required by the Board; or
- (c) having met the assessment criteria for the grant of Pre-IPO SOS Options as stipulated by the Board.

Subject to approval by our chief executive officer and annual report to our Board, our vice presidents may propose to grant Pre-IPO SOS Options to special participants who fails to satisfy aforesaid requirements (a) or (b), but have made outstanding contribution to our Company or are introduced into our Company as talents. The total Shares granted to these special participants shall not exceed 10% of the total number of Shares that may be issued under this Pre-IPO SOS.

(5) Maximum number of Shares

The total number of the Shares underlying the Pre-IPO SOS (the "**Pre-IPO SOS Shares**") shall be no more than 81,600,000 Shares, representing approximately 9.69% of the total issued share capital of the Company as at the Listing Date.

There is no maximum entitlement for each of the Pre-IPO SOS Participants.

Other Information

(6) Duration of Pre-IPO SOS

The Pre-IPO SOS commenced on January 1, 2020 as the first grant date determined by the Board and shall continue in effect for a term of ten years, unless being terminated by the Board in advance of its expiry. As at the Listing Date, the remaining life of the Pre-IPO SOS is approximately 6 years.

(7) Grant of Pre-IPO SOS Options

The Board will, subject to the performance of our Company, review and determine in each year whether Pre-IPO SOS Options shall be granted.

The grant, vesting and exercise of Pre-IPO SOS Options shall comply with the provisions of the Pre-IPO SOS, the relevant resolutions as passed by the Board and the requirements of applicable laws.

All the Pre-IPO SOS Options have been granted prior to the Listing. No consideration was required to be paid at the acceptance of the Pre-IPO SOS Options.

(8) Rights attached to Pre-IPO SOS Options and Pre-IPO SOS Shares

A Pre-IPO SOS Participant is not entitled to any right of dividend, voting right or other shareholder's interest or right in respect of any Pre-IPO SOS Options or Pre-IPO SOS Shares before exercise of the Pre-IPO SOS Options and the completion of the registration of the Pre-IPO SOS Participant as a Shareholder of our Company.

(9) Rights are personal to the grantee

A Pre-IPO SOS Option is personal to the grantee and no grantee shall in any way sell, pledge, transfer, mortgage, assign or dispose of any Pre-IPO SOS Option subject to approval of our Board and stipulation in the grant letter. If any Pre-IPO SOS Options are disposed of in breach of the scheme rules of the Pre-IPO SOS, all Pre-IPO SOS Options (whether vested or not) held by the Pre-IPO SOS Participants will be invalidated. Without prejudice to the foregoing provisions, the provisions of Pre-IPO SOS shall be equally binding on the successor or transferee to the Pre-IPO SOS Participants.

(10) Vesting Schedule

Unless otherwise determined by the Board, the Pre-IPO SOS Options granted will be vested in three years upon (A) fulfilment of conditions set in the terms of the Pre-IPO SOS and the relevant grant letter as well as (B) the achievement of performance targets as determined by the Board. The first vesting date will be on the first anniversary of the date of grant of Pre-IPO SOS Options ("**Grant Date**").

(11) Exercise of Pre-IPO SOS Options

Exercise Price

The initial exercise price for Pre-IPO SOS Options shall be US\$2.94 per Share, subject to further adjustment as specified by the Board in the grant letter to the participants and by reference of the market practice and the current value of the Shares. The exercise price was determined with reference to the share price of latest round of financing prior to the grant date multiplied by a discount.

Exercise Period

Unless otherwise provided in the terms of the Pre-IPO SOS, the validity period of the Pre-IPO SOS Options granted under the Scheme shall be 10 years commencing from the Grant Date. All unexercised Pre-IPO SOS Options shall be terminated and invalidated after the validity period has lapsed.

Other Information

Exercise of Options

Grantees may exercise the Pre-IPO SOS Options in whole or in part by submitting (i) the Application for the Exercise of Option Incentive 《期權激勵行權申請書》 to our Company pursuant to the terms of this Pre-IPO SOS and the grant letter and (ii) any other documents as required by the Board. Each application must be accompanied by a remittance for the aggregate amount of the subscription price multiplied by the number of Shares in respect of which the application is submitted for.

(12) Adjustment

If our Company conducts capitalization from capital public reserve, scrip issue, share subdivision, allotment, share split or similar transactions affecting the Shares, leading to an increase or decrease in the number of issued Shares, the Board shall have the sole discretion to adjust the number, price and other aspects of the Pre-IPO SOS Options. The Board shall notify Pre-IPO SOS Participants in due course after such adjustment has been made.

(13) Details of the Pre-IPO SOS Options granted under the Pre-IPO SOS

The options under the Pre-IPO SOS in respect of an aggregate of 79,592,500 Shares, representing approximately 9.45% of the Shares as at the Listing Date, have been granted to the Pre-IPO SOS Participants pursuant to the Pre-IPO SOS, and all these options are still unexercised.

As of the Listing Date, 376 grantees have been granted options under the Pre-IPO SOS in respect of the Pre-IPO SOS Shares. As of January 1, 2023 and June 30, 2023, the number of options available for grant under the scheme mandate of the Pre-IPO SOS was in respect of 18,677,500 shares and 2,007,500 shares, respectively.

Other Information

Director, senior management and connected persons

Below is a list of our Director, members of senior management and connected persons who were granted Pre-IPO SOS Options as at June 30, 2023:

Name of the grantees	Position held in our Group	Grant date	Outstanding	Granted	Exercised	Cancelled	Lapsed	Outstanding	Exercise price (per Share) (USD)	
			and subject to vesting conditions as at January 1, 2023	during the Reporting Period	and subject to vesting conditions as at June 30, 2023		Vesting Period			
<i>Director</i>										
Ms. ZONG Wenhong ⁽¹⁾	Executive Director and the chief executive officer	January 1, 2020	-	-	-	-	-	-	3 years from Grant Date	2.94
		January 1, 2021	2,000,000	-	-	-	-	2,000,000	3 years from Grant Date	2.94
		April 1, 2023	-	3,000,000	-	-	-	3,000,000	3 years from Grant Date	2.94
<i>Other Employees</i>										
Ms. WANG Shuli ⁽²⁾	Vice president and chief financial officer	January 1, 2020	-	-	-	-	-	-	3 years from Grant Date	2.94
		January 1, 2021	1,600,000	-	-	-	-	1,600,000	3 years from Grant Date	2.94
		April 1, 2023	-	3,500,000	-	-	-	3,500,000	3 years from Grant Date	2.94
Mr. SHAO Shuli	Vice president	January 1, 2021	1,000,000	-	-	-	-	1,000,000	3 years from Grant Date	2.94
Mr. YANG Yuanwei	Vice president	January 1, 2020	-	-	-	-	-	-	3 years from Grant Date	2.94
		January 1, 2021	1,000,000	-	-	-	-	1,000,000	3 years from Grant Date	2.94
Mr. NIE Xiangguo	Chief executive of a subsidiary	January 1, 2020	-	-	-	-	-	-	3 years from Grant Date	2.94
		January 1, 2021	500,000	-	-	-	-	500,000	3 years from Grant Date	2.94
Ms. ZHOU Huijing	Chief executive of a subsidiary	January 1, 2020	-	-	-	-	-	-	3 years from Grant Date	2.94
		January 1, 2021	300,000	-	-	-	-	300,000	3 years from Grant Date	2.94
Employees other than Directors, senior management or connected persons	/	January 1, 2020	-	-	-	-	-	-	3 years from Grant Date	2.94
		January 1, 2021	10,688,000	-	-	-	-	10,688,000	-	2.94
		July 1, 2021	3,178,000	-	-	-	-	3,178,000	3 years from Grant Date	2.94
		April 1, 2023	-	10,170,000	-	-	-	10,170,000	-	2.94
<i>Subtotal of Employee Participants other than Director</i>	<i>/</i>	January 1, 2020	-	-	-	-	-	-	-	-
		January 1, 2021	15,088,000	-	-	-	-	15,088,000	-	-
		July 1, 2021	3,178,000	-	-	-	-	3,178,000	-	-
		April 1, 2023	-	14,210,000	-	-	540,000	13,670,000	-	-
Total	/		20,266,000	17,210,000	-	-	540,000	36,936,000	-	-

Other Information

Notes:

1. As of the Listing Date, Ms. ZONG Wenhong has been granted a total of 10,500,000 options under the Pre-IPO SOS, representing 1.25% of the total issue shares of the Company.
2. As of the Listing Date, Ms. WANG Shuli has granted a total of 8,750,000 options under the Pre-IPO SOS, representing 1.04% of the total issue shares of the Company.
3. Save as disclosed above, as at the Listing Date, there was no other grantee that had been granted Pre-IPO SOS Options exceeding 1% of the total number of issued Shares.
4. During the Reporting Period, a total of 3,442,000 Pre-IPO SOS Options (being 17,210,000 Pre-IPO SOS Options upon completion of the share subdivision on the Listing Date) were granted on April 1, 2023, with aggregate fair value of RMB69.2 million. For accounting standard and policy adopted, please refer to Note 30 to the condensed interim financial statements.
5. On January 1, 2020, each of Ms. ZONG Wenhong, Ms. WANG Shuli, Mr. YANG Yuanwei, Mr. NIE Xiangguo and Ms. ZHOU Huiping was granted 2,500,000 options, 1,250,000 options, 1,250,000 options, 500,000 options and 500,000 options, respectively under the Pre-IPO SOS. Employees other than Directors, senior management or connected persons were granted 9,662,500 options on the same date. Pursuant to the terms of the Pre-IPO SOS, all the options granted on January 1, 2020 were vested as of December 31, 2022 and none of them were exercised.

2. Post-IPO SOS

(1) Overview

The following is a summary of the principal terms of the Post-IPO SOS ("**Post-IPO SOS Rules**"), as conditionally adopted by the Board on May 27, 2021. The terms of the Post-IPO SOS are subject to Chapter 17 of the Listing Rules.

As at the Listing Date, no Post-IPO SOS Option had been granted or agreed to be granted under the Post-IPO SOS. Application has been made to the Listing Committee of the Stock Exchange for listing of and permission to deal in the Shares which may be issued pursuant to the exercise of any Post-IPO SOS Options which may be granted under the Post-IPO SOS.

(2) Purpose

The purpose of the Post-IPO SOS is to provide incentives and rewards to participants for their contributions to, and continuing efforts to, promote the interest of, the Company.

(3) Eligibility

Those eligible to participate in the Post-IPO SOS (the "**Post-IPO Eligible Participant**") include, among others, (i) any employee (whether full time or part time), executives or officers, and directors of any member of the Group, any entity in which any member of our Group holds an equity interest, and shall, for the purpose of the Post-IPO SOS Rules, exclude any members of the Group (the "**Invested Entity**") or any business partner; and (ii) any consultant, advisor or agent of any member of the Group, any Invested Entity or any business partner who, in the sole opinion of the Board, have contributed or will contribute to the growth and development of the Group or any Invested Entity.

(4) Subscription price

The subscription price for the Post-IPO SOS Options ("**Subscription Price**") shall be a price determined by the Board or the Chairman (as the case may be) and notified to any grantee of Post-IPO SOS Option (the "**Grantee**") and will be the highest of:

- (a) the closing price of the Shares as stated in the daily quotations sheet issued by the Stock Exchange on the Post-IPO Grant Date, which must be a business day;
- (b) an amount equivalent to the average closing price of a Share as stated in the Stock Exchange's daily quotation sheets for the five (5) business days immediately preceding the Post-IPO Grant Date; and
- (c) the nominal value of a Share on the Post-IPO Grant Date.

Other Information

(5) Offer of the Grant of an Option

The Board or the Chairman (in accordance with their respective discretion so authorized under the Post-IPO SOS) shall be entitled at any time during the operation of the Post-IPO SOS, at its/his sole and absolute discretion, to make an offer of Post-IPO SOS Options to a Post-IPO Eligible Participant by letter in such form as the Board or the Chairman (as the case may be) may from time to time determine (the “**Grant Letter**”).

(6) Acceptance of Offer

An offer of Post-IPO SOS Options shall be open for acceptance in writing given by either prepaid post, facsimile transmission, personal delivery or by electronic communication received by the Board or the Chairman (as the case may be), or any person designated by the Board or the Chairman, for such period as the Board or the Chairman (as the case may be) may determine and notify to the Grantee concerned, provided that no such offer shall be open for acceptance after the expiry of the duration of the Post-IPO SOS or after the Post-IPO SOS has been terminated in accordance with the Post-IPO SOS Rules. An offer of Post-IPO SOS Options not accepted within this period shall lapse. An offer may not be accepted unless the Grantee remains a Post-IPO Eligible Participant on acceptance.

An amount of HK\$1.00 is payable by the Grantee to the Company upon acceptance of the offer of Post-IPO SOS Options, and such remittance shall not be refundable and shall not be deemed to be a part payment of the Subscription Price.

(7) Exercise of Post-IPO SOS Options

The Grant Letter issued by the Company to the relevant Post-IPO Eligible Participant shall specify details of the Post-IPO SOS Options, including the number of Shares under the Post-IPO SOS Options, the Subscription Price, the exercise period and the vesting schedule, etc.

Subject to restrictions which may be imposed by the Board or the Chairman (as the case may be), any Post-IPO SOS Options may be exercised at any time during the exercise period by the Grantee (or in the case of his death, his legal personal representatives) giving notice in writing (in such form as the Company may from time to time specify) to the Company stating that the Post-IPO SOS Options are thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the Subscription Price for the Shares in respect of which the notice is given.

(8) Maximum number of Shares

The overall limit on the number of Shares that may be issued upon exercise of all options granted under the Post-IPO SOS (the “**Post-IPO SOS Options**”) shall be no more than approximately 10% of the Shares in issue as of the Listing Date (being 84,187,680 Shares) (“**Post-IPO Mandate Limit**”). Post-IPO SOS Options lapsed or cancelled in accordance with the Post-IPO SOS Rules (or any other share option schemes of our Company) will not be counted for the purposes of calculating the Post-IPO Mandate Limit.

The maximum number of Shares which may be issued upon exercise of all outstanding Post-IPO SOS Option granted and yet to be exercised under the Post-IPO SOS and any other options granted and yet to be exercised under any other option scheme shall not exceed 30% of the issued share capital of our Company from time to time.

Other Information

(9) Maximum entitlement of Post-IPO SOS Participants

No Post-IPO SOS Option may be granted to any Post-IPO SOS Participant which, if exercised in full, would result in the total number of Shares issued and to be issued upon exercise of the Post-IPO SOS Option already granted or to be granted to such Eligible Participant under the Post-IPO SOS (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such new grant exceeding 1% in aggregate of the issued share capital of the Company as at the date of such new grant ("**Post-IPO Grant Date**"). Any grant of further Post-IPO SOS Option above this limit shall be subject to the requirements provided under the Listing Rules.

(10) Performance target

The Post-IPO SOS Rules does not set out any performance targets that must be achieved before the Post-IPO SOS Options may be exercised. However, the Board may, at their sole discretion, specify, as part of the terms and conditions of any option, such performance conditions that must be satisfied before the Post-IPO SOS Options can be exercised.

(11) Vesting Schedule and Exercise Period

The Board or the Chairman (as the case may be) may specify the exercise period and the vesting schedule of the Post-IPO SOS Options in the Grant Letter. Unless the Post-IPO SOS Options have been withdrawn and cancelled or been forfeited in whole or in part, the Grantee may exercise his rights under the Post-IPO SOS according to the vesting schedule set out in the relevant Grant Letter. The Post-IPO SOS Option must be exercised no more than ten years from the Grant Date. There is no minimum period for which a Post-IPO SOS Option must be held before it can be exercised.

(12) Duration

The Post-IPO SOS shall take effect upon all of the following having been satisfied:

- (i) the passing of the necessary resolution to adopt the Post-IPO SOS by the Board;
- (ii) the Listing Committee of the Stock Exchange granting approval of the listing of, and permission to deal in, any Shares to be issued pursuant to the exercise of Post-IPO SOS Options on the Stock Exchange; and
- (iii) the commencement of dealings in the Shares on the Stock Exchange.

The Post-IPO SOS shall be valid and effective for the period of ten years commencing on the date when the Post-IPO SOS takes effect (after which, no further Post-IPO SOS Options shall be offered or granted), but in all other respects the provisions of the Post-IPO SOS Rules shall remain in full force and effective to the extent necessary to give effect to the exercise of any Post-IPO Options granted prior thereto or otherwise as may be required in accordance with the provisions of the Post-IPO SOS Rules. As at the Listing Date, the remaining life of the Post-IPO SOS is ten years.

As of January 1, 2023 and June 30, 2023, the number of options available for grant under the scheme mandate of the Post-IPO SOS remains unchanged, being 84,187,680 Shares.

During the Reporting Period, a total of 17,210,000 Shares may be issued in respect of options granted under all share schemes of the Company, accounting for 2.04% of the total issued Shares of the Company as of the Listing Date.

Other Information

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

As at the Listing Date, our Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

DISCLOSURE OF CHANGES IN DIRECTORS' INFORMATION PURSUANT TO LISTING RULE 13.51B(1)

As of the Listing Date, there has been no change to the information of the Directors which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules after the publication of the Prospectus.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

On September 28, 2023, the Shares of our Company were listed on the Main Board of the Stock Exchange. The net proceeds from the Global Offering, after deducting the underwriting commissions and other offering expenses payable by us in connection with the Global Offering, were approximately HK\$554.5 million (assuming the over-allotment option is not exercised), which will be used in accordance with the use of proceeds as disclosed in the Prospectus from the Listing Date as follows:

- approximately 30% of the net proceeds, for expansion of city-specific cloud hospital platforms to enlarge our medical networks and user base;
- approximately 25% of the net proceeds, for enriching our offerings across the industry value chain to provide more professional and diversified healthcare services;
- approximately 25% of the net proceeds, for research and development on technology infrastructure and data capabilities;
- approximately 10% of the net proceeds, for potential mergers and acquisitions opportunities;
- approximately 10% of the net proceeds, for working capital and other general corporate purposes.

As at the Listing Date, our Company has not utilized any net proceeds from the Global Offering. There has been no change in the intended use of net proceeds disclosed in the Prospectus, and our Company plans to gradually utilize the net proceeds in accordance with such intended purposes depending on actual business.

MATERIAL LITIGATION

Our Company was not involved in any material litigation or arbitration during the Reporting Period.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

Our Company has adopted the Model Code as its code of conduct regarding directors' securities transactions. As the Shares of our Company were not yet listed on the Stock Exchange as of June 30, 2023, the Model Code was not applicable to our Company during the Reporting Period.

Having made specific enquiries to all of the Directors, all Directors confirmed that they have fully complied with all relevant requirements set out in the Model Code as of the Listing Date.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

As the Company's Shares had not been listed on the Stock Exchange as of June 30, 2023, Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules was not applicable to the Company during the Reporting Period. The Company has adopted the code provisions of the CG Code as the basis for the Company's corporate governance practices since the Listing Date. The Company is committed to implementing the best corporate governance practices.

The Company has complied with the code provisions under the CG Code as of the Listing Date.

REVIEW OF INTERIM REPORT BY THE AUDIT COMMITTEE OF OUR COMPANY

The audit committee of our Company (the "Audit Committee") comprises one non-executive Director, namely Dr. CHEN Lianyong, and two independent non-executive Directors, namely Ms. CHEN Yan and Dr. YIN Guisheng. Ms. CHEN Yan is the chairman of the Audit Committee. The Audit Committee of our Company has reviewed the interim report of our Company for the six months ended June 30, 2023.

REVIEW OF INTERIM UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The unaudited interim financial information of our Company for the six months ended June 30, 2023 have been reviewed by the auditor of our Company, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to our Company and to the knowledge of the Directors of our Company, as of the Listing Date, our Company has maintained sufficient public float as required by the Listing Rules.

APPRECIATION

Our Company would like to express its appreciation to all the staff for their outstanding contribution towards our overall development. The Board wishes to sincerely thank the management for their dedication and diligence, which are the key factors for our Company to continue its success in the future. Also, our Company wishes to extend its gratitude for the continued support from its shareholders, customers, and business partners. Our Company will continue to deliver sustainable business development, so as to create more values for all its shareholders.

Report on Review of Interim Financial Information



羅兵咸永道

To the Board of Directors of Neusoft Xikang Holdings Inc.

(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial information set out on pages 32 to 84, which comprises the interim condensed consolidated balance sheet of Neusoft Xikang Holdings Inc. (the “**Company**”) and its subsidiaries (together, the “**Group**”) as at 30 June 2023 and the interim condensed consolidated statement of comprehensive loss, the interim condensed consolidated statement of changes in equity and the interim condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Report on Review of Interim Financial Information

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting.”

Other Matter

The comparative information for the interim condensed consolidated balance sheet is based on the audited financial statements as at 31 December 2022. The comparative information for the interim condensed consolidated statements of comprehensive loss, changes in equity and cash flows, and related explanatory notes, for the six-month period ended 30 June 2022 has not been audited or reviewed.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 28 September 2023

Interim condensed consolidated statement of comprehensive loss

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Revenue from contracts with customers	6	218,925	241,475
Cost of sales and services	6,9	(151,625)	(195,562)
Gross profit		67,300	45,913
Selling and marketing expenses	9	(47,673)	(60,069)
Research and development expenses	9	(27,779)	(41,666)
Administrative expenses	9	(59,475)	(77,161)
Net impairment losses on financial assets		(3,866)	(18,727)
Other income	7	705	14,434
Other (losses)/gains – net	8	(6,440)	1,231
Operating loss		(77,228)	(136,045)
Finance income		2,442	2,009
Finance costs		(19,275)	(19,936)
Finance costs – net	11	(16,833)	(17,927)
Share of losses from investments accounted for using the equity method	12	(2,202)	(2,524)
Loss before income tax		(96,263)	(156,496)
Income tax credit/(expense)	13	1,261	(891)
Loss for the period		(95,002)	(157,387)
Loss attributable to:			
Owners of the Company		(94,544)	(154,881)
Non-controlling interests		(458)	(2,506)
		(95,002)	(157,387)
Other comprehensive income:			
<i>Items that will be reclassified to profit or loss:</i>			
Currency translation differences of the Company's subsidiaries		(319)	1,237
<i>Items that will not be reclassified to profit or loss:</i>			
Currency translation differences of the Company		(8,382)	(8,712)
Other comprehensive income for the period, net of tax		(8,701)	(7,475)
Total comprehensive loss for the period		(103,703)	(164,862)
Total comprehensive loss for the period attributable to:			
Owners of the Company		(103,245)	(162,356)
Non-controlling interests		(458)	(2,506)
		(103,703)	(164,862)
Loss per share, basic and diluted (RMB)	14	(0.15)	(0.25)

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

Interim condensed consolidated balance sheet

	Notes	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Assets			
Non-current assets			
Property, plant and equipment	15	23,425	28,789
Right-of-use assets	16	74,921	52,271
Intangible assets	17	3,392	3,847
Deferred income tax assets	35	2,744	1,189
Investments accounted for using the equity method	12	189,716	191,918
Long-term trade receivables	19,20	13,432	19,309
Prepayments	18	109	718
Total non-current assets		307,739	298,041
Current assets			
Inventories	23	21,363	18,453
Assets recognized from costs to fulfil a contract	6	8,529	8,768
Contract assets	6	6,250	6,621
Trade receivables	20,22	175,079	151,143
Other receivables	20,21	35,656	31,766
Prepayments	18	9,363	12,059
Other current assets	25	26,431	55,830
Cash and cash equivalents	24	227,310	350,748
Restricted deposits	24	1,163	1,016
Total current assets		511,144	636,404
Total assets		818,883	934,445
Deficit attributable to owners of the Company			
Share capital	26	940	940
Share premium	26	1,928,654	1,928,654
Treasury shares	27	(368,913)	(368,913)
Other reserves	28	285,965	284,978
Accumulated losses		(2,392,179)	(2,297,635)
		(545,533)	(451,976)
Non-controlling interests		5,409	5,808
Total shareholders' deficit		(540,124)	(446,168)

Interim condensed consolidated balance sheet

	Notes	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Liabilities			
Non-current liabilities			
Borrowings	20,34	459,580	509,420
Long-term trade payables		–	1,900
Lease liabilities	16,20	57,099	35,114
Contract liabilities	6	10,420	10,951
Deferred income	33	6,880	6,680
Deferred income tax liabilities	35	13	267
Financial liability for redeemable rights	20,29	374,687	356,228
Total non-current liabilities		908,679	920,560
Current liabilities			
Short-term borrowings	20,34	49,980	280
Contract liabilities	6	31,655	40,857
Trade payables	20,31	193,635	234,110
Other payables and accruals	32	147,158	158,263
Lease liabilities	16,20	27,837	26,510
Other current liabilities		63	33
Total current liabilities		450,328	460,053
Total liabilities		1,359,007	1,380,613
Total shareholders' deficit and liabilities		818,883	934,445

The above interim condensed consolidated balance sheet should be read in conjunction with the accompanying notes.

On behalf of the Board

Liu Jiren
Director

Zong Wenhong
Director

Interim condensed consolidated statement of changes in equity

	Attributable to owners of the Company								
	Notes	Share capital	Share premium	Treasury shares	Other reserves	Accumulated losses	Subtotal	Non-controlling interests	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2023		940	1,928,654	(368,913)	284,978	(2,297,635)	(451,976)	5,808	(446,168)
Comprehensive losses									
Loss for the period		-	-	-	-	(94,544)	(94,544)	(458)	(95,002)
Currency translation differences	28	-	-	-	(8,701)	-	(8,701)	-	(8,701)
Total comprehensive losses for the period		-	-	-	(8,701)	(94,544)	(103,245)	(458)	(103,703)
Transactions with owners									
Share-based payments	28	-	-	-	9,688	-	9,688	59	9,747
Total transaction with owners		-	-	-	9,688	-	9,688	59	9,747
Balance at 30 June 2023 (Unaudited)		940	1,928,654	(368,913)	285,965	(2,392,179)	(545,533)	5,409	(540,124)
Balance at 1 January 2022		940	1,928,654	(368,913)	220,442	(2,055,668)	(274,545)	6,909	(267,636)
Comprehensive losses									
Loss for the period		-	-	-	-	(154,881)	(154,881)	(2,506)	(157,387)
Currency translation differences	28	-	-	-	(7,475)	-	(7,475)	-	(7,475)
Total comprehensive losses for the period		-	-	-	(7,475)	(154,881)	(162,356)	(2,506)	(164,862)
Transactions with owners									
Share-based payments	28	-	-	-	44,190	-	44,190	605	44,795
Total transaction with owners		-	-	-	44,190	-	44,190	605	44,795
Balance at 30 June 2022 (Unaudited)		940	1,928,654	(368,913)	257,157	(2,210,549)	(392,711)	5,008	(387,703)

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

	Notes	Six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Cash flows from operating activities			
Cash used in operations		(88,402)	(148,080)
Interest received		1,075	682
Income taxes paid		(3,442)	(80)
Net cash used in operating activities		(90,769)	(147,478)
Cash flows from investing activities			
Purchases for property, plant and equipment and intangible assets		(463)	(4,508)
Proceeds from disposal of property, plant and equipment		100	87
Net proceeds from disposal of subsidiaries		–	(1,437)
Net cash used in investing activities		(363)	(5,858)
Cash flows from financing activities			
Refund of restricted shares subscription paid by employees		(7,495)	(763)
Proceeds from bank borrowings		–	240,000
Repayments of bank borrowings		(140)	(120,070)
Payments for interests		(12,675)	(10,329)
Payments of lease liabilities		(12,059)	(15,766)
Prepayments of listing expenses		(761)	(1,429)
Net cash (used in)/generated from financing activities		(33,130)	91,643
Net decrease in cash and cash equivalents		(124,262)	(61,693)
Cash and cash equivalents at the beginning of the period		350,748	364,737
Effects of exchange rate changes on cash and cash equivalents		824	1,824
Cash and cash equivalents at the end of the period	24	227,310	304,868

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

Notes to the interim condensed consolidated financial information

1 General information

NEUSOFT XIKANG HOLDINGS INC. (the “**Company**”) was incorporated in the Cayman Islands on 12 May 2011 as an exempted company with limited liability under the Companies Law (Cap. 22, Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

The Company, an investment holding company and its subsidiaries (together, the “**Group**”) are principally engaged in provision of the following services: (i) Cloud hospital platform services; (ii) Internet medical services; (iii) Health management services; and (iv) Smart healthcare products in the People’s Republic of China (the “**PRC**”).

2 Basis of preparation

(a) Contractual arrangements

The Group’s wholly-owned subsidiary, Neusoft Xikang Healthcare Technology Co., Ltd. (“**Xikang China**”) has entered into a series of contractual arrangements, including but not limited to the exclusive business cooperation agreement, exclusive option agreement, equity interest pledge agreement, spousal consent letter and power of attorney (collectively, the “**Previous Contractual Arrangements**”) with Beijing Neusoft Xikang Information Technology Co., Ltd. (“**Xikang Information**”), Beijing Neusoft Xikang Medical Technology Co., Ltd. (“**Xikang Medical**”) (together, “**Variable Interest Entity companies**”, or “**VIE companies**”) and their respective equity holders on 7 March and 8 March 2018 due to regulatory restrictions on foreign ownership in the medical services and value-added telecommunication services in the PRC.

One of the equity holders of VIE companies resigned from the Group on 28 February 2021. The resigned equity holder was replaced by a new equity holder who is an employee of the Group, and the Previous Contractual Arrangements were terminated on 18 May 2021, accordingly. Xikang China, VIE companies and their respective equity holders re-entered into a series of contractual arrangements on the same day, including but not limited to the exclusive business cooperation agreement, exclusive option agreement, equity interest pledge agreement, spousal consent letter and power of attorney (collectively, the “**Current Contractual Arrangement**”).

Pursuant to the Previous Contractual Arrangements and the Current Contractual Arrangements, Xikang China are able to:

- Exercise effective financial and operational control over VIE companies;
- Exercise equity holders’ voting rights of VIE companies;
- Receive substantially all of the economic interest returns generated by VIE companies in consideration for the business support, technical and consulting services provided by Xikang China;

Notes to the interim condensed consolidated financial information

2 Basis of preparation (continued)

(a) Contractual arrangements (continued)

- Obtain an irrevocable and exclusive right to purchase all or part of equity interests in VIE companies from the respective equity holders at a minimum purchase price permitted under PRC laws and regulations. Xikang China may exercise such options at any time until they have acquired all equity interests and/or all assets of VIE companies. In addition, VIE companies are not allowed to sell, transfer, or dispose of any assets, or make any distributions to their equity holders without prior consent of Xikang China; and
- Obtain a pledge over the entire equity interest of VIE companies from their equity holders as collateral security for payments of VIE companies due to Xikang China and to secure performance of VIE companies' obligations under the Contractual Arrangements.

Nevertheless, there are still uncertainties regarding the interpretation and application of current and future PRC laws and regulations. The directors of the Company, based on the advice of its legal counsel, consider that the use of Contractual Arrangements is currently enforceable in the PRC except for certain provisions and does not constitute a breach of the relevant laws and regulations.

(b) Going concern

For the six months ended 30 June 2023, the Group incurred net loss of approximately RMB95.0 million. As at 30 June 2023, the Group had net liabilities of approximately RMB540.1 million, including the financial liability for redeemable rights of RMB374.7 million and other payables to eligible employees of RMB90.9 million (Note 32) which are re-classified to equity upon the listing.

In view of the net current assets position and based on the Group's available funds and banking facilities, the directors of the Company believe that the Group will have sufficient working capital to support its operation, debt repayments and capital expenditure for the twelve months from the period ended 30 June 2023, and hence have prepared the historical financial information on a going concern basis.

(c) Compliance with HKAS

This interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with Hong Kong Accounting Standards ("HKAS") 34 "Interim financial reporting". The interim condensed consolidated financial information does not include all notes of the type normally included in the Group's consolidated financial statements. Accordingly, this interim condensed consolidated financial information should be read in conjunction with the Company's consolidated financial statements for the year ended 31 December 2020, 2021 and 2022 and three months ended 31 March 2023 ("**Accountant's Report**") included as appendix I contained in the prospectus issued on 18 September 2023 ("**Prospectus**"), which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**").

Notes to the interim condensed consolidated financial information

3 Accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those presented in the consolidated financial statements of the Company for the years ended 31 December 2020, 2021 and 2022 and three months ended 31 March 2023, which have been prepared in accordance with the HKFRSs issued by the HKICPA, as set out in the Accountant's Report.

All effective standards, amendments to existing standards and interpretations, which are mandatory for the financial period beginning 1 January 2023, have been consistently applied to the Group for the reporting period.

(a) New standards, amendments to existing standards and interpretations not yet adopted

Standards, amendments and interpretations that have been issued but not yet effective and not been early adopted by the Group for the period ended 30 June 2023 are as follows:

		Effective for accounting periods beginning on or after
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2024
Amendments to HKAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to HKFRS 16	Lease liability in a sale and leaseback	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier finance arrangements	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements	1 January 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

The directors of the Company anticipate that the application of the above new standard, amendments and annual improvements will have no material impact on the Group's interim condensed consolidated financial information in the foreseeable future.

Notes to the interim condensed consolidated financial information

4 Critical accounting estimates and judgements

In preparing this interim condensed consolidated financial information, the significant judgements made by management in applying the Group's material accounting policy information and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements set out in the Accountant's Report. (Note 3)

The preparation of interim condensed consolidated financial information 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 expense. Actual results may differ from these estimates.

5 Financial risk management

5.1 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 Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements and should be read in conjunction with the Accountant's Report.

There have been no changes in the risk management policies since year/period end.

Notes to the interim condensed consolidated financial information

5 Financial risk management (continued)

5.1 Financial risk factors (continued)

(a) Liquidity risk

The table below analyses the Group's non-derivative 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 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 30 June 2023 (Unaudited)					
Borrowings	75,143	445,850	30,220	–	551,213
Trade payables (Note 31)	193,635	–	–	–	193,635
Other payables (excluding tax payables and salary and welfare payables) (Note 32)	111,743	–	–	–	111,743
Financial liability for redeemable rights	–	394,150	–	–	394,150
Lease liabilities	31,411	19,439	41,879	1,454	94,183
Total	411,932	859,439	72,099	1,454	1,344,924
	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2022 (Audited)					
Borrowings	25,695	262,528	276,281	–	564,504
Trade payables (Note 31)	234,110	–	–	–	234,110
Long-term trade payables	–	1,900	–	–	1,900
Other payables (excluding tax payables and salary and welfare payables) (Note 32)	118,216	–	–	–	118,216
Financial liability for redeemable rights	–	376,420	–	–	376,420
Lease liabilities	28,930	14,704	22,343	2,445	68,422
Total	406,951	655,552	298,624	2,445	1,363,572

Notes to the interim condensed consolidated financial information

5 Financial risk management (continued)**5.2 Capital management**

The Group's objectives on managing capital are to safeguard the Group's ability to continue as a going concern and support the sustainable growth of the Group in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance equity holders' value in the long term.

The Group monitors capital by regularly reviewing the capital structure. The Group may adjust the amounts of dividends paid to shareholders, provide returns for shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debt divided by deficits on total equity. Net debt calculated as total liabilities which are considered as borrowings less cash and cash equivalents. As of 30 June 2023 and 31 December 2022, the Group has a net debt position and the gearing ratio is 137% and 129%, respectively.

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Net debt	741,873	576,804
Deficits on total equity	(540,124)	(446,168)
Gearing ratio	137%	129%

5.3 Fair value estimation*(a) Fair value hierarchy*

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the interim condensed consolidated financial information. 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.

Notes to the interim condensed consolidated financial information

5 Financial risk management (continued)

5.3 Fair value estimation (continued)

(a) Fair value hierarchy (continued)

- 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. The quoted market price already incorporates the market's assumptions with respect to changes in economic climate such as rising interest rates and inflation, as well as changes due to ESG risk. These instruments are included in level 1.
- Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities and for instruments where ESG risk gives rise to a significant unobservable adjustment.

(b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments;
- Discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate; and
- A combination of observable and unobservable inputs, including risk-free rate, expected volatility, discount rate for lack of marketability, market multiples, etc.

(c) Valuation processes

The finance department of the Group manages the valuations 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 valuers will be involved when necessary.

There were no financial instruments that are recognised and measured at fair value in the interim condensed consolidated financial information during the six months ended 30 June 2023 and 2022.

Notes to the interim condensed consolidated financial information

6 Segment information

(a) Disaggregation of revenue from contracts with customers

Management has determined the operating segments based on the reports reviewed by CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Group. As a result of this evaluation, the Group determined that it has operating segments as follows:

- Cloud hospital platform services
- Internet medical services
- Health management services
- Smart healthcare products

CODM assesses the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment which is used by management as a basis for the purpose of resource allocation and assessment of segment performance. The selling and marketing expenses, administrative expenses, research and development expenses, other income, other (losses)/gains – net, finance (costs)/income – net, shares of (loss)/profit from investments in associates and income tax expense are not allocated to individual operating segments.

Revenues from external customers reported to CODM are measured as segment revenue, which is derived from the customers in each segment. Cost of revenue primarily comprises cost for purchasing of hardware and software, cost of development services, salary and compensation expenses, and others.

The segment information provided to CODM is measured in a manner consistent with that applied in these financial statements. There was no information on separate segment assets and segment liabilities provided to CODM, as CODM does not use such information to allocate resources to or evaluate the performance of the operating segments.

Notes to the interim condensed consolidated financial information

6 Segment information (continued)**(a) Disaggregation of revenue from contracts with customers (continued)**

The revenue segment information reported to CODM for the six months ended 30 June 2023 and 2022 is as follows:

	Six months ended 30 June 2023				
	Cloud hospital platform services RMB'000 (Unaudited)	Internet medical services RMB'000 (Unaudited)	Health management services RMB'000 (Unaudited)	Smart healthcare products RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue from contracts with customers	53,143	69,954	82,840	12,988	218,925
Cost of sales and services	(29,702)	(61,443)	(49,741)	(10,739)	(151,625)
Gross profit	23,441	8,511	33,099	2,249	67,300

	Six months ended 30 June 2022				
	Cloud hospital platform services RMB'000 (Unaudited)	Internet medical services RMB'000 (Unaudited)	Health management services RMB'000 (Unaudited)	Smart healthcare products RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Revenue from contracts with customers	50,717	62,526	54,588	73,644	241,475
Cost of sales and services	(27,378)	(54,591)	(44,419)	(69,174)	(195,562)
Gross profit	23,339	7,935	10,169	4,470	45,913

Notes to the interim condensed consolidated financial information

6 Segment information (continued)**(a) Disaggregation of revenue from contracts with customers (continued)**

The Company is domiciled in the Cayman Islands while the Group mainly operates its businesses in the PRC and earns majority of the revenues from external customers located in the PRC.

There are no differences from the last Group's consolidated financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.

As at 30 June 2023, substantially all of the non-current assets of the Group were located in the PRC.

The Group derives revenue from the transfer of goods and services over time and at a point in time as follows.

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Segment revenue		
– recognized over time	9,802	12,471
– recognized at a point in time	209,123	229,004
	218,925	241,475

Notes to the interim condensed consolidated financial information

6 Segment information (continued)**(b) Contract related assets and contract liabilities**

The Group has recognized the following contract related assets and liabilities:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Contract assets (i)		
Cloud hospital platform services	6,316	4,694
Smart healthcare products	2,041	4,311
Less: allowance for impairment of contract assets	(2,107)	(2,384)
	6,250	6,621
Contract liabilities (ii)		
Cloud hospital platform services	4,527	5,156
Internet medical services	1,699	2,485
Health management services	34,497	41,448
Smart healthcare products	1,352	2,719
Less: contract liabilities non-current	(10,420)	(10,951)
	31,655	40,857
Assets recognized from costs to fulfil a contract (iii)		
Cloud hospital platform services	8,529	8,768

- (i) Contract assets are the Company's right to consideration in exchange for goods or services that the Company has transferred to the customer.
- (ii) Contract liabilities mainly arise from the advanced payments from customers of the i) cloud hospital platform services, ii) internet medical services, iii) health management services, and iv) smart healthcare products upon which the performance obligations have been established while the underlying services are yet to be provided.
- (iii) The costs relate directly to the contract, generate resources that will be used in satisfying the contract and are expected to be recovered. They were therefore recognized as an asset from costs to fulfil a contract. For the six months ended 30 June 2023, assets recognized as cost are RMB12.1 million.

Notes to the interim condensed consolidated financial information

6 Segment information (continued)**(c) Revenue recognized in relation to contract liabilities**

The following table shows how much of the revenue recognized in the current reporting period relates to carried-forward contract liabilities.

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cloud hospital platform services	3,876	2,890
Internet medical services	900	1,236
Health management services	11,852	11,798
Smart healthcare products	1,904	3,553
Total	18,532	19,477

7 Other income

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Government grants	506	13,727
Value added tax ("VAT") refund and VAT reduction	–	489
Refund of service fee for withholding IIT	151	107
Additional deduction of input VAT	48	110
Other items	–	1
	705	14,434

Notes to the interim condensed consolidated financial information

8 Other (losses)/gains – net

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net gains on disposal of subsidiaries or associates	–	8,532
Net gains on disposal of long-term assets	175	114
Net foreign exchange losses	(5,805)	(7,505)
Other items	(810)	90
	(6,440)	1,231

9 Expenses by nature

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Employee benefits expenses	111,125	116,469
Cost of sales of hardware, software, raw materials and others	121,548	166,889
Share-based compensation expenses	9,747	44,795
Travelling, entertainment, service fee and general office expenses	7,629	12,098
Depreciation of property, plant and equipment	6,045	6,248
Depreciation of right-of-use assets	11,668	10,750
Taxes and surcharges	223	683
Amortization of intangible assets	372	393
Short-term leases expenses	1,116	1,190
Other property service expenses	2,442	3,279
Listing expenses	10,100	7,147
Others	4,537	4,517
	286,552	374,458

Notes to the interim condensed consolidated financial information

10 Employee benefits expenses

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Wages, salaries and bonuses	86,907	91,998
Share-based compensation expenses (Note 30)	9,747	44,795
Social security costs and housing benefits	20,328	21,979
Other employee benefits	3,890	2,492
	120,872	161,264

11 Finance income and costs

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Finance income		
– Interest income	2,442	2,009
Finance costs		
– Interest costs on bank borrowings	(12,701)	(10,365)
– Interest costs on lease liabilities	(1,656)	(1,323)
– Interest expenses for financial liability for redeemable rights	(4,918)	(8,248)
	(19,275)	(19,936)
Finance costs – net	(16,833)	(17,927)

12 Investments accounted for using the equity method

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At beginning of the period	191,918	196,680
Share of losses from investments in associates	(2,202)	(2,524)
At end of the period	189,716	194,156

Notes to the interim condensed consolidated financial information

13 Income tax (credit)/expense

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current income tax expense	548	78
Deferred income tax (credit)/expense	(1,809)	813
	(1,261)	891

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

Cayman Islands

The Company is incorporated as an exempted company with limited liability under the Companies Law of the Cayman Islands and is not subject to Cayman Islands income tax.

Hong Kong

Subsidiary incorporated in Hong Kong is subject to Hong Kong profits tax at a rate of 16.5% for taxable income earned in Hong Kong before 1 April 2018. Starting from the financial year commencing on 1 April 2018, the two-tiered profits tax regime took effect, under which the tax rate is 8.25% for assessable profits on the first HK\$2 million and 16.5% for any assessable profits in excess of HK\$2 million.

No Hong Kong profit tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the six months ended 30 June 2023 and 2022.

Mainland China

The income tax provision of the Group in respect of its operations in the PRC was subject to statutory tax rate of 25% on the assessable profits for the six months ended 30 June 2023 and 2022, based on the existing legislation, interpretations and practices in respect thereof.

On 2 December 2019, Neusoft Xikang Healthcare Technology Co., Ltd. was qualified as "High and New Technology Enterprises" ("HNTes") under the relevant PRC laws and regulations. Accordingly, the entity was entitled to a preferential income tax rate of 15% during the six months ended 30 June 2023 and 2022. This status is subject to a requirement that Neusoft Xikang Healthcare Technology Co., Ltd. reapplies for HNTes status every three years.

According to the relevant laws and regulations promulgated by the State Administration of Taxation of the PRC that has been effective from 2018 onwards, enterprise engaging in research and development activities are entitled to claim 175.00% of their research and development expenditures incurred as tax deductible expenses when determining their assessable profits for that year.

Notes to the interim condensed consolidated financial information

14 Loss per share**(a) Basic loss per share**

Basic loss per share is calculated by dividing the loss attributable to the owners of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2023 and 2022.

The calculation of loss per share is based on the following:

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Loss attributable to owners of the Company for the period (RMB'000)	(94,544)	(154,881)
Weighted average number of ordinary shares in issue ('000)	621,198	621,198
Basic loss per share (RMB)	(0.15)	(0.25)

(b) Diluted loss per share

Diluted loss per share for the six months ended 30 June 2023 and 2022 were the same as the basic earnings per share as the Group incurred losses for the six months ended 30 June 2023 and 2022, the dilutive potential ordinary share, such as restricted share units (the "RSUs") and options, were not included in the calculation of diluted loss per share because they are anti-dilutive.

(c) Share subdivision

On 28 September 2023, the Company carried out a share subdivision (the "Share Subdivision") pursuant to which each existing share was split into five shares of the corresponding class with a par value of US\$0.0002 each.

Due to the Share Subdivision was occurred after the reporting period but before the financial statements authorized for issue, the calculations for loss per share are adjusted retrospectively, based on the number of ordinary shares after the Share Subdivision.

Notes to the interim condensed consolidated financial information

15 Property, plant and equipment

	Buildings	Electronic equipment	Office furniture and others	Assets under construction	Leasehold improvement	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2022 (Audited)						
Cost	–	143,134	1,395	–	128,505	273,034
Accumulated depreciation	–	(117,366)	(1,291)	–	(125,588)	(244,245)
Net book value	–	25,768	104	–	2,917	28,789
Six months ended 30 June 2023 (Unaudited)						
Opening net book amount	–	25,768	104	–	2,917	28,789
Additions	–	1,794	–	–	34	1,828
Disposal	–	(1,116)	(15)	–	(16)	(1,147)
Depreciation	–	(4,501)	(10)	–	(1,534)	(6,045)
Closing net book value	–	21,945	79	–	1,401	23,425
At 30 June 2023 (Unaudited)						
Cost	–	130,895	1,184	–	128,519	260,598
Accumulated depreciation	–	(108,950)	(1,105)	–	(127,118)	(237,173)
Net book value	–	21,945	79	–	1,401	23,425
At 31 December 2021 (Audited)						
Cost	2,131	174,383	3,399	–	127,524	307,437
Accumulated depreciation	(2,131)	(145,029)	(3,215)	–	(123,194)	(273,569)
Net book value	–	29,354	184	–	4,330	33,868
Six months ended 30 June 2022 (Unaudited)						
Opening net book amount	–	29,354	184	–	4,330	33,868
Additions	–	4,377	–	443	221	5,041
Transfers	–	–	–	(279)	279	–
Disposal	–	(276)	(66)	–	(55)	(397)
Depreciation	–	(4,994)	(8)	–	(1,246)	(6,248)
Closing net book value	–	28,461	110	164	3,529	32,264
At 30 June 2022 (Unaudited)						
Cost	–	175,105	2,548	164	127,899	305,716
Accumulated depreciation	–	(146,644)	(2,438)	–	(124,370)	(273,452)
Net book value	–	28,461	110	164	3,529	32,264

Notes to the interim condensed consolidated financial information

16 Leases

(a) Amounts recognized in the consolidated balance sheets

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Right-of-use assets (i)		
Buildings	74,921	52,271
Lease liabilities		
Current	27,837	26,510
Non-current	57,099	35,114
	84,936	61,624

The Group leases properties for own use and these lease liabilities were measured at net present value of the lease payments to be paid during the lease terms. Lease liabilities were discounted at incremental borrowing rates of 5.225%.

Notes to the interim condensed consolidated financial information

16 Leases (continued)**(a) Amounts recognized in the consolidated balance sheets (continued)**

(i) The movement in right-of-use assets in the consolidated balance sheets are as follows:

	Six months ended 30 June 2023 RMB'000 (Unaudited)
Cost	
At beginning of the period	142,412
Additions	39,309
Lease expiration	(24,098)
Termination of lease contracts	(33,425)
At end of the period	124,198
Accumulated depreciation	
At beginning of the period	(90,141)
Depreciation charge for the period	(11,668)
Lease expiration	24,098
Termination of lease contracts	28,434
At end of the period	(49,277)
Net book amount	74,921

(b) Amounts recognized in the interim condensed consolidated statement of comprehensive loss

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation charge of right-of-use assets	11,668	10,750
Interest expense	1,656	1,323

Notes to the interim condensed consolidated financial information

17 Intangible assets

	Software
	RMB'000
At 31 December 2022 (Audited)	
Cost	8,037
Accumulated depreciation	(4,190)
Net book value	3,847
Six months ended 30 June 2023 (Unaudited)	
Opening net book amount	3,847
Disposal	(83)
Depreciation charge	(372)
Closing net book value	3,392
At 30 June 2023 (Unaudited)	
Cost	7,720
Accumulated depreciation	(4,328)
Net book value	3,392
At 31 December 2021 (Audited)	
Cost	7,994
Accumulated depreciation	(3,566)
Net book value	4,428
Six months ended 30 June 2022 (Unaudited)	
Opening net book amount	4,428
Additions	262
Disposal	(56)
Depreciation charge	(393)
Closing net book value	4,241
At 30 June 2022 (Unaudited)	
Cost	8,035
Accumulated depreciation	(3,794)
Net book value	4,241

Notes to the interim condensed consolidated financial information

18 Prepayments

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Non-Current		
– Prepayments for long-term assets	109	718
Current		
– Prepayments for short-term leases, heating and property service	420	1,615
– Advance payment to suppliers for inventories	1,687	1,251
– Prepayments for listing expenses	6,470	8,438
– Other	786	755
	9,363	12,059

19 Long-term trade receivables

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Long-term trade receivables from contracts with customers i)		
– Third parties	39,783	77,182
Less: allowance for impairment of long-term trade receivables	(2,245)	(2,328)
Less: other current asset (Note 25)	(24,106)	(55,545)
	13,432	19,309

- i) The Group signed contracts with medical institutions in relation to the sales of smart healthcare products. According to the payment terms in the contracts, the total consideration of the sales of smart healthcare products will be collected within 5 years.

Notes to the interim condensed consolidated financial information

19 Long-term trade receivables (continued)

(a) The ageing analysis of the long-term trade receivables based on invoice date is as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
– Up to 1 year	22,914	36,805
– 1-2 years	16,869	40,377
– Less: allowance for impairment of long-term trade receivables	(2,245)	(2,328)
– Less: other current asset	(24,106)	(55,545)
Total	13,432	19,309

(b) The movements on the provision for impairment of long-term trade receivables are as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
At beginning of the period/year	(2,328)	(5,318)
– Reversal of impairment of long-term trade receivables	167	3,264
– Other changes	(84)	(274)
At end of the period/year	(2,245)	(2,328)

Notes to the interim condensed consolidated financial information

20 Financial instruments by category

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Financial assets		
Financial assets at amortized cost		
– Trade receivables (Note 22)	175,079	151,143
– Long-term trade receivables (Note 19)	37,538	74,854
– Other receivables (Note 21)	35,656	31,766
– Cash and bank balances (Note 24)	228,473	351,764
	476,746	609,527
Financial liabilities		
Financial liabilities at amortized cost		
– Borrowings (Note 34)	509,560	509,700
– Trade payables (Note 31)	193,635	234,110
– Long-term trade payables	–	1,900
– Other payables and accruals excluding non-financial liabilities (Note 32)	111,743	118,216
– Lease liabilities (Note 16)	84,936	61,624
– Financial liability for redeemable rights (Note 29)	374,687	356,228
	1,274,561	1,281,778

Notes to the interim condensed consolidated financial information

21 Other receivables

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Deposits	16,722	15,148
Advance to staff	1,734	1,576
Equity transfer receivables	30,130	30,130
Others	5,948	3,797
	54,534	50,651
Less: allowance for impairment of other receivables	(18,878)	(18,885)
	35,656	31,766

The loss allowance for other receivables as at 30 June 2023 and 2022 are determined as follows:

	Performing RMB'000	Under- performing RMB'000	Non- performing RMB'000	Total RMB'000
Loss allowance at 31 December 2022				
(Audited)	4,887	9,598	4,400	18,885
(Reversal of)/provision for loss	(377)	370	–	(7)
Loss allowance as at 30 June 2023				
(Unaudited)	4,510	9,968	4,400	18,878

Notes to the interim condensed consolidated financial information

21 Other receivables (continued)

The gross carrying amounts of other receivables is as follow:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Performing	22,504	18,621
Underperforming	27,630	27,630
Non-performing	4,400	4,400
Write-offs	–	160
Total gross other receivables	54,534	50,811
Less: Loss allowance	(18,878)	(18,885)
Less: Write-offs	–	(160)
Other receivables net-off	35,656	31,766

22 Trade receivables

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade receivables from contracts with customers		
– Third parties	261,959	236,810
– Related parties	14,066	10,972
Less: allowance for impairment of trade receivables	(100,946)	(96,639)
	175,079	151,143

Notes to the interim condensed consolidated financial information

22 Trade receivables (continued)

- (a) The credit terms given to trade customers are determined on an individual basis. The normal credit period of trade receivables related to internet medical services and health management services is mainly within 90 days, while the normal credit period of trade receivables related to cloud hospital platform services and smart healthcare products are mainly within one year. The ageing analysis of the trade receivables based on invoice date is as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
– Up to 3 months	68,895	91,131
– 3 months to 1 year	68,070	37,510
– 1-2 years	74,288	53,334
– 2-3 years	19,254	20,793
– 3-4 years	18,261	20,999
– 4-5 years	5,124	2,156
– Over 5 years	22,133	21,859
	276,025	247,782
Less: allowance for impairment of trade receivables	(100,946)	(96,639)
Total	175,079	151,143

- (b) The movements on the provision for impairment of trade receivables are as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At beginning of the period	(96,639)	(69,879)
Provision for impairment of trade receivables	(4,317)	(8,436)
Trade receivables loss	10	327
Exchange differences	–	2
Other changes	–	339
At end of the period	(100,946)	(77,647)

Notes to the interim condensed consolidated financial information

23 Inventories

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Raw materials	18,499	12,604
Finished goods – at cost	7,146	9,818
	25,645	22,422
Less: allowance for impairment of inventories	(4,282)	(3,969)
	21,363	18,453

(a) Amounts recognized in profit or loss

Inventories recognized as cost of sales and services during the six months ended 30 June 2023 and 2022 amounted to approximately RMB102.18 million, and RMB155.97 million respectively.

24 Cash and cash equivalents

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Cash and bank balances	228,473	351,764
Less: restricted deposits	(1,163)	(1,016)
Cash and cash equivalents	227,310	350,748

Notes to the interim condensed consolidated financial information

24 Cash and cash equivalents (continued)

Cash and bank balances, and restricted deposits of the Group are denominated in the following currencies:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Cash at bank		
– USD	23,149	30,568
– HKD	32	35
– RMB	205,292	321,161
Total	228,473	351,764

25 Other current assets

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Deductible input VAT	2,325	84
Long-term trade receivables within one year (Note 19)	24,106	55,545
Others	–	201
	26,431	55,830

Notes to the interim condensed consolidated financial information

26 Share capital and share premium

	Number of ordinary shares	Nominal value of ordinary shares RMB'000	Shares premium RMB'000
Issued:			
At 31 December 2022 (Audited)	142,625,261	940	1,928,654
Addition/decrease	–	–	–
At 30 June 2023 (Unaudited)	142,625,261	940	1,928,654
At 31 December 2021 (Audited)	142,625,261	940	1,928,654
Addition/decrease	–	–	–
At 30 June 2022 (Unaudited)	142,625,261	940	1,928,654

27 Treasury shares

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
At beginning of the period	368,913	368,913
Addition/decrease	–	–
At end of the period	368,913	368,913

Notes to the interim condensed consolidated financial information

28 Other reserves

	Currency translation differences	Other reserves	Total
	RMB'000	RMB'000	RMB'000
At 31 December 2022 (Audited)	24,895	260,083	284,978
Share-based compensation (Note 30)	–	9,688	9,688
Currency translation differences	(8,701)	–	(8,701)
At 30 June 2023 (Unaudited)	16,194	269,771	285,965
At 31 December 2021 (Audited)	39,343	181,099	220,442
Share-based compensation (Note 30)	–	44,190	44,190
Currency translation differences	(7,475)	–	(7,475)
At 30 June 2022 (Unaudited)	31,868	225,289	257,157

29 Financial liability for redeemable rights

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Non-current portion	374,687	356,228

On 13 December 2019, the Company entered into an investment agreement with certain investor in round C investments (thereafter as “Investor in Round C”). In the agreement, the Company had an obligation to repurchase the Company’s ordinary shares issued to this investor in round C investments. The redeemable rights are recognized as a financial liability.

Notes to the interim condensed consolidated financial information

29 Financial liability for redeemable rights (continued)

The key terms of the redeemable rights are summarized as follows:

Redeemable rights

The Company or a third party designated by the Company shall repurchases all of the shares issued to the Investor in Round C, if the Company fails to complete an IPO within four years after the consummation of investment of the Investor in Round C, and the Investor in Round C fails to exit by way of, including but not limited to, trade sale of the Company.

If the failure of IPO is attributable to the subjective reasons of the Company, the redeemable price shall be the higher of: (i) appraised value provided by independent third-party valuation appraiser; (ii) actual paid price plus interests calculated at an annual compound rate of 8% from the date of the payment for the subscription price to the actual date of the purchases, minus accumulative dividends.

If the failure of IPO is not attributable to the subjective reasons of the Company, the redeemable price shall be actual paid price plus interests calculated at an annual simple rate of 2% from the date of the payment for the subscription price to the actual date of the purchases, minus accumulative dividends.

In the opinion of the directors of the Company, the redeemable rights would be determined under condition of the objective reasons aforementioned.

In February 2023, the Investor in Round C agreed to extend the repurchase date from January 31, 2024 to July 31, 2024.

Notes to the interim condensed consolidated financial information

30 Share-based payments

The expenses arising from share-based payment transactions for the six months ended 30 June 2023 and 2022 are as follows:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Share options granted in the six months ended 30 June 2023 (b)	10,095	–
RSUs and share options granted before 1 January 2023 (a)	(348)	44,795
	9,747	44,795

(a) The Group has adopted six employee incentive plans in 2017, 2018, 2020 and 2021, respectively. Please refer to the Company's Accountant's Report included as appendix I contained in the Prospectus for details about the six plans.

(b) Share options ("2023 plan")

On 1 April 2023, 3,442,000 share options were granted to certain employees ("**Grantees**") of the Group at a consideration of USD2.94 per share. Under the employee incentive plan, Grantees are granted options which only vest if certain service and performance condition are met. The share options shall be subject to vesting schedule of three years from the vesting commencement date, subject to Grantees continuing to be an employee of the Group.

The fair values of the share options have been valued by an independent qualified valuer using back-solve method. Key assumptions are set as below:

	2023 plan
Risk-free interest rate	3.6%
Expected volatility	50.4%
Discount rate	14%

No options expired during the six months ended 30 June 2023 and 2022.

Notes to the interim condensed consolidated financial information

30 Share-based payments (continued)**(c) Expenses arising from share-based payment transactions**

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
2017 Plan	(108)	(38)
2018 Plan	(195)	(33)
2020 Plan	(3,014)	5,358
2021 Plan A	8,025	3,162
2021 Plan B	(4,127)	30,693
2021 Plan C	(929)	5,653
2023 Plan	10,095	–
	9,747	44,795

As at 30 June 2023 and 31 December 2022, the accumulated expenses arising from share-based payment transactions amounting to RMB272.80 million and RMB263.05 million respectively are recognized in the share-based compensation reserve.

31 Trade payables

	As at	As at
	30 June	31 December
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Audited)
– Up to 3 months	72,511	144,580
– 3 to 6 months	19,954	10,613
– 6 months to 1 year	65,124	26,838
– 1 to 2 years	24,373	40,463
– 2 to 3 years	9,900	9,354
– 3 to 4 years	890	1,391
– 4 to 5 years	355	354
– over 5 years	528	517
	193,635	234,110

Notes to the interim condensed consolidated financial information

32 Other payables and accruals

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Current		
Payroll and welfare payables	34,067	36,600
Payables for purchase of property, plant and equipment	2,087	2,067
Tax payables	1,348	3,447
Payment to eligible employees	90,924	96,943
Short-term leases payables	4,525	2,112
Listing expenses	6,293	6,494
Accrual expenses	2,608	7,022
Others	5,306	3,578
	147,158	158,263

33 Deferred income

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Government grants		
Income-related grants	6,880	6,680
To be realized within 12 months	5,210	4,460
To be realized after more than 12 months	1,670	2,220
	6,880	6,680

Notes to the interim condensed consolidated financial information

34 Borrowings

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
<i>Unsecured</i>	509,560	509,700
Current	49,980	280
Non-current	459,580	509,420

- (a) Bank borrowings mature until 2025 and bear average coupons of 4.98%, and 4.98% for the six months ended 30 June 2023 and the year ended 31 December 2022, respectively.
- (b) At the end of each reporting period, the Group's borrowings were repayable as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Within 1 year	49,980	280
Between 1 and 2 years	429,630	239,570
Between 2 and 5 years	29,950	269,850
	509,560	509,700

Notes to the interim condensed consolidated financial information

35 Deferred income tax assets and liabilities

- (a) The gross movements in deferred income tax assets and deferred income tax liabilities during the period are as follows:

	Deferred income tax assets- provision for impairment loss RMB'000	Deferred income tax assets- provision for inventories RMB'000	Deferred income tax assets- RSUs and options RMB'000	Deferred income tax assets- lease liabilities RMB'000	Deferred income tax assets- tax losses RMB'000	Deferred income tax liabilities- accelerated depreciation RMB'000	Deferred income tax liabilities- right-of-use assets RMB'000	Total RMB'000
As at 31 December 2022 (Audited)	120	-	-	12,930	953	(13)	(13,068)	922
Credited/(charged) to profit or loss	57	-	-	5,883	1,531	-	(5,662)	1,809
As at 30 June 2023 (Unaudited)	177	-	-	18,813	2,484	(13)	(18,730)	2,731
As at 31 December 2021 (Audited)	131	23	1,861	11,533	1,055	(13)	(11,775)	2,815
Credited/(charged) to profit or loss	(4)	(2)	(1,861)	(2,144)	499	-	2,699	(813)
As at 30 June 2022 (Unaudited)	127	21	-	9,389	1,554	(13)	(9,076)	2,002

- (b) **Deferred income tax assets**

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
The balance comprises temporary differences attributable to:		
Provision for impairment loss	177	120
Lease liabilities	18,813	12,930
Tax losses	2,484	953
Total deferred income tax assets	21,474	14,003
Set-off of income tax liabilities pursuant to set-off provision	(18,730)	(12,814)
Net deferred income tax assets	2,744	1,189

Notes to the interim condensed consolidated financial information

35 Deferred income tax assets and liabilities (continued)**(c) Deferred income tax liabilities**

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
The balance comprises temporary differences attributable to:		
Right-of-use assets	18,730	13,068
Accelerated depreciation	13	13
Total deferred income tax liabilities	18,743	13,081
Set-off of income tax assets pursuant to set-off provision	(18,730)	(12,814)
Net deferred income tax liabilities	13	267

36 Related party transactions

The significant transactions carried out between the Group and its related parties during the reporting period are disclosed as follows. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties. The Group's pricing policies of the transactions with related parties are determined on the basis of mutual negotiations between the relevant parties.

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family member of the Group are also considered as related parties.

Notes to the interim condensed consolidated financial information

36 Related party transactions (continued)**(a) Names and relationships with related parties**

Name of related party	Nature of relationship
Neusoft Group Co., Ltd. (“ Neusoft Corporation ”)	Shareholder
Dalian Neusoft Holdings Co., Ltd. (“ Neusoft Holdings ”)	Shareholder
PICC Property and Casualty Company Limited. (“ PICC P&C ”)	Shareholder
Neusoft Group (Dalian) Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Group (Beijing) Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Group (Shanghai) Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Group (Guangzhou) Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Group (Nanchang) Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Group (Changchun) Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Group (Yichang) Co. Ltd	Subsidiary of Neusoft Corporation
Tianjin Binhai Certificate Authority Co., Ltd	Subsidiary of Neusoft Corporation
Neusoft Medical Industrial Park Development Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Group (Lanzhou) Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Group (Nanning) Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Group (Hohhot) Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Group Nanjing Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Group Chongqing Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Cloud Technology Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Cloud Technology (Shenyang) Co. Ltd	Subsidiary of Neusoft Corporation
Shenyang Neusoft System Integration Technology Co. Ltd	Subsidiary of Neusoft Corporation
Shandong Neusoft System Integration Co. Ltd	Subsidiary of Neusoft Corporation
Xian Neusoft System Integration Co. Ltd	Subsidiary of Neusoft Corporation
Chengdu Neusoft System Integration Co. Ltd	Subsidiary of Neusoft Corporation
Wuhan Neusoft Information Technology Co., Ltd.	Subsidiary of Neusoft Corporation
Shenyang Daily Digital Advertising Communication Co. Ltd	Subsidiary of Neusoft Corporation
Shenzhen Neusoft Software Co. Ltd	Subsidiary of Neusoft Corporation
Hunan Neusoft Software Co. Ltd	Subsidiary of Neusoft Corporation
Hebei Neusoft Software Co. Ltd	Subsidiary of Neusoft Corporation

Notes to the interim condensed consolidated financial information

36 Related party transactions (continued)**(a) Names and relationships with related parties (continued)**

Name of related party	Nature of relationship
Neusoft Group (Shandong) Information Technology Co. Ltd	Subsidiary of Neusoft Corporation
Yichang Neusoft Ruiyun Education Technology Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Hanfeng Medical Technology Co., Ltd	Subsidiary of Neusoft Corporation
Dandong Smart City Operation Co., Ltd	Subsidiary of Neusoft Corporation
Shenyang Neusoft Property Management Co. Ltd	Subsidiary of Neusoft Corporation
Living Space (Shanghai) Data Technology Service Co., Ltd	Subsidiary of Neusoft Corporation
Living Space (Shenyang) Data Technology Service Co., Ltd	Subsidiary of Neusoft Corporation
Guangzhou Neusoft Technology Business Incubator Co. Ltd	Subsidiary of Neusoft Corporation
Shenyang Neusoft Intelligent Medical Technology Research Institute Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Management Consulting (Shanghai) Co., Ltd. (ii)	Subsidiary of Neusoft Corporation
Hebei Shugang Technology Co. Ltd	Subsidiary of Neusoft Corporation
Ruichi Electric Equipment (Dalian) Electric System Co., Ltd	Subsidiary of Neusoft Corporation
Neusoft Ruichi Automotive Technology (Dalian) Co., Ltd	Subsidiary of Neusoft Corporation
Neusoft Ruichi Automotive Technology (Shenyang) Co., Ltd	Subsidiary of Neusoft Corporation
Ruichi New Energy Power System (Wuhan) Co., Ltd	Subsidiary of Neusoft Corporation
Ruicida New Energy Automotive Technology (Beijing) Co., Ltd	Subsidiary of Neusoft Corporation
Ruicida New Energy Vehicle Technology (Shenyang) Co., Ltd	Subsidiary of Neusoft Corporation
Ruicida New Energy Automobile Technology Co., Ltd	Subsidiary of Neusoft Corporation
NEUSOFT JAPAN CO.LTD	Subsidiary of Neusoft Corporation
Shenyang Neusoft System Integration Engineering Co. Ltd	Subsidiary of Neusoft Holdings
Shenyang Srui Information Technology Co., Ltd	Subsidiary of Neusoft Holdings
Shenyang Neusoft Software Talent Training Center	Subsidiary of Neusoft Holdings
Chengdu Neusoft University	Subsidiary of Neusoft Holdings
Guangdong Neusoft University	Subsidiary of Neusoft Holdings
Chengdu Neusoft Information Technology Development Co. Ltd	Subsidiary of Neusoft Holdings

Notes to the interim condensed consolidated financial information

36 Related party transactions (continued)**(a) Names and relationships with related parties (continued)**

Name of related party	Nature of relationship
Dalian Neusoft Thinking Technology Development Co., Ltd.	Subsidiary of Neusoft Holdings
Hainan Yunshe Hotel Management Co., Ltd	Subsidiary of Neusoft Holdings
Dalian Doit Human Resource Service Co., Ltd.	Subsidiary of Neusoft Holdings
Ruian Baoxian Jingji Co., Ltd.	Subsidiary of Neusoft Holdings
Beijing Neusoft Huiju Information Technology Co., Ltd.	Subsidiary of Neusoft Holdings
Benxi Guanshanhu Xikang Yunshe Co., Ltd	Subsidiary of Neusoft Holdings
Dalian Xikang Yunshe Development Co., Ltd	Subsidiary of Neusoft Holdings
Dalian Xikang Yunshe Hotel Management Co., Ltd	Subsidiary of Neusoft Holdings
Dalian Neusoft University of Information	Subsidiary of Neusoft Holdings
Dalian Neusoft Electronic Publishing House Co. Ltd	Subsidiary of Neusoft Holdings
Dalian Neusoft Education Technology Group Co. Ltd	Subsidiary of Neusoft Holdings
Shanghai Ruixiang Information Technology Co., Ltd	Subsidiary of Neusoft Holdings
Shenyang Neusoft Ruidao Education Service Co. Ltd	Subsidiary of Neusoft Holdings
Dalian Neusoft Software Personnel Training Center	Subsidiary of Neusoft Holdings
Guangzhou Neusoft Software Talent Vocational Training School	Subsidiary of Neusoft Holdings
Dalian Neusoft Ruichuang Technology Development Co. Ltd	Subsidiary of Neusoft Holdings
Qinhuangdao Neusoft University of Entrepreneurship	Subsidiary of Neusoft Holdings
Dalian Yunguan Information Technology Co. Ltd	Subsidiary of Neusoft Holdings
Dalian Ruidao Yibo Education Information Technology Co., Ltd	Subsidiary of Neusoft Holdings
Liaoning Neusoft Venture Capital Co. Ltd	Subsidiary of Neusoft Holdings
Beijing Neusoft Yuetong Software Technology Co. Ltd	Subsidiary of Neusoft Holdings
Shanghai Sirui Information Technology Co., Ltd	Subsidiary of Neusoft Holdings
Dalian Srui Information Technology Co., Ltd	Subsidiary of Neusoft Holdings
Dalian High Tech Zone Neusoft Training School Co. Ltd	Subsidiary of Neusoft Holdings
Neusoft Yuetong Software Technology (Dalian) Co., Ltd	Subsidiary of Neusoft Holdings
Dalian Neusoft Industry Management Service Co. Ltd	Subsidiary of Neusoft Holdings

Notes to the interim condensed consolidated financial information

36 Related party transactions (continued)**(a) Names and relationships with related parties (continued)**

Name of related party	Nature of relationship
Shanghai Yixun Dechi Education Technology Co., Ltd.	Subsidiary of Neusoft Holdings
Tianjin Sirui Information Technology Co., Ltd	Subsidiary of Neusoft Holdings
Beijing Neusoft Medical Equipment Co. Ltd	Subsidiary of Neusoft Medical
Neusoft Medical Technology Co. Ltd	Subsidiary of Neusoft Medical
Shanghai Neusoft Medical Technology Co., Ltd	Subsidiary of Neusoft Medical
Neusoft Wittmann Biological Technology (Nanjing) Co., Ltd	Subsidiary of Neusoft Medical
Neusoft Wittmann Biological Technology (Shenyang) Co. Ltd	Subsidiary of Neusoft Medical
Shenyang Neusoft Medical System Import & Export Co. Ltd	Subsidiary of Neusoft Medical
Shenyang Neusoft Zhirui Radiotherapy Technology Co. Ltd	Subsidiary of Neusoft Medical
Shenyang Neusoft Spectral Magnetic Resonance Technology Co. Ltd	Subsidiary of Neusoft Medical
Shenyang Neusoft Pestone Medical System Co. Ltd	Subsidiary of Neusoft Medical
Beijing Neusoft Medical Equipment Co. Ltd	Subsidiary of Neusoft Medical
Neusoft Medical Technology Co. Ltd	Subsidiary of Neusoft Medical
Shanghai Neusoft Medical Technology Co., Ltd	Subsidiary of Neusoft Medical
Neusoft Wittmann Biological Technology (Nanjing) Co., Ltd	Subsidiary of Neusoft Medical
Neusoft Wittmann Biological Technology (Shenyang) Co. Ltd	Subsidiary of Neusoft Medical
Shenyang Neusoft Medical System Import & Export Co. Ltd	Subsidiary of Neusoft Medical
Shenyang Neusoft Zhirui Radiotherapy Technology Co. Ltd	Subsidiary of Neusoft Medical
Shenyang Neusoft Spectral Magnetic Resonance Technology Co. Ltd	Subsidiary of Neusoft Medical
Shenyang Neusoft Pestone Medical System Co. Ltd	Subsidiary of Neusoft Medical
PICC Life Insurance Co., Ltd.	Subsidiary of PICC P&C
PICC Health Insurance Co., Ltd.	Subsidiary of PICC P&C
Dandong jinhai building business service Co., Ltd	Subsidiary of Jinhai Group
Jinke Property Group Co., Ltd.	Parent of Associates
Liaoning Jinhai Real Estate Development Group Co., Ltd. (hereinafter referred to as " Jinhai Group ")	Parent of Associates
Hangzhou Lanxi Chengyuan Medical Outpatient Department Co. Ltd	Subsidiary of Associates
Chongqing Jinke Kejian Real Estate Co. Ltd	Subsidiary of Associates

Notes to the interim condensed consolidated financial information

36 Related party transactions (continued)**(a) Names and relationships with related parties (continued)**

Name of related party	Nature of relationship
Shenyang Advanced Medical Equipment Technology Incubation Center Co. Ltd	A company significantly influenced by key management personnel
Neusoft Medical System Co. Ltd (“ Neusoft Medical ”)	Same key managers
Neusoft Ruichi Automotive Technology (Shanghai) Co., Ltd	Subsidiary of Neusoft Corporation
Tianjin Neusoft Software Co., Ltd.	Subsidiary of Neusoft Corporation
Neusoft Group (Wuhan) Co., Ltd.	Subsidiary of Neusoft Corporation
Dalian Neusoft Zhixing Technology Co., Ltd.	Subsidiary of Neusoft Corporation
Liaoning Boying Technology Co., Ltd.	Subsidiary of Neusoft Corporation
Neusoft Group (Yantai) Co., Ltd.	Subsidiary of Neusoft Corporation
Neusoft Ruichi Automotive Technology (Wuhan) Co., Ltd	Subsidiary of Neusoft Corporation
Hangzhou Neusoft Software Co., Ltd.	Subsidiary of Neusoft Corporation
Neusoft Group (Xuzhou) Co., Ltd.	Subsidiary of Neusoft Corporation
Dalian Qixian Zhiyuan Technology Research Institute Co. Ltd.	Subsidiary of Neusoft Corporation
Dalian Neusoft Holding Ruikang Medical Management Co., Ltd.	Subsidiary of Neusoft Holdings
Silk Road Neusoft Technology Co. Ltd.	Subsidiary of Neusoft Corporation
Shenyang Neusoft Medical Imaging Diagnosis Center Co., Ltd.	Subsidiary of Neusoft Medical
Hangzhou Lanxi Health Management Co., Ltd.	Subsidiary of Joint Venture
Hangzhou Lanxi Meiling Medical Clinic Co., Ltd.	Subsidiary of Joint Venture
Shanghai Neusoft Medical Equipment Co. Ltd.	Subsidiary of Neusoft Medical
Neusoft Group (Heilongjiang) Co., Ltd.	Subsidiary of Neusoft Corporation
Neusoft Group (Ningbo) Co., Ltd.	Subsidiary of Neusoft Corporation

Notes to the interim condensed consolidated financial information

36 Related party transactions (continued)**(b) Significant transactions with related parties***(i) Purchases medical consumable and smart healthcare products*

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Neusoft Medical and its subsidiaries	653	651
Neusoft Corporation and its subsidiaries	348	–
	1,001	651

(ii) Purchases technical services, maintenance services and other services

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Neusoft Corporation and its subsidiaries	1,595	1,789
Neusoft Medical and its subsidiaries	993	582
Neusoft Holdings and its subsidiaries	–	131
	2,588	2,502

(iii) Purchases of fixed assets

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Neusoft Medical and its subsidiaries	1,363	164

Notes to the interim condensed consolidated financial information

36 Related party transactions (continued)**(b) Significant transactions with related parties (continued)***(iv) Sales of cloud hospital platform service*

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Neusoft Corporation and its subsidiaries	3,945	1,987
Associates, its parents and its subsidiaries	9	–
Neusoft Holdings and its subsidiaries	–	34
	3,954	2,021

(v) Sales of internet medical services

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Neusoft Medical and its subsidiaries	4,765	2,112

(vi) Sales of health management services

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Neusoft Corporation and its subsidiaries	1,746	1,488
Neusoft Holdings and its subsidiaries	264	2
PICC P&C and its subsidiaries	60	56
Associates, its parents and its subsidiaries	20	8
Neusoft Medical and its subsidiaries	193	184
	2,283	1,738

Notes to the interim condensed consolidated financial information

36 Related party transactions (continued)**(b) Significant transactions with related parties (continued)***(vii) Sales of smart healthcare services*

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Neusoft Corporation and its associate	1	494

(viii) Lease expenses and property service

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Associates, its parents and its subsidiaries	326	368
Neusoft Corporation and its subsidiaries	605	889
	931	1,257

Notes to the interim condensed consolidated financial information

36 Related party transactions (continued)**(c) Period/year ended balances with related parties**

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Amount due from related party – trade receivables		
Neusoft Corporation and its subsidiaries	10,552	8,774
Neusoft Holdings and its subsidiaries	25	470
Associates, its parents and its subsidiaries	303	369
Neusoft Medical and its subsidiaries	3,186	1,359
	14,066	10,972
Amount due from related party – contract assets		
Neusoft Corporation and its subsidiaries	1,013	294
Amount due from related party – other receivables		
Trade		
Associates, its parents and its subsidiaries	10	10
Neusoft Medical and its subsidiaries	–	259
Neusoft Corporation and its subsidiaries	1,104	1,101
	1,114	1,370
Amount due from related party – prepayments		
Neusoft Medical and its subsidiaries	19	41
Neusoft Corporation and its subsidiaries	84	84
	103	125
Amount due to related party – trade payables		
Neusoft Corporation and its subsidiaries	13,284	13,738
Neusoft Medical and its subsidiaries	832	1,331
	14,116	15,069

Notes to the interim condensed consolidated financial information

36 Related party transactions (continued)**(c) Period/year ended balances with related parties (continued)**

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Amount due to related party – other payables		
Trade		
Neusoft Corporation and its subsidiaries	982	828
Associates, its parents and its subsidiaries	285	1,973
Neusoft Medical and its subsidiaries	1,452	41
	2,719	2,842
Amount due to related party – contract liabilities		
Associates, its parents and its subsidiaries	161	159
Neusoft Corporation and its subsidiaries	104	45
PICC P&C and its subsidiaries	75	106
Neusoft Holdings and its subsidiaries	–	2
Neusoft Medical and its subsidiaries	25	25
	365	337
Amount due from related party – right-of-use assets		
Associates, its parents and its subsidiaries	852	1,703
Neusoft Medical and its subsidiaries	290	399
Neusoft Corporation and its subsidiaries	4,860	7,810
	6,002	9,912
Amount due to related party – lease liabilities		
Associates, its parents and its subsidiaries	5,451	4,048
Neusoft Medical and its subsidiaries	335	434
Neusoft Corporation and its subsidiaries	2,877	8,090
	8,663	12,572

Notes to the interim condensed consolidated financial information

36 Related party transactions (continued)**(d) Key management personnel compensation**

Key management includes director and senior officers. The compensations paid or payable to key management for employee services are shown below:

	Six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Wages, salaries and bonuses	1,922	1,791
Pension costs – defined contribution plans	175	178
Other social security costs	102	106
Housing benefits	92	93
Share-based compensation	9,064	15,921
	11,355	18,089

37 Dividends

No dividend has been paid or declared by the Company or the companies now comprising the Group for the six months ended 30 June 2023 (six months ended 30 June 2022: nil).

38 Contingencies

As at 30 June 2023 and 31 December 2022, there were no significant contingencies for the Group and the Company.

39 Subsequent events**(a) Capital Reduction**

On 7 September 2023, the Company cancelled 1,011,000 shares of US\$0.001 under RSUs scheme, which were not granted to eligible employees. The share capital would be reversed US\$1,011.

(b) Share Subdivision

On 28 September 2023, the Company carried out the Share Subdivision pursuant to which each existing share was split into five shares of the corresponding class with a par value of US\$0.0002 each.

Definitions

In this interim report, the following expressions have the meanings set out below unless the context requires otherwise.

“2016 RSU Scheme”	a restricted share unit scheme of the Company adopted in August 2016 for the benefit of its employees
“Alps Alpine”	Alps Alpine Co., Ltd., a company established in Japan whose shares are listed on the Tokyo Stock Exchange (stock code: 6770)
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board” or “Board of Directors”	the board of Directors of our Company
“BVI”	the British Virgin Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”, “our Company” or “the Company”	NEUSOFT XIKANG HOLDINGS INC. (東軟熙康控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on May 12, 2011
“Director(s)”	director(s) of our Company
“Dongkong International Fifth”	Dongkong International Fifth Investment Inc., a company incorporated under the laws of the BVI on June 23, 2015, and a Shareholder of our Company wholly owned by Neusoft Holdings
“Dongkong International Seventh”	Dongkong International Seventh Investment Inc., a company incorporated under the laws of the BVI on June 23, 2015, and a Shareholder of our Company wholly owned by Neusoft Holdings
“Dr. LIU”	Dr. Liu Jiren (劉積仁), the chairperson of the Board and a non-executive Director of our Company
“First Care”	First Care (第一關愛), one of our Pre-IPO Investors, a company incorporated in the Cayman Islands
“Global Offering”	the Hong Kong public offering and the international offering as described in the Prospectus

Definitions

“Group,” “our Group,” “the Group,” “we,” “us” or “our”	our Company, its subsidiaries and the consolidated affiliated entities controlled through contractual arrangements (or our Company and any one or more of its subsidiaries, as the context may require)
“HK\$”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange” or “Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“KangRich”	KangRich Investments Limited, a company incorporated under the laws of BVI on July 8, 2015, and an employee shareholding platform and a Shareholder of our Company
“Kingset Ventures”	Kingset Ventures Limited, one of our Pre-IPO Investors, a company incorporated in the BVI
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Date”	September 28, 2023, which the Shares are listed on the Hong Kong Stock Exchange and from which dealings in the Shares are permitted to commence on the Hong Kong Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“Neusoft (HK)”	Neusoft (HK) Limited, a company incorporated under the laws of Hong Kong on August 25, 2000 and a Shareholder of our Company wholly-owned by Neusoft Corporation
“Neusoft Corporation”	Neusoft Corporation (東軟集團股份有限公司), a company incorporated under the laws of the PRC on June 17, 1991, which is listed on the Shanghai Stock Exchange (stock code: 600718) on June 18, 1996
“Neusoft Holdings”	Dalian Neusoft Holdings Co., Ltd. (大連東軟控股有限公司), a company incorporated under the laws of the PRC on November 15, 2011

Definitions

“Noble Investment”	Noble Investment Holdings Limited, one of our Pre-IPO Investors, a company incorporated in the Cayman Islands
“PICC P&C”	PICC Property and Casualty Company Limited (中國人民財產保險股份有限公司), established in the PRC in July 2003, was listed on the Main Board of the Stock Exchange on November 6, 2003 (stock code: 02328), one of our Pre-IPO Investors and a connected person of our Company
“Post-IPO SOS”	the share option scheme adopted by our Company on May 28, 2021, as amended or otherwise modified from time to time, and detailed in “OTHER INFORMATION – SHARE OPTION SCHEMES – 2. Post-IPO SOS” in this interim report
“PRC” or “China”	the People’s Republic of China. For the purposes of this document only and except where the context requires otherwise, excludes Hong Kong, Macau and Taiwan
“Pre-IPO Investor(s)”	Kingset Ventures, Noble Investment, Syn Invest, PICC P&C, Alps Alpine and First Care
“Pre-IPO SOS”	the share option scheme adopted by our Company on March 29, 2019, as amended or otherwise modified from time to time, and detailed in “OTHER INFORMATION – SHARE OPTION SCHEMES – 1. Pre-IPO SOS” in this interim report
“Prospectus”	the prospectus of the Company dated September 18, 2023
“Province”	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
“Reporting Period”	the six months ended June 30, 2023
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“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 shares in the share capital of our Company with a nominal value of US\$0.0002 each,
“Share Option Scheme(s)”	Pre-IPO SOS and/or Post-IPO SOS
“Shareholder(s)”	holder(s) of our Shares
“Smartwave”	Smartwave Holdings Inc., a company incorporated under the laws of BVI on March 15, 2011, and a Shareholder of our Company wholly-owned by Neusoft Holdings

Definitions

“subsidiary(ies)”	has the meaning ascribed thereto in section 15 of the Companies Ordinance
“Syn Invest”	Syn Invest Co. Ltd, one of our Pre-IPO Investors, a company established in the BVI
“United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“USD” or “US\$”	United States dollars, the lawful currency of the United States