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NEUSOFT XIKANG HOLDINGS INC.

東軟熙康控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 9686)

**CONTINUING CONNECTED TRANSACTIONS
RENEWAL OF EXISTING IT COOPERATION FRAMEWORK
AGREEMENT AND EXISTING HEALTH MANAGEMENT
SERVICE FRAMEWORK AGREEMENT**

**RENEWAL OF THE EXISTING IT COOPERATION FRAMEWORK AGREEMENT
AND THE EXISTING HEALTH MANAGEMENT SERVICE FRAMEWORK
AGREEMENT**

Reference is made to the section headed “Connected Transactions” of the Prospectus in relation to, among others, (i) the Existing IT Cooperation Framework Agreement entered into between the Company and Neusoft Corporation on 13 September 2023, pursuant to which each of the Company and Neusoft Corporation (together with its associates) have agreed to provide several types of IT products or services to each other for a period commencing from the Listing Date to 31 December 2023 (both days inclusive); and (ii) the Existing Health Management Service Framework Agreement entered into between the Company and Neusoft Corporation on 13 September 2023, pursuant to which the Company agreed to provide health management services to the employees of Neusoft Corporation and its associates for the benefit of their employees for a period commencing from the Listing Date to 31 December 2023 (both days inclusive).

As the Existing IT Cooperation Framework Agreement and the Existing Health Management Service Framework Agreement will expire on 31 December 2023, and the Group is expected to continue to carry on the transactions contemplated thereunder upon their expiry, the Company and Neusoft Corporation renewed the Existing IT Cooperation Framework Agreement and the Existing Health Management Service Framework Agreement, and entered into the 2024 IT Cooperation Framework Agreement and the 2024 Health Management Service Framework Agreement on 18 December 2023, with a term from 1 January 2024 to 31 December 2024 (both days inclusive).

IMPLICATIONS UNDER THE LISTING RULES

As of the date of this announcement, Neusoft Corporation indirectly holds approximately 23.66% interest in the share capital of the Company, and is therefore a substantial Shareholder and connected person of the Company pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (other than the profits ratio) in respect of each of (i) the annual caps for the continuing connected transactions contemplated under the 2024 IT Cooperation Framework Agreement, and (ii) the annual cap for the continuing connected transactions contemplated under the 2024 Health Management Service Framework Agreement is more than 0.1% but less than 5%, the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements, but are exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

I. RENEWAL OF THE EXISTING IT COOPERATION FRAMEWORK AGREEMENT

Reference is made to the section headed "Connected Transactions" of the Prospectus in relation to, among others, the Existing IT Cooperation Framework Agreement entered into between the Company and Neusoft Corporation on 13 September 2023, pursuant to which each of the Company and Neusoft Corporation (together with its associates) have agreed to provide several types of IT products or services to each other for a period commencing from the Listing Date to 31 December 2023 (both days inclusive).

As the Existing IT Cooperation Framework Agreement will expire on 31 December 2023, and the Group is expected to continue to carry on the transactions contemplated thereunder upon its expiry, the Company entered into the 2024 IT Cooperation Framework Agreement with Neusoft Corporation on 18 December 2023, with a term from 1 January 2024 to 31 December 2024 (both days inclusive).

Principal Terms of the 2024 IT Cooperation Framework Agreement

The principal terms of the 2024 IT Cooperation Framework Agreement are set out as follows:

Parties:	The Company and Neusoft Corporation
Term:	Commencing from 1 January 2024 and ending on 31 December 2024 (both days inclusive), subject to renewal upon the mutual consent of both parties.
Subject Matter:	<i>IT services and products provided by the Group to Neusoft Corporation (together with its associates)</i>

Leveraging the Company's expertise in online healthcare, the Company may, from time to time, be engaged by Neusoft Corporation (together with its associates) to provide, for the benefit of its clients, cloud hospital-related software development and technical services for development of customized online healthcare software or operating systems according to the business needs of such clients. The relevant products and services generally include healthcare related module design, implementation and testing, design of contingency plan, training and security testing, etc.

IT services and products provided by Neusoft Corporation (together with its associates) to the Group

Neusoft Corporation (together with its associates) may, from time to time, be engaged by the Company to provide, for the benefit of its clients, hospital software products and/or services for their day-to-day operation. Further, Neusoft Corporation (together with its associates) may also, from time to time, provide general IT products and/or maintenance services, including operating system updates and regular preventive maintenance to the Group (as the case may be).

Specific

Agreements:

Subject to terms of the 2024 IT Cooperation Framework Agreement, each party will enter into specific agreements or place purchase orders with the other to set out specific terms and conditions in respect of the services abovementioned. The consideration payable by the Group or Neusoft Corporation and/or its associates (as the case may be) under the 2024 IT Cooperation Framework Agreement will be paid at the time and according to the method agreed in specific agreements and purchase orders.

Pricing Policies

For software products and/or services provided by the Company or Neusoft Corporation (together with its associates) (as the case may be) for the benefit of the other party's clients, the fees will be determined by the parties at arm's length negotiations with reference to the total bidding price submitted by the Company or Neusoft Corporation (together with its associates) (as the case may be) to the clients, the prevailing market price and consideration of various factors, including, the number of stages involved in software development and maintenance, the nature and technical features of the software, and the expected timeframe for delivery etc., and will be no less favorable to the Group than the fees offered to or charged by other independent third parties.

With respect to the general IT products and/or maintenance services provided by Neusoft Corporation (together with its associates) to the Group, the fee rates will be determined by the parties at arm's length negotiations with reference to the prevailing market price and consideration of various factors, including, the costs of labor, the costs of maintenance, the nature and technical features of the relevant services provided, etc., and will be no less favorable to the Group than the fees offered to or charged by other independent third parties.

Historical Amounts

	For the year ended 31 December			For the
	2020	2021	2022	11 months
	(RMB million)	(RMB million)	(RMB million)	ended 30
				November
				2023
				(RMB million)
Fees paid by Neusoft Corporation and its associates to the Company	5.00	9.69	4.15	4.28
Fees paid by the Company to Neusoft Corporation and its associates	8.92	9.20	8.58	5.57

Proposed Annual Cap and Basis

In relation to the 2024 IT Cooperation Framework Agreement, the transaction amount to be paid by Neusoft Corporation and/or its associates to the Company in respect of the provision of IT products and services for the year ending 31 December 2024 shall not exceed RMB16.0 million, and the transaction amount to be paid by the Company to Neusoft Corporation and/or its associates in respect of the provision of IT products and services for the year ending 31 December 2024 shall not exceed RMB15.0 million.

In arriving at the above annual caps, the Directors have considered, among other things, the following factors:

- the historical transaction amounts for the three years ended 31 December 2022 and the 11 months ended 30 November 2023 between the Company and Neusoft Corporation and/or its associates;
- the expected growth in the operational scale of the Group for the year ending 31 December 2024, which will lead to an increasing need for relevant IT services and/or products; and
- the expected increase of service fee to be charged by the Company or Neusoft Corporation and/or its associates due to the estimated increase of cost of labor for the provision of services.

Reasons for and Benefit of the 2024 IT Cooperation Framework Agreement

The Company has established a long-term cooperation with Neusoft Corporation and/or its associates, which enabled both the Company and Neusoft Corporation to acquire a comprehensive understanding of each other's business and operational requirements as well as to establish a great foundation for mutual trust. It is expected that, leveraging each other's competitive advantages, Neusoft Corporation could provide quality IT products and/or technology support to the Group's operation and satisfy the needs of the clients of the Company; while the Company, on the other hand, could also leverage its expertise in online healthcare business and technology capabilities and understanding in this regard to provide Neusoft Corporation or its clients with customized technology services.

II. RENEWAL OF THE EXISTING HEALTH MANAGEMENT SERVICE FRAMEWORK AGREEMENT

Reference is also made to the section headed "Connected Transactions" of the Prospectus in relation to, among others, the Existing Health Management Service Framework Agreement entered into between the Company and Neusoft Corporation on 13 September 2023, pursuant to which the Company agreed to provide health management services to the employees of Neusoft Corporation and its associates for the benefit of their employees for a period commencing from the Listing Date to 31 December 2023 (both days inclusive).

As the Existing Health Management Service Framework Agreement will expire on 31 December 2023, and the Group is expected to continue to carry on the transactions contemplated thereunder upon its expiry, the Company entered into the 2024 Health Management Service Framework Agreement with Neusoft Corporation on 18 December 2023, with a term from 1 January 2024 to 31 December 2024 (both days inclusive).

Principal Terms of the 2024 Health Management Service Framework Agreement

The principal terms of the 2024 Health Management Service Framework Agreement are set out as follows:

Parties:	The Company and Neusoft Corporation
Term:	Commencing from 1 January 2024 and ending on 31 December 2024 (both days inclusive), subject to renewal upon the mutual consent of both parties.
Subject Matter:	The Company will provide health management services to the employees of Neusoft Corporation and its associates for the benefit of their employees.
Specific Agreements:	Subject to terms of the 2024 Health Management Service Framework Agreement, each party will enter into specific agreements with the other to set out specific terms and conditions in respect of the services abovementioned. The consideration payable by Neusoft Corporations and/or its associates under the 2024 Health Management Service Framework Agreement will be paid at the time and according to the method agreed in specific agreements.

Pricing Policies

The service fees will be determined by the parties at an arm's length negotiations with reference to (i) number of employees of Neusoft Corporation and/or its associates who are entitled to enjoy such health management services; (ii) specific scope of service included in the relevant health management and check-up plans; and (iii) service fees offered by the Group to independent third party customers at the time of providing the relevant service, and will be no less favorable to the Group than such fees offered to other independent third parties.

Historical Amounts

	For the year ended 31 December			For the 11 months ended 30 November
	2020	2021	2022	2023
	<i>(RMB million)</i>			<i>(RMB million)</i>
the aggregate amounts of service fee in connection with health management services paid to the Group by Neusoft Corporation and its associates	4.71	4.90	5.00	3.31

Proposed Annual Cap and Basis

In relation to the 2024 Health Management Service Framework Agreement, the transaction amount to be paid by Neusoft Corporation and/or its associates to the Company in respect of the provision of health management services for the year ending 31 December 2024 shall not exceed RMB6.0 million.

In arriving at the above annual cap, the Directors have considered, among other things, the following factors:

- the historical transaction amounts for the three years ended 31 December 2022 and for the 11 months ended 30 November 2023 between the Company and Neusoft Corporation and/or its associates; and
- along with its expansion in scale and business growth, the number of employees of Neusoft Corporation and/or its associates is expected to continue to increase in the year ending 31 December 2024, which will lead to an expected increase in demand for the Company's health management services.

Reasons for and Benefit of the 2024 Health Management Service Framework Agreement

The Directors consider that the provision of health management services to Neusoft Corporation and/or its associates would benefit the Company for the following reasons:

- since the core business of the Company includes providing medical and healthcare services to individual customers, the provision of check-up and health management services is in line with its ordinary and usual course of business;
- the Company can further increase its user base through the provision of services to Neusoft Corporation and/or its associates' employees, who may further refer its services to other potential customers; and
- the provision of health management services to Neusoft Corporation and its associates will also contribute to the Company's revenue.

III. BOARD CONFIRMATION

The Directors (including all the independent non-executive Directors of the Company) are of the view that the 2024 IT Cooperation Framework Agreement and the 2024 Health Management Service Framework Agreement and the transactions contemplated thereunder (i) are conducted in the ordinary and usual course of business of the Company on normal commercial terms, (ii) the terms of which are fair and reasonable, and (iii) are in the interests of the Company and its Shareholders as a whole.

Since Dr. LIU Jiren, Ms. LU Zhaoxia and Dr. WANG Nan, each being a Director of the Company, also hold office in Neusoft Cooperation or its subsidiaries, they are deemed to have material interests in the continuing connected transactions contemplated under the 2024 IT Cooperation Framework Agreement and the 2024 Health Management Service Framework Agreement, and have abstained from voting on the relevant Board resolutions. Save as the above, none of the other Directors has a material interest in such transactions and is required to abstain from voting on the relevant Board resolutions.

IV. INTERNAL CONTROL PROCEDURES

In order to ensure that the terms under the 2024 IT Cooperation Framework Agreement and the 2024 Health Management Service Framework Agreement are fair and reasonable and no less favorable to the Company than terms available to or from independent third parties, and that the connected transactions of the Company are carried out under normal commercial terms, the Company has adopted the following internal control procedures:

- the Company has adopted and implemented a management system on connected transactions. Under such system, the audit committee under the Board is responsible for the review on compliance with relevant laws, regulations, the Company's policies and the Listing Rules in respect of the continuing connected transactions. In addition, the audit committee under the Board, the Board and various internal departments of the Company (including but not limited to the finance department and legal department) are jointly responsible for evaluating the terms under framework agreements for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each transaction;
- the audit committee under the Board, the Board and various internal departments of the Company also regularly monitor the fulfillment status and the transaction updates under the framework agreements. In addition, the management of the Company also regularly reviews the pricing policies of the framework agreements;
- the independent non-executive Directors and auditors of the Company will conduct annual review of the continuing connected transactions under the framework agreements and provide annual confirmation to ensure that, in accordance with the Listing Rules, the transactions are conducted in accordance with the terms of the agreements, on normal commercial terms and in accordance with the pricing policy; and
- when considering the service fees provided to us by the above connected persons, the Company will continue to regularly research the prevailing market conditions and practices and make reference to the pricing and terms between the Company and independent third parties for similar transactions, to ensure that the pricing and terms offered by the above connected persons, either from bidding procedures or mutual commercial negotiations (as the case may be), are fair, reasonable and are no less favorable than those offered to independent third parties.

V. GENERAL INFORMATION

Information on the Company

The Company 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, the Company facilitates the delivery of Internet medical services, including online hospital services, remote medical services, smart family doctor services and Internet home care services. The Company also provides health management services and offer smart healthcare products.

Information on Neusoft Cooperation

Neusoft Corporation (Shanghai Stock Exchange stock code: 600718), is a company incorporated under the PRC laws in 1991 and an industry-leading information technology, products and solutions company for global market. With insights into the latest market trends, Neusoft Cooperation has always been exploring software technology innovation and applications, to help medium and large clients globally to achieve digital and intelligent development. Neusoft Cooperation is currently at leading positions in the fields of smart city, healthcare, intelligent vehicle connectivity, enterprise digital transformation, as well as international software services.

Based on the information disclosed by Neusoft Corporation, its largest shareholder is Neusoft Holdings, which holds approximate 14.36% of its total issued shares, and there is no other shareholder with a shareholding percentage of 10% or above. Neusoft Holdings is an investment holding company incorporated under PRC Laws on 15 November 2011, which invests and has operations in four primary industries: education, IT services, medical devices and healthcare services. As of the date of this announcement, Dr. LIU Jiren indirectly controls Dalian Kang Ruidao Management Consulting Centre (Limited Partnership) (大連康睿道管理諮詢中心(有限合夥)) and Dalian Neusoft Siwei Technology Development Co., Ltd. (大連東軟思維科技發展有限公司), which collectively hold approximately 40.47% interest in Neusoft Holdings, and is therefore the single largest ultimate controlling shareholder of Neusoft Holdings. Save as disclosed above, no other shareholder of Neusoft Holdings holds 30% or more of the interest in Neusoft Holdings.

VI. IMPLICATIONS UNDER THE LISTING RULES

As of the date of this announcement, Neusoft Corporation indirectly holds approximately 23.66% interest in the share capital of the Company, and is therefore a substantial Shareholder and connected person of the Company pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (other than the profits ratio) in respect of each of (i) the annual caps for the continuing connected transactions contemplated under the 2024 IT Cooperation Framework Agreement, and (ii) the annual cap for the continuing connected transactions contemplated under the 2024 Health Management Service Framework Agreement is more than 0.1% but less than 5%, the transactions contemplated thereunder are subject to the reporting, announcement and annual review requirements, but are exempt from independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

VII. DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context otherwise requires:

“2024 Health Management Service Framework Agreement”	the framework agreement entered into between the Company and Neusoft Corporation on 18 December 2023, pursuant to which the Group has agreed to provide health management services to Neusoft Corporation (together with its associates) for the year ending 31 December 2024
“2024 IT Cooperation Framework Agreement”	the framework agreement entered into between the Company and Neusoft Corporation on 18 December 2023, pursuant to which each of the Group and Neusoft Corporation (together with its associates) have agreed to provide several types of IT products or services to each other for the year ending 31 December 2024
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors of the Company
“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, the shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company, its subsidiaries and the consolidated affiliated entities controlled through contractual arrangements
“Existing Health Management Service Framework Agreement”	the framework agreement entered into between the Company and Neusoft Corporation on 13 September 2023, pursuant to which the Group has agreed to provide health management services to Neusoft Corporation (together with its associates) from the Listing Date to 31 December 2023
“Existing IT Cooperation Framework Agreement”	the framework agreement entered into between the Company and Neusoft Corporation on 13 September 2023, pursuant to which each of the Group and Neusoft Corporation (together with its associates) have agreed to provide several types of IT products or services to each other from the Listing Date to 31 December 2023
“Hong Kong” or “HK”	Hong Kong Special Administrative Region of the PRC
“Listing Date”	28 September 2023, being the date on which the shares of the Company were listed on the Stock Exchange

“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“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
“Prospectus”	the prospectus of the Company dated 18 September 2023
“PRC” or “China”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of US\$0.0002 each in the share capital of the Company
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it in the Listing Rules
“%”	per cent

On behalf of the Board
NEUSOFT XIKANG HOLDINGS INC.
Dr. LIU Jiren
Chairman and Non-Executive Director

Hong Kong, 18 December 2023

As at the date of this announcement, the board of directors of the Company comprises Ms. ZONG Wenhong as an executive Director; Dr. LIU Jiren, Ms. LU Zhaoxia, Dr. WANG Nan, Mr. PU Chengchuan and Dr. CHEN Lianyong as non-executive Directors; and Dr. CHEN Yan, Dr. QI Guoxian and Dr. YIN Guisheng as independent non-executive Directors.

* *For identification purposes only*