熙康
XIKANG

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

ANNUAL REPORT 2023

Contents

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

Mr. XU Hongli (徐洪利)
Dr. WANG Nan (王楠)
Mr. PU Chengchuan (蒲成川)
Dr. CHEN Lianyong (陳連勇)

Independent Non-executive Directors

Dr. CHEN Yan (陳艷)
Dr. QI Guoxian (齊國先)
Dr. YIN Guisheng (印桂生)

AUDIT COMMITTEE

Dr. CHEN Yan (陳艷) *(Chairman)*
Dr. CHEN Lianyong (陳連勇)
Dr. YIN Guisheng (印桂生)

REMUNERATION COMMITTEE

Dr. CHEN Yan (陳艷) *(Chairman)*
Dr. LIU Jiren (劉積仁)
Dr. QI Guoxian (齊國先)

NOMINATION COMMITTEE

Dr. LIU Jiren (劉積仁) *(Chairman)*
Dr. QI Guoxian (齊國先)
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. QI Guoxian (齊國先)
Dr. YIN Guisheng (印桂生)

JOINT COMPANY SECRETARIES

Ms. WANG Shuli (王淑力)
Mr. WONG Wai Chiu (黃偉超)

AUTHORIZED REPRESENTATIVES

Ms. ZONG Wenhong (宗文紅)
Mr. WONG Wai Chiu (黃偉超)

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants and Registered Public Interest Entity Auditor
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STOCK CODE

09686

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REGISTERED OFFICE

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Milestones

January 13, 2023

"Care in Zhejiang" ("浙里護理") was reported on the CCTV news channel *LIVE NEWS* as feature reports

May 12, 2023

The official account "Care in Zhejiang" was launched


为更好地推广浙里护理重大应用，助力各地各级医疗机构在该项工作上的经验分享和亮点宣传，"浙里护理行"公众号在5·12当天亮相上线。该服务号将面向全省，积极打造便民利民、专业护理形象，为人民群众提供优质、专业的居家护理，以及专科指导和护理咨询服务。

上门护理·专业咨询
浙里护理行！

May 2023

"Care in Zhejiang" was interviewed and reported by 6 media outlets, namely people.cn, China National Radio (China Media Group Zhejiang Bureau), www.jkb.com.cn, Lanjinger (藍鯨財經), 8 a.m. Health Insight and www.HIT180.com


关注失能人群健康问题 "浙里护理"来帮忙!

发布日期: 2023-06-30 14:18　　信息来源: 中央广播电视总台浙江总站

护理是医疗卫生健康事业的重要组成部分。浙江省作为国家"互联网+护理服务"首批试点省份，自2022年11月上线"浙里护理"应用以来，全省共有397家医疗机构和2.58万余名注册护士备案开展"互联网+护理服务"，月均服务超1.3万人次，得到了社会的广泛关注和好评。

June 2023

Zhejiang Province held the 2023 Training of "Internet + Care Service" Capabilities and Home Care Skills Competition

June 30, 2023

The health management centers in Shanghai and Shenyang of NEUSOFT XIKANG took the lead in upgrading the healthcare management service brand "Staying on top of your health, setting your heart at ease"

July 15, 2023

The Ningbo Internet Hospital Development Forum, which was hosted by the Health Commission of Ningbo and co-organized by NEUSOFT XIKANG, was successfully held

September 28, 2023

NEUSOFT XIKANG was listed on the Main Board of The Stock Exchange of Hong Kong Limited

October 2023

NEUSOFT XIKANG officially cooperated with Health Commission of Henan Province and kicked off "YuJian Huli Daojia"

Milestones

November 2023

NEUSOFT XIKANG exhibited its "Ningbo Cloud Hospital platform 4.0" at the Zhejiang International Health Industry Expo, where it displayed the full extent of a new model of home medical care services

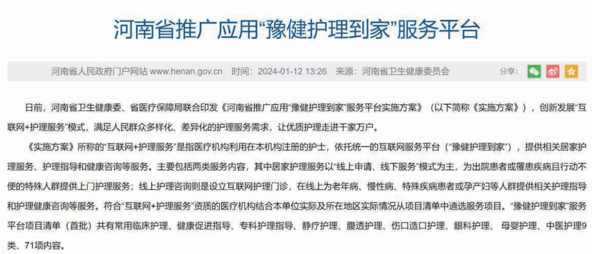
2023年11月15日—11月17日，由浙江省卫生健康委、浙江省发展改革委、浙江省经信厅主办的第九届浙江国际健康产业博览会在杭州国际博览中心盛大举行。**东软熙康受邀参展并发布“宁波云医院平台4.0”，同时，覆盖全浙江省的互联网护理创新应用“浙里护理”亮相展区，全景展现居家医疗护理服务新模式。**

November 17, 2023

The 12th Anniversary of NEUSOFT XIKANG

January 2024

The Health Commission of Henan Province and the Healthcare Security Administration of Henan Province (河南省醫療保障局) jointly issued the Implementation Plan for the Popularization and Application of the "YuJian Huli Daojia" Service Platform in Henan Province (《河南省推廣應用 豫健護理到家"服務平台實施方案》), which develops the model of "Internet + Care Service" through innovation and fulfills the people's demands for diversified and differentiated care services to make high-quality care services accessible to every home



河南省推广应用“豫健护理到家”服务平台

河南省人民政府门户网站 www.henan.gov.cn 时间：2024-01-12 13:26 来源：河南省卫生健康委员会 分享：

日前，河南省卫生健康委、省医疗保障局联合印发《河南省推广应用“豫健护理到家”服务平台实施方案》（以下简称《实施方案》），创新发展“互联网+护理服务”模式，满足人民群众多样化、差异化的护理服务需求，让优质护理走进千家万户。

《实施方案》所称的“互联网+护理服务”是指医疗机构利用在本机构注册的护士，依托统一的互联网服务平台（“豫健护理到家”），提供相关居家护理服务、护理指导和健康咨询等服务。主要包括两类服务内容，其中居家护理服务以“线上申请、线下服务”模式为主，为出院患者或罹患疾病且行动不便的特殊人群提供上门护理服务；线上护理咨询则是设立互联网护理门诊，在线上为老年病、慢性病、特殊疾病患者或孕产妇等人群提供相关护理指导和护理健康咨询等服务。符合“互联网+护理服务”资质的医疗机构结合本单位实际及所在地区实际情况从项目清单中遴选服务项目。“豫健护理到家”服务平台项目清单（首批）共有常用临床护理、健康促进指导、专科护理指导、静疗护理、腹透护理、伤口造口护理、眼科护理、母婴护理、中医护理9类、71项内容。

March 2024

"'Care in Zhejiang' ('浙里護理') making care services within reach of everyone" became one of the "Top 10 Most Influential Events" ("十大有影響力事件") in Zhejiang Health for 2023, and the pushing department is the Medical Administration and Management Department of the Health Commission of Zhejiang Province (浙江省衛生健康委醫政醫管處)

Chief Executive Officer's Statement

Internet medical services were more widely recognized and rapidly developed in 2023. People are getting used to seeking medical advice through digital healthcare services. The Chinese government has been releasing numerous favorable policies to vigorously prop up the broader expansion of digital healthcare scenarios, which has injected a powerful impetus into our rapid and sustainable development. During the Reporting Period, with adjustment to the structure of business operations, our medical services have accounted for a larger portion of the overall business operations and recorded a year-on-year growth of 14.3%. The number of hospitals providing services through our cloud hospital platforms grew by 7.4%, while the number of doctors and nurses on our cloud hospital platforms grew by 14.7% and 81.2%, respectively. The number of our healthcare service products reached 96, and the volume of our home care services amounted to over 150,000. Generally, the overall business operations have been developing soundly.

As a pioneer and promoter of city-specific cloud hospital platforms in China, we believe that there will be a stronger demand for safe, reliable and high-quality home healthcare services after China rapidly ushers in an aging society with a low birthrate. We are committed to the basic assurance of quality, reliability and safety through the "city-specific cloud hospital platform" model and creating an active ecosystem that motivates its participants by empowering medical stakeholders. During this process, centering on the health needs of the common residents, we tirelessly promote innovation in the service scenario and content of "medical care, nursing service and health care" and create sustainable value for Shareholders and society while continuously providing users with premium healthcare services.

Expediting the Development of our City-specific Cloud Hospital Platforms and Creating a New Urban Healthcare Services Ecosystem

In 2023, we further deepened the strategy of "city-specific cloud hospital platform" and quickly promoted the development of our city-specific cloud hospital platforms by leveraging the strategic advantages of the established city-specific cloud hospital platforms. Our client base has been expanded from municipal governments to provincial governments with greater administrative scope and authority, which has enabled high-quality healthcare services to be accessible to a wider range of residents. In 2023, we mainly cooperated with the provincial governments of Zhejiang Province, Jiangsu Province and Henan Province. During this process, we continued to try new collaborations with provincial governments and actively explored the provision of more extensive medical and care services for the residents in these provinces.

Over the past year, alongside the partnerships with some governments at the municipal level, and considering large public hospitals are the core providers of medical services in China, we consecutively built up cooperation with such hospitals and boosted their willingness of cooperation by actively implementing various measures such as policy guidance, performance assessment, and operations expansion. Focusing on the scenarios where patients seek medical advice, we worked with the hospitals and successively introduced services such as self-service appointment for medical examination and testing, self-service appointment for hospitalization, mobile payment on the medical insurance and post-hospitalization follow-up assessment to continuously help the hospitals build a new integrated healthcare service system covering in-hospital and out-of-hospital services from offline to online, thus improving patients' medical experience and treatment efficiency of the hospitals.

In 2023, we continued improving the city-specific cloud hospital platforms' systems for supply chains of medicines, medical devices, consumables, logistics, etc. In 2023, we upgraded our cooperation with partners based in Zhejiang Province, Liaoning Province and other provinces through enhanced industrial cooperation. In the process of creating a new urban healthcare services ecosystem, our powerful platform-enabled industrial ecosystem has taken shape.

Leading the Standardization Development of the Home Medical Care Industry by Relentlessly Promoting Business Innovation

In 2023, we took the initiative to drive innovation in Internet healthcare service models. Over the past year, we continued to urge the government authorities to establish sound standards and norms for home care services, the competent health authorities, medical insurance authorities and other related authorities to issue relevant policy documents, and the competent authorities of care services to formulate unified home medical care service standards. Hence the unified provincial and municipal norms for management systems, service models and standards, operation mechanisms, training systems, etc. can be established, enabling the residents to enjoy unified quality of home medical care services within a city. Over the past year, multiple home medical care industry standards jointly developed by us together with many government authorities and associations in Zhejiang Province have been highly recognized by the National Health Commission (NHC) and other authorities and their officials, leading the high-quality development of the home medical care industry.

Over the past year, based on users' needs, we continuously impelled the scenario innovation for our services ranging from in-hospital to at-home and from offline to online to constantly enrich our home medical care services. We have launched 61 types of home care services grouped under three categories in Zhejiang Province and 71 types of home care services falling under nine categories in Henan Province in order to meet the diversified medical care needs of users like elderly users, maternal and child users, and post-surgery users. In 2023, we continually enhanced medical quality management, medical safety management and other aspects and bolstered the quality of our home medical care services.

Proactively Assuming Corporate Social Responsibility by Empowering Healthcare Stakeholders to Create Value

We undertake the mission of driving healthcare transformation through information technology and persist in empowering healthcare stakeholders to create value. Over the past year, continually leveraging our advantages in technology and operation, we fulfilled corporate social responsibility by supporting medical aid and patient assistance, joining hands with local governments and hospitals to offer voluntary medical consultation for nursing homes, schools and other institutions, and providing free-of-charge online medical consultation. We proceeded with the promotion of health-related charitable undertakings by providing our public welfare resources. "Care in Zhejiang" ("浙里護理"), a service platform that we operate, was honored as one of the "Top 10 Influential Events" in Zhejiang Health for 2023 《浙江衛生健康 2023 年度"十大有影響力事件"》.

The development of health undertakings is essential to people's livelihood. The commercialization path we have taken is long and arduous, but we always believe that this path fits more with China's actual conditions. Looking forward to 2024, to better serve various medical stakeholders, facilitate the development of the industry, reward our Shareholders and give back to society, we will uphold the mission of "driving healthcare transformation through information technology", remain dedicated to "empowering medical stakeholders to create value", and follow the strategy model of "city-specific cloud hospital platform".

ZONG Wenhong
Chief Executive Officer and Chief Medical Officer
March 20, 2024

Management Discussion and Analysis

FOCUSING ON BUSINESS HIGHLIGHTS UNDER THE STRATEGY

Business Focus

Home Care Services

Medical institutions joining the platform **950+**

Nurses with more than 5 years of experience **69,000+**

Home care service projects **90+**

Internet Medical Services

Medical resources

36k+ Medical institutions

130k+ Doctors joining the platform

Service volume

1,650k+ Online consultations

730k+ E-prescriptions

Efficiency Focus

Revenue from home care services in 2023 increased by **279.2%** as compared to last year

We provide services such as appointment for online medical examination and testing, appointment for hospitalization and appointment for additional patient numbers with the service coverage of more than **260,000** participants

38 medical institutions had access to the Internet medical insurance e-payment

Growth of indicators of health management services business

Cumulative increase of institutional clients by **11%**

Retention rate of institutional clients **78%**

The increase of the volume of health management services by **22%**

Value Focus

Our home care services in Ningbo were officially upgraded to Zhejiang Province's "Care in Zhejiang" platform, and further duplicated to the Henan provincial home care service platform "YuJian Huli Daojia" with the service coverage of more than **160 million** persons

The volume of home care services was more than **150,000**, and the volume of new online nursing consultation services reached more than **200,000**

For Internet medical service business, the payment through social medical insurance throughout the year was more than **200,000**

Health management service business completed brand upgrade with brand value proposition of **"Staying on top of your health, setting your heart at ease"**

Operation Focus

The gross margin **increased by 6.1** percentage points **year-on-year to 30.6%**

Losses for the year were RMB **154.89** million

The losses declined by ↓**36.3%** as compared to last year

Adjusted net losses for the year were RMB **115.39** million

The losses declined by ↓**21.5%** as compared to last year

BUSINESS REVIEW

BUSINESS MODEL OF "CITY-SPECIFIC CLOUD HOSPITAL PLATFORM"

We continued to build a unique business model of "city-specific cloud hospital platform". We help governments build and operate city-specific cloud hospital platforms that connect local governments, medical institutions, patients and insurers. These platforms enhance the equity of access to medical resources through the coordinated allocation of urban medical resources and realize efficient delivery and sustainable development of healthcare through innovations in healthcare service model.

During the Reporting Period, we continued to cultivate the markets in Eastern China, Northern China and Southern China, thus further expanding our city-specific cloud hospital platform network.

We have benefited from our advanced experience in building and operating the Ningbo Cloud Hospital platform. At the end of 2022, thanks to Zhejiang Province's macropolicy of promoting digital reform, the home care services module of our Ningbo Cloud Hospital platform was recognized as a major application in the field of digital society system by Zhejiang Province's Leadership Group for Digital Reform, and our Ningbo-based home care platform was officially upgraded to Zhejiang Province's "Care in Zhejiang" platform, the only provincial-level home care service platform designated by the provincial government of Zhejiang. Users and residents in Zhejiang Province can conveniently access to home care and other services through the "Care in Zhejiang" app and apps of various hospitals. To deepen the promotion of "Care in Zhejiang" app, the Health Commission of Zhejiang Province, together with various municipal governments in Zhejiang Province, has issued relevant policies, including the Implementation Plan for Deepening the Promotion of "Care in Zhejiang" App in Zhejiang Province《浙江省深化推廣"浙里護理"應用實施方案》issued by the Office of the Health Commission of Zhejiang Province and other policy documents.

In 2023, we collaborated with the Health Commission of Zhejiang Province and other government authorities to accelerate the construction and operation of "Care in Zhejiang", the connection of various cities and medical institutions in Zhejiang Province to the platform, and the provision of home care services by nurses. As of December 31, 2023, all public hospitals of Class II and above in Zhejiang Province have joined "Care in Zhejiang", which has realized full coverage of 11 cities in Zhejiang Province within one year, more than 570 medical institutions and 45,000 nurses with more than 5 years of clinical care experience have joined the platform, and the number of the nurses who have joined the platform accounted for 18.1% of the registered nurses in Zhejiang Province. In 2023, the volume of home care services provided by "Care in Zhejiang" exceeded 120,000, representing an increase of 295.6% as compared to the same period of the previous year (2022: 30,000), and the volume of new nursing consultation services reached 200,000.

During the Reporting Period, we continued to strengthen the construction and operation in Ningbo, cities in Jiangsu Province and other regions of Eastern China, and continually promoted the innovation of service scenarios from in-hospital to at-home and from offline to online, and constantly enriched the offering of medical, care and other services. As of December 31, 2023, the Ningbo Cloud Hospital platform had 45 Internet hospitals, 16,000 doctors and 11,000 nurses with more than 5 years of clinical care experience, respectively, the volume of Internet medical services was more than 1.5 million, and the volume of home nursing care services was more than 50,000, further developing our Internet medical service model in Ningbo. As of December 31, 2023, the Jiangsu Province Internet hospital platform, which was jointly constructed and operated by us and the Jiangsu provincial government authorities, had 159 hospitals and 52,000 doctors, and the service volume of the platform Internet hospitals exceeded 780,000.

In the second half of 2023, based on our sound brand recognition in China's home care industry, we formally cooperated with the Henan Provincial Government on home care, and assisted the Henan Provincial Government in building and operating the Henan provincial home care service platform "YuJian Huli Daojia" ("豫健護理到家"). On October 23, 2023, the Henan Provincial Government officially issued the policy document "Notice on the Issuance of the Implementation Plan for the Popularization and Application of the "YuJian Huli Daojia" Service Platform in Henan Province" ("關於印發《河南省推廣應用"豫健護理到家"服務平台實施方案》的通知"), which requires the selection of Zhengzhou, Luoyang, Pingdingshan, and Xuchang as pilot cities to carry out home care services. As of December 31, 2023, 54 medical institutions and more than 5,600 nurses with more than 5 years of clinical care experience have joined the Henan Province's "YuJian Huli Daojia" service platform.

During the Reporting Period, we continued to strengthen the operation of remote medical services in Shenyang, and constantly provided imaging, maternity and childcare, oncology and other medical services for primary medical institutions and users in Shenyang through leveraging on the resources of high-quality subject specialists in large-sized hospitals in Shenyang. The volume of remote medical services in Shenyang exceeded 910,000 in 2023 (2022: 610,000). During the Reporting Period, we, in conjunction with Shenyang municipal governmental departments, continued to promote the development of home care services in Shenyang. On November 8, 2023, Shenyang Municipal Government formally issued the Work Implementation Plan of Shenyang Municipal "Internet + Care Service" (for Trial Implementation) 《瀋陽市"互聯網+護理服務"工作實施方案(試行)》. As of December 31, 2023, 57 medical institutions carried out home care services and more than 1,700 nurses with more than 5 years of clinical care experience have joined the platform.

During the Reporting Period, we focused on enhancing the construction of cloud hospital platforms in some cities such as Chongqing and Nanning in Southern China, and continually invested technical resources to enhance the functionality, reliability and product experience of the cloud hospital platforms.

During the Reporting Period, we operated the following business segments:

	Years ended December 31,			
	2023		2022	
	Revenue	**%**	Revenue	%
	(RMB in thousands, except for percentages)			
Cloud hospital platform services	**97,755**	**18.2**	122,369	17.8
Internet medical services	**157,554**	**29.3**	137,834	20.1
Health management services	**245,915**	**45.7**	209,199	30.4
Smart healthcare products	**36,491**	**6.8**	218,013	31.7
Total	**537,715**	**100.0**	687,415	100.0

Cloud Hospital Platform Services

The cloud hospital platform is the foundation of our city-specific cloud hospital platform strategy model. During the Reporting Period, we continued to adhere to our market strategy of accelerating the cooperation with medical institutions with local governments as the core breakthrough.

Local governments are the policy-makers, regulators and payers of China's health industry. Government customers are one of the core pipelines of our business and our unique competitive advantage. We continue to tap into the advantages of us and our business partners in terms of advanced technology, experience, resources and customer base, and continue to strengthen the collaboration with existing government customers and the expansion of new government customers.

During the Reporting Period, we focused on reinforcing cooperation with provincial and municipal governmental departments, and strengthening our efforts to enable medical institutions within the jurisdiction to join the platform more quickly by promoting the introduction of policies from governmental departments, so as to provide residents within the region with convenient, accessible and high-quality Internet medical services. It only took us one year to expand the coverage of "Care in Zhejiang" platform from Ningbo city to 11 cities in Zhejiang Province with more than 570 medical institutions joining the platform by enhancing our cooperation with the provincial government of Zhejiang.

During the Reporting Period, we thoroughly enhanced our collaboration with medical institutions, and continued to promote medical institutions to join our platform in a faster and more economical way. We continued to invest in technical resources to upgrade our cloud hospital platform and optimize product experience, so as to facilitate medical institutions to build a new integrated healthcare services system from offline to online. During the Reporting Period, we launched product upgrades for self-service appointment for medical examination and testing, self-service appointment for hospitalization, mobile payment on the medical insurance and post-hospitalization follow-up assessment, which further demonstrated that hospitals optimized the patients' medical treatment process to and improve the efficiency of their medical treatment, and facilitate the in-depth integration of new-generation information technology and medical services. As of December 31, 2023, 151 Internet hospitals (2022: 99) joined the platform.

As of December 31, 2023, the number of medical institutions connected to our platform was 36,000, of which the number of hospitals was 2,610 and the number of primary medical institutions was 33,000. During the Reporting Period, the number of paying medical institutions was 491, representing an increase of 238.6% as compared to the same period of the previous year (2022: 145).

During the Reporting Period, the revenue generated from cloud hospital platform services amounted to RMB97.8 million, representing a decrease of 20.1% from RMB122.4 million in the previous year, mainly attributable to fewer project opportunities in the post-epidemic era and delays in project execution with local governments. The following table sets forth a breakdown of our revenue from the cloud hospital platform services by type of customer for the periods indicated:

	Year ended December 31,			
	2023		2022	
	Amount	**%**	Amount	%
	(RMB in thousands, except for percentages)			
Local governments	**19,055**	**19.5**	61,171	50.0
Medical institutions	**62,641**	**64.1**	48,363	39.5
Others	**16,059**	**16.4**	12,835	10.5
Total	**97,755**	**100.0**	122,369	100.0

Internet Medical Services

Focusing on patients' health, we have further strengthened the collaborative co-development of online hospital services, family doctor services and remote medical services, continued to strengthen our cooperative operations with hospitals and doctors, continuously enriched the content of our Internet medical services, and continually improved our medical efficiency, so as to create more convenient integrated user experience from offline to online for our users.

During the Reporting Period, we still insisted on strengthening the development of Internet medical services on the city-specific cloud hospital platforms, largely promoted the development of Internet medical services in large-sized hospitals, and further enhanced the motivation of medical institutions and doctors. For medical institutions, we continued to strengthen cooperation with the government to enhance the motivation of medical institutions through upgrading hospital performance assessment, etc. For doctors, we continued to strengthen cooperation with hospitals to enhance the motivation of doctors to carry out Internet medical services through the dual mechanism of performance assessment and incentives. As of December 31, 2023, the Ningbo Cloud Hospital platform had 45 Internet hospitals, and the volume of Internet medical services exceeded 1.5 million, representing an increase of 114.2% as compared to the same period of the previous year (2022: 0.7 million). In 2023, the volume of Internet medical services carried out by Ningbo city-level Internet hospitals accounted for 53% of the total volume of the city's Internet medical services.

We are constantly committed to providing users with more convenient and higher-quality Internet medical services. We take "integrated medical services from offline to online" and "pre-hospital, in-hospital and post-hospital full-cycle medical management" as the breakthroughs to continuously optimize the process of medical services, and constantly enrich the scenarios and contents of Internet medical services. During the Reporting Period, we largely promoted the examination and test-booking services in Ningbo, and the volume of examination and test-booking services in Ningbo amounted to 260,000 in 2023, representing an increase of 233.3% as compared to the same period of the previous year (2022: 78,000). At the beginning of 2023, Ningbo Cloud Hospital platform further accessed medical social insurance payment for Internet hospital services, and patients with 26 chronic diseases could use Ningbo social health insurance payment after using Internet hospital services. As of December 31, 2023, 37 of the 45 Internet hospitals stationed on the Ningbo Cloud Hospital platform had accessed medical social insurance payment.

During the Reporting Period, our online hospital services maintained a steady growth. There were 130,000 doctors joining our platforms as of December 31, 2023 (2022: 113,000). In 2023, the volume of our online consultation services was 1.65 million, which maintained basically unchanged as compared to the same period of the previous year (2022: 1.67 million); the volume of our e-prescription services was 730,000, representing a decrease of 13.1% as compared to the same period of the previous year (2022: 840,000).

With a wide range of medical resources and a sound operation system, we have been continuously strengthening the construction and operation of medical specialty consortiums and promoting the medical collaboration between primary urban family doctors and specialists at large-sized hospitals. On the basis of our full insight into the medical needs of urban family doctors and the distinctive discipline advantages of different hospitals, we have promoted the construction of a multi-level remote medical collaboration system that is based on primary urban family doctors, supported by specialists at large-sized hospitals and centered on regional well-known experts in the disciplines, with disciplines such as medical imaging, obstetrics and gynecology, cardiovascular and cerebrovascular medicine, and oncology as links. As of December 31, 2023, the volume of our remote medical services was 1.45 million, representing an increase of 36.3% as compared to the same period of the previous year (2022: 1.06 million).

Home Care Services Growing at a Rapid Pace

Home care services are serious medical services in China, subject to compulsory access requirement and supervision by government authorities. In order to promote the rapid development of our home care services, we comprehensively strengthen cooperation with government authorities at all levels in China and promote the establishment of a sound home care service system by urban medical institutions at all levels that can benefit more urban residents. As of December 31, 2023, our home health care services covered 950 medical institutions across the country, and the number of the nurses with more than 5 years of clinical care experience who have joined our platforms reached 69,000 (2022: 38,000). Owing to our proven experience in the construction and operation of Internet care platforms, we are currently mainly responsible for the construction and operation of Internet care platforms of Zhejiang Province, Henan Province and other provincial governments.

We constantly explore the innovation of home care model and promote government authorities to establish sound standards and system of home care services. During the Reporting Period, we further promoted the urban health authorities and medical insurance authorities to issue relevant policy documents, so as to establish a unified urban management system, service model, service standards, operation mechanism, training system and other standards and build a sound "large-sized hospitals – grassroots communities – home" care service chain, so that residents can enjoy the same service quality of home care services in the same city.

On the basis of full insight into the needs of different populations for home care, we continue to innovate our home care services to meet the needs of the elderly, women and children, and postoperative people for more abundant and more diversified care. In Zhejiang Province, we have carried out 61 home care services in three categories: health promotion, common clinical care and specialist care. In Henan Province, we have carried out 71 home care services in nine categories: common clinical care, health promotion guidance, specialist care guidance, intravenous therapy care, peritoneal dialysis care, wound and ostomy care, eye care, maternal and infant care, and traditional Chinese medicine care.

During the Reporting Period, we constantly optimized the home care service process and improved the service quality to provide users with higher-quality home care services. Before the home care service projects were launched, we, together with urban competent authorities of care services, formulated unified home care service standards, including the system and process of home care services, the training outline of service items and the quality evaluation indicators of service items, etc., and continuously improved the service ability and professional skills of visiting nurses through training, especially their capabilities of emergency aid and emergency responses, so as to continuously improve the quality of home care services.

During the Reporting Period, our home care services have maintained robust growth. As of December 31, 2023, the volume of home care services we provided exceeded 150,000, representing an increase of 185.9% as compared to the same period of the previous year (2022: 54,000), among which the volume of home care services in Zhejiang Province we provided exceeded 120,000, representing an increase of 295.6% as compared to the same period of the previous year (2022: 30,000). In 2023, the volume of innovative online care consultation services that we launched in Zhejiang Province reached 200,000.

During the Reporting Period, the revenue generated from our home care services amounted to RMB22.7 million, representing an increase of 279.2% from RMB6.0 million in the same period of the previous year.

During the Reporting Period, the revenue generated from Internet medical services amounted to RMB157.6 million, representing an increase of 14.3% from RMB137.8 million in the same period of the previous year. The following table sets forth a revenue breakdown by business line of the Internet medical services segment for the periods indicated:

	Year ended December 31,			
	2023		2022	
	Amount	**%**	Amount	%
	(RMB in thousands, except for percentages)			
Online hospital services	**116,760**	**74.1**	117,972	85.6
Remote medical services	**18,078**	**11.5**	13,871	10.1
Smart family doctor services(Note)	**–**	**–**	–	–
Home care services	**22,716**	**14.4**	5,991	4.3
Total	**157,554**	**100.0**	137,834	100.0

Note: We do not charge for smart family doctor services.

Health Management Services

We continue to build new integrated health management service systems from offline to online by focusing on the health of employees and users. As of December 31, 2023, we had 9 medical institutions in 9 cities across the country, which were mainly located in the Eastern China, Northern China and Southern China.

During the Reporting Period, we further studied and tapped into the health needs of employees and constantly sought innovations in our health management service model. We provided individual users with report interpretation, health consultation and health education services, conducted hierarchical management on important abnormal results, and delivered personalized, more targeted and more professional medical and care services by matching the medical specialists and nurses at large-sized hospitals to users' needs through our platform. During the Reporting Period, in light of user experience, we put forward a value proposition "Staying on top of your health, setting your heart at ease (掌握健康 予您心安)" in our health management services. By focusing on furnishing "better medical quality, product experience, service processes, physical service environment, and health screening experience", we brought users integrated health management services from offline to online with higher quality and more convenience.

During the Reporting Period, we constantly followed the dual-market expanding strategy of acquiring both institutional and individual clients, continued to cement cooperation with institutional clients, and actively explored new online sales channels. Premium health management services serve as a benefit to improve their employees' physical and mental health and happiness. During the Reporting Period, we continued to strengthen cooperation with institutional clients while prioritizing the development of large and medium-sized institutional clients, providing them with more comprehensive and diverse employee health management solutions.

During the Reporting Period, as the COVID-19 pandemic prevention and control measures were fully lifted across China, our health management services gradually returned to normal operation. During the Reporting Period, the volume of health management services was 590,000, representing an increase of 22.5% as compared to the same period of the previous year (2022: 480,000); institutional clients were the main customer base of our health management services, accounting for approximately 88.3%. During the Reporting Period, the volumes of our health management services to institutional and individual clients were 520,000 and 70,000 respectively (2022: 410,000 and 70,000 respectively), representing an increase of 26.4% and maintaining basically unchanged as compared to the same period of the previous year respectively.

As of December 31, 2023, leveraging our professional service capabilities cultivated and experience accumulated in the field of health management services, the accumulated number of institutional clients under our health management services reached 7,441. The retention rate of our institutional clients in 2023 was 78% (2022: 68%).

During the Reporting Period, revenue generated from health management services was RMB245.9 million, representing an increase of 17.6% from RMB209.2 million in the same period of the previous year. The following table sets forth a breakdown of our revenue from health management services by type of customer for the periods indicated:

	Year ended December 31,			
	2023		2022	
	Amount	**%**	Amount	%
	(RMB in thousands, except for percentages)			
Institutional clients	**214,341**	**87.2**	179,372	85.7
Individual clients	**31,574**	**12.8**	29,827	14.3
Total	**245,915**	**100.0**	209,199	100.0

Smart Healthcare Products

In 2023, we continued to offer smart healthcare products based on institutional setting and individual setting to meet various healthcare needs under different scenarios including grassroots communities, workplaces and families. Leveraging our capabilities to connect and integrate "products + services", we provided more users with healthcare services. During the Reporting Period, we focused on strengthening the connection of products and services under the enterprise health management scenario to help enterprises better maintain the health of employees, thus having gained the favor of more enterprise customers.

During the Reporting Period, the revenue generated from smart healthcare products was RMB36.5 million, representing a decrease of 83.3% from RMB218.0 million in the same period of the previous year, mainly attributable to the decrease in the number of projects we delivered during the year. Such decrease was driven by the decrease or postone in providing smart healthcare products by our customers at the primary medical institutions, while we had also become more selective in project bidding in 2023. Certain customers reduced purchases of, or postponed project bidding in relation to purchases of smart healthcare products in 2023, as they allocated less budget to such purchases during the post-pandemic transition and the post-epidemic era. The following table sets forth a breakdown of our revenue from smart healthcare products by setting for the periods indicated:

	Year ended December 31,			
	2023		2022	
	Amount	**%**	Amount	%
	(RMB in thousands, except for percentages)			
Smart healthcare products targeted at institutional settings	**36,057**	**98.8**	215,930	99.0
Smart healthcare products targeted at individual settings	**434**	**1.2**	2,083	1.0
Total	**36,491**	**100.0**	218,013	100.0

BUSINESS PROSPECTS

The Chinese government is the regulator and payer of China's health industry, and medical institutions and users are the supply and demand parties of medical services. We will adhere to the strategy model of "city-specific cloud hospital platform" and continue to help improve the productivity and efficiency of the healthcare system, ultimately providing users with more sustainable, convenient and quality healthcare services.

We will continue to optimize the business structure, and focus on the synergistic development of "medical care, nursing service and health care" businesses. In terms of cloud hospital platform services, we will fully implement the strategy of "cost-saving and profit-increasing", continuously optimize product experience through productization and digitalization, and continue to strengthen products' functionality by combining with cutting-edge technologies such as artificial intelligence, so as to enhance the competitiveness of cloud medical platforms. In terms of Internet medical services and home care services, we will continue to build a new integrated healthcare service system from offline to online that manages the whole-cycle process covering pre-hospital, in-hospital and post-hospital. In terms of health management, we will constantly strengthen corporate health management operations to meet the diversified needs concerning the health of employees. In terms of smart healthcare products, we will continue to strengthen the connection of "products + services" to provide more comprehensive intelligent solutions for enterprises and individuals.

2024 is not only a crucial year for the implementation of the "14th Five-Year" Plan, but also an important year for reform and innovation, foundation consolidation and comprehensive improvement of the health cause. We will continue to pull together to provide quality services for all participants in the medical industry, deliver high-quality healthcare services for the society and promote the innovation of new healthcare models such as home medical care, boosting the integration and implementation of two strategies, Digital China and Healthy China.

FINANCIAL REVIEW

Revenue from Contracts with Customers

Our revenue decreased by 21.8% to RMB537.7 million for the year ended December 31, 2023 from RMB687.4 million for the year ended December 31, 2022, mainly attributable to a decrease in the revenue from cloud hospital platform services and smart healthcare products.

Cloud hospital platform services

Revenue generated from our cloud hospital platform services segment decreased by 20.1% to RMB97.8 million for the year ended December 31, 2023 from RMB122.4 million for the year ended December 31, 2022, primarily because of fewer project opportunities and delays in project execution with local governments during the post-pandemic era.

Internet medical services

Revenue generated from our Internet medical services segment increased by 14.3% to RMB157.6 million for the year ended December 31, 2023 from RMB137.8 million for the year ended December 31, 2022, mainly attributable to (1) we continued to optimize the business structure, increased cooperation with provincial health administrative departments and rapidly expanded the home care services, with revenue from the home care business increasing by 279.2%; (2) demands from primary medical institutions increased, with revenue from remote medical services increasing by 30.3%.

Health management services

Revenue generated from our health management services segment increased by 17.6% to RMB245.9 million for the year ended December 31, 2023 from RMB209.2 million for the year ended December 31, 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 2023.

Smart healthcare products

Revenue generated from our smart healthcare products segment decreased by 83.3% to RMB36.5 million for the year ended December 31, 2023 from RMB218.0 million for the year ended December 31, 2022, mainly attributable to the decrease in the number of projects we delivered during the year. Such decrease was driven by the decrease or postone in providing smart healthcare products by our customers at the primary medical institutions, while we had also become more selective in project bidding in 2023. Certain customers reduced purchases of, or postponed project bidding in relation to purchases of smart healthcare products in 2023, as they allocated less budget to such purchases during the post-pandemic transition and the post-pandemic era.

Cost of Sales and Services

Our cost of sales and services decreased by 28.1% to RMB373.1 million for the year ended December 31, 2023 from RMB519.0 million for the year ended December 31, 2022, mainly in line with the decrease in the revenue from contracts with customers on smart healthcare products and cloud hospital platform services.

Gross Profit and Gross Margin

As a result of the foregoing, our gross profit decreased by 2.3% to RMB164.6 million for the year ended December 31, 2023 from RMB168.5 million for the year ended December 31, 2022.

During the Reporting Period, the gross profit margins of cloud hospital platform services, Internet medical services, health management services and smart healthcare products were 45.1%, 12.1%, 38.8% and 16.5%, respectively (2022: 46.2%, 12.2%, 37.1% and 8.0%). Our gross margin increased to 30.6% for the year ended December 31, 2023 from 24.5% for the year ended December 31, 2022, mainly attributable to (i) our optimization of business structure to increase the portion of Internet healthcare service and health management services; and (ii) in terms of market competition strategy, we made more careful selection of project bidding, and placed greater weight on the profitability of the project during the project evaluation process.

Selling and Marketing Expenses

Our selling and marketing expenses decreased by 23.7% to RMB96.3 million for the year ended December 31, 2023 from RMB126.1 million for the year ended December 31, 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 selling and marketing 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 payable to selling and marketing personnel by the end of 2022.

Research and Development Expenses

Our research and development expenses decreased by 29.6% to RMB55.6 million for the year ended December 31, 2023 from RMB79.0 million for the year ended December 31, 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 payable to research and development personnel by the end of 2022.

Administrative Expenses

Our administrative expenses decreased by 15.1% to RMB118.4 million for the year ended December 31, 2023 from RMB139.4 million for the year ended December 31, 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 payable to administrative personnel by the end of 2022, partially offset by an increase in listing expenses.

Other Income

Our other income (mainly government grants) decreased by 78.0% to RMB4.2 million for the year ended December 31, 2023 from RMB18.9 million for the year ended December 31, 2022, mainly attributable to decreased government grants.

Other Losses, Net

Our net other losses remained relatively stable at RMB1.6 million for the year ended December 31, 2023, compared to RMB1.8 million for the same period in 2022.

Finance Costs, Net

Our net finance costs decreased by 13.1% to RMB33.1 million for the year ended December 31, 2023 from RMB38.1 million for the year ended December 31, 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 RMB4.9 million for the year ended December 31, 2023, compared to RMB4.8 million for the same period in 2022.

Income Tax Expense

Our income tax expense increased by 46.5% to RMB7.3 million for the year ended December 31, 2023 from RMB5.0 million for the year ended December 31, 2022, mainly attributable to (i) the increase in the number of our profitable subsidiaries or consolidated affiliated entities during the Reporting Period; (ii) the increase in the profit scale of these subsidiaries or consolidated affiliated entities with the continuous development of business.

Loss for the Year

As a result of the foregoing, our loss for the Reporting Period decreased by 36.3% to RMB154.9 million for the year ended December 31, 2023 from RMB243.3 million for the year ended December 31, 2022.

Adjusted Net Loss

To supplement our consolidated statement of profit or loss which is presented in accordance with HKFRS, we use adjusted net loss for the Reporting Period (non-HKFRS measure) as a non-HKFRS measure, which is 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:

	Year ended December 31,	
	2023	2022
	(RMB in thousands)	
Loss for the year	**(154,892)**	(243,260)
Add: Share-based compensation expenses	**29,822**	79,176
Add: Interest expenses for financial liability for redeemable rights	**9,677**	17,162
Adjusted net loss for the year (non-HKFRS measure)	**(115,393)**	(146,922)

The non-HKFRS measure, adjusted net loss for the year, 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 RMB146.9 million for the year ended December 31, 2022 to RMB115.4 million for the year ended December 31, 2023. The decrease in our adjusted net loss (non-HKFRS measure) for the year ended December 31, 2023 was mainly due to (i) the decrease in our selling and marketing expenses, research and development expenses and administrative expenses after optimizing our business structure and resource investment; (ii) the decrease in our net impairment losses on financial assets; and (iii) the partial offset of adjusted net loss by the decrease in other income.

Contingent Liabilities

As of December 31, 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.

As of December 31, 2023, we did not have any significant contingent liabilities. 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 December 31, 2023.

Capital Expenditures

During the Reporting Period, we incurred capital expenditures of RMB4.3 million mainly for purchases of property, plant and equipment (for the year ended December 31, 2022: RMB7.3 million).

Gearing Ratio

The Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total liabilities which are considered as borrowings less cash and cash equivalents. As at December 31, 2023, the Group had a net asset and the gearing ratio was not applicable.

Pledge of Assets

As of December 31, 2023, the Group did not pledge any assets.

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, as of December 31, 2023, the Group did not have any other plans for material investments or capital assets.

Liquidity and Capital Resources

Historically, we have funded our working capital primarily from bank borrowings and equity financing. As of December 31, 2023, we had cash and cash equivalents of RMB676.8 million. We expect to use a portion of the proceeds from the Global Offering (as defined in the prospectus of the Company dated September 18, 2023) 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 years indicated:

	Year ended December 31,	
	2023	2022
	(RMB in thousands)	
Operating cash flows before movements in working capital	**(45,025)**	(80,089)
Movements in working capital	**24,955**	4,547
Interest received	**3,354**	1,959
Income taxes paid	**(3,442)**	(245)
Net cash used in operating activities	**(20,158)**	(73,828)
Net cash used in investing activities	**(146,597)**	(8,445)
Net cash generated from financing activities	**504,768**	64,624
Net increase/(decrease) in cash and cash equivalents	**338,013**	(17,649)
Cash and cash equivalents at the beginning of the year	**350,748**	364,737
Effects of exchange rate changes on cash and cash equivalents	**(11,967)**	3,660
Cash and cash equivalents at the end of the year	**676,794**	350,748

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 movements 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 year ended December 31, 2023, we had net cash used in operating activities of RMB20.2 million, which represents our loss before income tax of RMB147.6 million, as adjusted by non-cash and non-operating items, and movements in working capital of: (i) a decrease of RMB46.7 million in other operating assets, mainly due to the decrease in long-term trade receivables as of December 31, 2023.

Net cash used in investing activities

For the year ended December 31, 2023, we had net cash used in investing activities of RMB146.6 million, which was primarily attributable to (i) payment for our purchases for property, plant and equipment of RMB4.3 million, and (ii) subscription amount for our wealth management products of RMB141.7 million.

Net cash generated from financing activities

For the year ended December 31, 2023, we had net cash generated from financing activities of RMB504.8 million, which was primarily attributable to (i) contributions from shareholders of RMB567.6 million; (ii) payments for interests of RMB25.2 million and (iii) payments of lease liabilities of RMB26.9 million.

Borrowings

As of December 31, 2023, the aggregate principal balance of our borrowings was RMB509.4 million. As of December 31, 2023, RMB102.5 million of our banking facilities remained unutilized.

As of December 31, 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 year ended December 31, 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 December 31, 2023). For cash management purpose, we subscribed for certain wealth management products with financial institutions. During the Reporting Period, and as at the date of this report, none of the subscriptions of such wealth management products with a single financial institution was required to be disclosed under Chapter 14, Chapter 14A or paragraph 32(4A) of Appendix D2 of the Listing Rules, and was required to be consolidated. The subscription of the above wealth management products did not utilize the proceeds from the initial public offering of the Company.

Capital Commitments

As of December 31, 2023, we had no material capital commitments.

Material Acquisition and Disposal of Subsidiaries, Associates and Joint Ventures

For the year ended December 31, 2023, our Company did not have any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Directors' Report

The Board presents its first directors' report since the Listing of the Company, together with the audited consolidated financial statements of the Group for the year ended December 31, 2023.

Principal Businesses

The Company is 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, 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 offers smart healthcare products.

Business Review and Analysis of Key Indicators of Financial Performance

Please refer to the section headed "Management Discussion and Analysis" in this annual report, which forms an integral part of this directors' report.

Environmental, Social and Governance Matters of the Company

The Company believes that its future growth is based on the integration of social values into its business. The Company is committed to working on the environmental, health and safety, employment and community issues that its operations affect, and to working with its stakeholders to promote the sustainable development of the industry in which the Company operates. The Company undertakes all reasonable efforts to ensure compliance with all applicable national and local safety, health, labor and environmental obligations.

The Board will assess the overall risks and monitor our Group's existing ESG risk management targets and internal controls, and necessary improvement shall be implemented to mitigate the relevant risks. Our Board and its ESG working group shall maintain oversight of our Group's approach to risk management, including climate-related risks, and risks shall be monitored as part of the standard operating processes to ensure the appropriate mitigation is in place as part of regular management reviews. Upon periodic review of ESG-related risks, and our Group's performance in addressing the risks, the Company will revise and adjust the ESG strategies as appropriate. Please refer to the "Environmental, Social and Governance Report" published by the Company for details of the Company's environmental protection, social responsibilities and staff care and so on.

Compliance with Relevant Laws and Regulations

So far as is known to the Board and management, during the Reporting Period, the Group has, in all material aspects, complied with the relevant laws and regulations that have a material impact on the business and operations of the Group. For the year ended December 31, 2023, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

Major Risks and Uncertainties

Risks Relating to Our Business and Industry

- The Company is subject to extensive and evolving regulatory requirements, non-compliance with which, or changes in which, may materially and adversely affect the Company's business and prospects;
- The application and scalability of the Company's city-specific cloud hospital platform model in new regions may be affected by factors beyond the Company's control;
- The suspension of direct settlement by the social medical insurance system on the Company's cloud hospital platforms may adversely affect the Company's business, financial conditions and results of operations;
- The Company may be subject to medical liability claims or claims under consumer protection laws, including health and safety claims and product liability claims;
- Evolving and extensive regulatory requirements in the PRC regarding doctor management may affect the Company's business operations and prospects; and
- The Company may not be able to recoup the investments it made in research and development, which, in turn, could adversely impact the Company's financial condition and results of operations.

For details of the risks relating to our business and industry faced by the Company, please refer to the section headed "Risk Factors" in the Company's Prospectus.

Financial Risks

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 and consolidated affiliated entities operating in the PRC is Renminbi. Our Company manages its foreign exchange risk by performing regular reviews of our Company's net foreign exchange exposures and tries to minimize these exposures through natural hedges, wherever possible, and may enter into forward foreign exchange contracts, when necessary.

The Company operates mainly in the PRC with most of the transactions settled in US dollar and Renminbi respectively as the reporting currency. The management of the Company considers that the Company's business is not exposed to any significant foreign exchange risk as the Company has no significant financial assets or liabilities denominated in currencies other than the respective functional currencies of the Company's entities. As of December 31, 2023, our Company did not hold any financial instruments for hedging purposes.

Cash flow and fair value interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates and the Company has no significant interest-bearing assets except for the investments in wealth management products.

Tax Relief and Exemption

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

Share Capital

For the year ended December 31, 2023, details of movements in the total share capital of the Company are set out in Note 26 to the consolidated financial statements.

Distributable Reserves

As of the end of the Reporting Period, the Company had no retained profit available for distribution to its shareholders.

Details of changes in reserves of the Company during the Reporting Period are set out in Note 28 and Note 40 to the consolidated financial statements.

Property, Plant and Equipment

Details of the movements in the property, plant and equipment of the Group during the Reporting Period are set out in Note 15.

As at the end of the Reporting Period, the Group did not own any other properties for investment purposes or held for development and/or sale where the percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) exceed 5%.

Major Customers and Suppliers

For the year ended December 31, 2023, the Company's total sales to the five largest customers accounted for less than 30%.

For the year ended December 31, 2023, the Company's total purchases from five largest suppliers accounted for 35.8% of the Company's total purchases. The Company's total purchases from the largest supplier accounted for 24.9% of the Company's total purchases.

For the year ended December 31, 2023, Neusoft Medical Systems Co., Ltd. (a company in which Neusoft Corporation held 29.94% of equity interests and Neusoft Holdings, the single largest shareholder of Neusoft Corporation, held 15.51% of equity interests) was the third largest customer of the Group, and the substantial shareholder Neusoft Corporation was the fourth largest customer of the Company. Both Neusoft Corporation and Neusoft Medical Systems Co., Ltd. are also among the five largest suppliers of the Company.

Save as disclosed above, to the knowledge of the Directors, for the year ended December 31, 2023, none of the Directors, their associates or any shareholders of the Company who to the knowledge of the Directors were interested in more than 5% of the share capital of the Company had an interest in the five largest customers or the five largest suppliers of the Group during this year.

Key Relationships with Stakeholders

The Group recognizes the importance of maintaining good relationships with its stakeholders (including shareholders, employees, suppliers, customers and other business partners), which is critical to the Group's success. The Group will continue to ensure effective communication and maintain good relationships with its respective stakeholders. The Company's key relationships with its main stakeholders are set out in the section headed "Environmental, Social and Governance Report" in this annual report.

Continuing Connected Transactions

Connected persons of the Company

From the Listing Date and up to the end of the Reporting Period, the Company has entered into certain transactions with the following connected persons, and such transactions will constitute non-fully exempt continuing connected transactions:

Connected Person	Connected Relationship
Neusoft Holdings	As of December 31, 2023, Neusoft Holdings indirectly held approximately 19.83% interest in the share capital of the Company, and is a substantial shareholder and a connected person of the Company pursuant to Chapter 14A of the Listing Rules.
Neusoft Corporation	As of December 31, 2023, Neusoft Corporation indirectly held approximately 23.66% interest in the share capital of the Company, and is a substantial shareholder and a connected person of the Company pursuant to Chapter 14A of the Listing Rules.

1. Health Management Service Framework Agreement

The Company entered into a health management service framework agreement with Neusoft Corporation on September 13, 2023 (the "**2023 Health Management Service Framework Agreement**"), pursuant to which the Company will provide health management services to the employees of Neusoft Corporation and its associates for the benefit of their employees. The health management service framework agreement has an initial term commencing from the Listing Date and ending on December 31, 2023, subject to renewal upon the mutual consent of both parties.

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 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. When determining the prices for providing underlying services, the Company will take account of the pricing and terms set for similar transactions with at least two independent third parties, so as to ensure the pricing terms set by the Group with the connected persons are no less favorable to those set with other independent third parties.

Under the 2023 Health Management Service Framework Agreement, set out below are the annual cap for the transaction amount paid by Neusoft Corporation and/or its associates to the Company and the actual transaction amount in respect of the provision of health management services for the year ended December 31, 2023:

	For the year ended December 31, 2023	
	Transaction annual cap	Actual transaction amount
	(RMB in millions)	
Service fees paid by Neusoft Corporation to the Company	6.0	4.4

As the highest applicable percentage ratio of the transactions under the 2023 Health Management Service Framework Agreement for the year ended December 31, 2023 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 0.1%, but less than 5% on an annual basis, such transactions constitute continuing connected transactions of the Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules, but exempt from the independent Shareholders' approval requirement under Rule 14A.36 of the Listing Rules.

Further details of the 2023 Health Management Service Framework Agreement are set out in the section headed "Connected Transactions" in the Prospectus. On December 18, 2023, the Company renewed the 2023 Health Management Service Framework Agreement with Neusoft Corporation (together with its associates), with a term commencing from January 1, 2024 and ending on December 31, 2024 (both days inclusive). The transaction annual cap was RMB6.0 million during the agreement term. For details, please refer to the announcements of the Company dated December 18, 2023 and January 16, 2024.

2. IT Cooperation Framework Agreement

The Company entered into an IT product and service cooperation framework agreement with Neusoft Corporation on September 13, 2023 (the "**2023 IT Cooperation Framework Agreement**"), pursuant to which each of our Group and Neusoft Corporation (together with its associates) has agreed to provide several types of IT products or services to each other. The 2023 IT Cooperation Framework Agreement has an initial term commencing from the Listing Date and ending on December 31, 2023, subject to renewal upon the mutual consent of both parties.

Details of the types of IT services or products provided under the 2023 IT Cooperation Framework Agreement primarily consist of the following:

IT services and products provided by our Group to Neusoft Corporation

Leveraging the Company's expertise in online healthcare, the Company may, from time to time, be engaged by Neusoft Corporation 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 client. 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 to our Group

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

Subject to terms of the 2023 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 our Group or Neusoft Corporation and/or its associates (as the case may be) under the IT Cooperation Framework Agreement will be paid at the time and according to the method agreed in specific agreements and purchase orders.

For software products and/or services provided by the Company or Neusoft Corporation (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 (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 services provided by Neusoft Corporation 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.

Under the 2023 IT Cooperation Framework Agreement, (i) for software products and/or services provided by Neusoft Corporation for the benefit of the Company's clients, the Company will seek quotation from at least two independent third parties for the provision of such services through bidding procedure (where applicable). The Company will compare the pricing and other terms provided by the bidder before entering into the software products and/or services agreements with any subcontractor; (ii) in the case of the software products and/or services provided by the Company for the benefit of Neusoft Corporation's clients, the Company will make reference to the pricing and terms between the Company and at least two independent third parties for similar transactions in determining the price for providing the relevant services; and (iii) in the case of the general IT products and/or maintenance services provided by Neusoft Corporation (together with its associates) to the Group, the Company will seek quotation from at least two independent third parties for the provision of same services through bidding procedure (where applicable). The above measures are adopted to ensure that the pricing terms with the connected person will be no less favorable to the Group than those with other independent third parties.

In relation to the 2023 IT Cooperation Framework Agreement, the transaction annual caps and actual transaction amounts for the year ended December 31, 2023 are set out below:

	For the year ended December 31, 2023	
	Transaction annual caps	Actual transaction amounts
	(RMB in millions)	
Fees paid by Neusoft Corporation to the Company	15.0	4.2
Fees paid by the Group to Neusoft Corporation	14.0	7.8

As the highest applicable percentage ratio of the transactions under the 2023 IT Cooperation Framework Agreement for the year ended December 31, 2023 calculated for the purpose of Chapter 14A of the Listing Rules is expected to exceed 0.1%, but less than 5% on an annual basis, such transactions will, upon Listing, constitute continuing connected transactions of the Company subject to the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules and the announcement requirement under Rule 14A.35 of the Listing Rules, but exempt from the independent Shareholders' approval requirement under Rule 14A.36 of the Listing Rules.

Further details of the 2023 IT Cooperation Framework Agreement are set out in the section headed "Connected Transactions" in the Prospectus. On December 18, 2023, the Company renewed the 2023 IT Cooperation Framework Agreement with Neusoft Corporation (together with its associates), with a term commencing from January 1, 2024 and ending on December 31, 2024 (both days inclusive). The transaction annual cap for fees paid by Neusoft Corporation to the Company was RMB16.0 million and the transaction annual cap for fees paid by the Group to Neusoft Corporation was RMB15.0 million during the agreement term. For details, please refer to the announcements of the Company dated December 18, 2023 and January 16, 2024.

Confirmation by independent non-executive Directors

The independent non-executive Directors have reviewed the continuing connected transactions ("Continuing Connected Transactions") described in the section headed "Continuing Connected Transactions" above and have confirmed that the continuing connected transactions that occurred during the Reporting Period were entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better;

(c) on terms that are fair and reasonable according to the 2023 Health Management Service Framework Agreement and the 2023 IT Cooperation Framework Agreement; and

(d) in the interests of the Shareholders as a whole.

Confirmation by the auditor

PricewaterhouseCoopers, the Company's auditor, has confirmed in the letter to the Board that, with respect to the aforesaid continuing connected transactions entered into for the year ended December 31, 2023:

(a) nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Board of the Company;

(b) for transactions involving the provision of goods or services by the Group, nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not conducted, in all material respects, in compliance with the pricing policies of the Company;

(c) nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not conducted, in all material respects, in accordance with the relevant agreements governing such transactions; and

(d) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to the auditor's attention that causes the auditor to believe that the amounts of the continuing connected transactions have exceeded the annual caps set by the Company except for the transactions with Consolidated Affiliated Entities under the Contractual Arrangements.

A summary of all material related party transactions entered into by the Group during the Reporting Period is set out in Note 41 to the consolidated financial statements. During the Reporting Period, other than the Group's continuing connected transactions above that were subject to disclosure under the Listing Rules, none of the related party transactions disclosed in Note 41 to the consolidated financial statements constituted a disclosable connected transaction or continuing connected transaction under the Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions entered into by the Group during the Reporting Period. Save as the transactions disclosed herein, no contract of significance or contract of significance for provision of services has been entered into among the Company or any of its subsidiaries and the Consolidated Affiliated Entities and the substantial shareholders.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Memorandum and Articles of Association or the Companies Act of the Cayman Islands which would oblige the Company to offer new shares to existing shareholders on a pro-rata basis.

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, with a total of 133,805,500 ordinary shares with a par value of US$0.0002 each issued at an offer price of HK$4.76. The net proceeds from the Global Offering, after deducting the underwriting commissions and other offering expenses payable by the Company in connection with the Global Offering, were approximately HK$554.5 million (the over-allotment option was 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 the Company's medical networks and user base;
- approximately 25% of the net proceeds, for enriching the Company's 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 of the end of the Reporting Period, 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. It is expected that the proceeds from the Global Offering for each purpose listed above will be fully utilized by the end of 2028.

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

From the Listing Date to December 31, 2023, neither the Company nor any of its subsidiaries and consolidated affiliated entities have purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange.

CHANGES IN DIRECTORS' INFORMATION

During the Reporting Period, Dr. FANG Weiyi has resigned as an independent non-executive Director, a member of the Remuneration Committee, a member of the Nomination Committee and a member of the Strategy Committee of the Company, with effect from December 18, 2023. Dr. QI Guoxian has been appointed as an independent non-executive Director, a member of the Remuneration Committee, a member of the Nomination Committee and a member of the Strategy Committee, with effect from December 18, 2023.

On March 20, 2024, Ms. LU Zhaoxia resigned as a non-executive Director of the Company, with effect from March 20, 2024. Mr. XU Hongli was appointed as a non-executive Director, with effect from March 20, 2024.

Save as disclosed above, there has been no change to Director's information of the Company required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules from the Listing Date to the date of this annual report.

DEBENTURES IN ISSUE

During the Reporting Period and as of the date of this annual report, the Group has not issued any debenture.

SHARE-LINKED AGREEMENTS

Save as the Pre-IPO SOS and Post-IPO SOS disclosed herein, no equity-linked agreements were entered into by the Group, or existed during the Reporting Period.

CHARITY AND PUBLIC BENEFIT ACTIVITIES

The Group recognizes the importance of giving back to the community in order to promote social development. Over the past year, continually leveraging our advantages in technology and operation, we fulfilled corporate social responsibility by supporting medical aid and patient assistance, joining hands with local governments and hospitals to offer voluntary medical consultation for nursing homes, schools and other institutions, and providing free-of-charge online medical consultation. We proceeded with the promotion of health-related charitable undertakings by providing our public welfare resources. During the Reporting Period, 150 of our employees participated in community and charitable activities.

DIRECTORS

During the Reporting Period and as of the date of this annual report, the Directors of the Company are set out as follows:

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) *(Resigned on March 20, 2024)*
Mr. XU Hongli (徐洪利) *(Appointed on March 20, 2024)*
Dr. WANG Nan (王楠)
Mr. PU Chengchuan (蒲成川)
Dr. CHEN Lianyong (陳連勇)

Independent Non-executive Directors

Dr. CHEN Yan (陳艷)
Dr. QI Guoxian (齊國先) *(Appointed on December 18, 2023)*
Dr. YIN Guisheng (印桂生)
Dr. FANG Weiyi (方唯一) *(Resigned on December 18, 2023)*

INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation from each independent non-executive Director in respect of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors are independent in accordance with the guidelines set out in Rule 3.13 of the Listing Rules.

DIRECTORS' SERVICE CONTRACTS

None of the Directors entered into any service contract with the Company, its subsidiaries or consolidated affiliated entities which could not be terminated within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS IN MATERIAL TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

During the Reporting Period, unless otherwise disclosed herein, none of the Directors or their connected entities had any material interest, either directly or indirectly, in any transaction, arrangement or contract that was material to the Company, to which the Company, its subsidiaries or its Consolidated Affiliated Entities was a party.

PERMITTED INDEMNITY PROVISIONS

According to the relevant laws and regulations as well as the Memorandum and Articles of Association of the Company, each Director shall be indemnified by the Company against all costs, charges, expenses, losses and liabilities that he/she may sustain or incur in or about the execution of his/her office or which may attach thereto. The Company has purchased insurance against the liabilities and costs associated with proceedings which may be against the Directors.

DIRECTORS' RIGHT TO SUBSCRIBE FOR SHARES OR DEBENTURES

During the Reporting Period, except for the Pre-IPO SOS and Post-IPO SOS disclosed in this annual report, none of the Company, its subsidiaries or consolidated affiliated entities entered into any other arrangements which enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other legal entities.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Reporting Period, none of the Directors were engaged in, or had interest in, any business which competed or was likely to compete, either directly or indirectly, with the business of the Group and was required to be disclosed under the Hong Kong Listing Rules.

ADMINISTRATIVE MANAGEMENT CONTRACT

During the Reporting Period, the Company did not enter into any administrative management contracts in respect of all or principal businesses of the Company.

CORPORATE GOVERNANCE

A report on the principal corporate governance practices adopted by the Company is set out in the section headed "Corporate Governance Report" in this annual report.

Auditor

During the Reporting Period, the Company's ordinary shares have been listed on the Main Board of the Hong Kong Stock Exchange, for which PricewaterhouseCoopers was appointed as the auditor. The Company has not changed its auditor for the past three years. Prepared in accordance with the Hong Kong Accounting Standards, the Company's financial statements for the year ended December 31, 2023 have been audited by PricewaterhouseCoopers.

PricewaterhouseCoopers will retire at the forthcoming annual general meeting of the Company and be qualified for re-election. The Company will propose a resolution at the forthcoming annual general meeting to re-appoint PricewaterhouseCoopers as the auditor, for a term from the conclusion date of the annual general meeting to be held in 2024 to the conclusion date of the annual general meeting of the Company to be held in 2025.

DIVIDENDS

The Board did not recommend the distribution of any final dividend for the year ended December 31, 2023.

There was no arrangement under which a Shareholder has waived or agreed to waive any dividends during the Reporting Period.

EMPLOYEES AND REMUNERATION POLICIES

As of December 31, 2023, the Company had 962 full-time employees, all of whom are based in China. The following table sets forth the breakdown of the Company's employees by function as of December 31, 2023:

Function	Number of Employees	% of Total
Management and administration	155	16.1
Sales and marketing and operational support	298	31.0
Research and development	139	14.4
Health management	370	38.5
Total	**962**	**100.0**

As of December 31, 2023, the compensation and benefits expenses of the Company paid to our employees were RMB193.5 million (2022: RMB223.5 million). Among all of the Company's 962 employees, as of December 31, 2023, 531 employees had bachelor's degrees or above, accounting for 55.2% of the Company's total employees.

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

The Company provides social insurance plans and housing provident funds in accordance with applicable PRC laws and regulations to the employees. The Company pays great attention to the employees' welfare, and continually improves the welfare system. The Company offers 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. The Company also conducts introductory training for new staff.

As of the date of this report, the Company did not have any strikes, protests or other material labor conflicts that may materially impair the Company's business and image.

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

Given that the Company was listed on the Stock Exchange on September 28, 2023, Divisions 7 and 8 of Part XV of the SFO and Section 352 of the SFO were applicable to the Directors or chief executives of our Company with effect from the Listing Date.

So far as were known to the Directors or chief executives of our Company, as of December 31, 2023, 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) to be 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 C3 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 relevant percentage was based on a total of 841,876,805 Shares of the Company as at the end of the Reporting Period.

(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 December 31, 2023, 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 December 31, 2023, 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.

* For identification purpose only

(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, the Company's executive Director and chief executive officer, and 50% by Dr. WANG Nan, the Company's 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, the Company's 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) denotes a long position.

Save as disclosed herein, as at the date of this annual report, 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) to be 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

Given that the Company was listed on the Stock Exchange on September 28, 2023, Divisions 2 and 3 of Part XV of the SFO and Section 336 of the SFO were applicable to the substantial shareholders of our Company with effect from the Listing Date.

So far as the Directors or chief executives of our Company are aware, as of December 31, 2023, 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%

* For identification purpose only

Notes:

(1) The relevant percentage was based on a total of 841,876,805 Shares of the Company as at the end of the Reporting Period.

(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) denotes a long position.

Save as disclosed herein, as at the date of this annual report, there is no other person known to the Directors or chief executives 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 of Part V 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.

* For identification purpose only

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 fueling 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 that have 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 fail to satisfy aforesaid requirement (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 date of this report.

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

(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 date of this report, 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.

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 unless approved by our Board and stipulated 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 the terms of the Pre-IPO SOS and the conditions set out in 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 (upon Share split: US$0.588 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 in the 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.

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 78,341,500 Shares, representing approximately 9.31% of the Shares as at the date of this annual report, have been granted to the Pre-IPO SOS Participants pursuant to the Pre-IPO SOS, and all these options are still unexercised.

As at the end of the Reporting Period, 369 grantees have been granted options under the Pre-IPO SOS in respect of the Pre-IPO SOS Shares. As of January 1, 2023 and December 31, 2023, the number of options available for grant under the scheme mandate of the Pre-IPO SOS was in respect of 11,512,500 shares and 3,258,500 shares, respectively.

Director, senior management and connected persons
For the year ended December 31, 2023, details of the Director, members of senior management and connected persons who were granted Pre-IPO SOS Options are as follows:

Name of the grantees	Position held in our Group	Grant date	Outstanding as at January 1, 2023	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at December 31, 2023	Vesting Period	Exercise Price following the completion of the share subdivision (per Share) *(USD)*
Directors										
Ms. ZONG Wenhong[1]	Executive Director and chief executive officer	January 1, 2020	2,500,000	–	–	–	–	2,500,000	3 years from Grant Date	0.588
		January 1, 2021	5,000,000	–	–	–	–	5,000,000		
		April 1, 2023	–	3,000,000	–	–	–	3,000,000		

Name of the grantees	Position held in our Group	Grant date	Outstanding as at January 1, 2023	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at December 31, 2023	Vesting Period	Exercise Price following the completion of the share subdivision (per Share) *(USD)*
Other employees										
Ms. WANG Shuli[2]	Vice president and chief financial officer	January 1, 2020	1,250,000	–	–	–	–	1,250,000	3 years from Grant Date	0.588
		January 1, 2021	4,000,000	–	–	–	–	4,000,000		
		April 1, 2023	–	3,500,000	–	–	–	3,500,000		
Mr. SHAO Shuli	Vice president	January 1, 2021	2,500,000	–	–	–	–	2,500,000		
Mr. YANG Yuanwei	Vice president	January 1, 2020	1,250,000	–	–	–	–	1,250,000		
		January 1, 2021	2,500,000	–	–	–	–	2,500,000		
Mr. NIE Xiangguo	Chief executive of a subsidiary	January 1, 2020	500,000	–	–	–	–	500,000		
		January 1, 2021	1,250,000	–	–	–	–	1,250,000		
Ms. ZHOU Huiping	Chief executive of a subsidiary	January 1, 2020	500,000	–	–	–	–	500,000		
		January 1, 2021	750,000	–	–	–	–	750,000		
Employees other than Directors, senior management or connected persons	/	January 1, 2020	11,327,000	–	–	–	1,714,500	9,612,500		
		January 1, 2021	30,808,500	–	–	–	4,682,500	26,126,000		
		July 1, 2021	5,952,000	–	–	–	1,554,000	4,398,000		
		April 1, 2023	–	10,710,000	–	–	1,005,000	9,705,000		
Subtotal of employee participants other than Directors	/	January 1, 2020	14,827,000	–	–	–	1,714,500	13,112,500		
		January 1, 2021	41,808,500	–	–	–	4,682,500	37,126,000		
		July 1, 2021	5,952,000	–	–	–	1,554,000	4,398,000		
		April 1, 2023	–	14,210,000	–	–	1,005,000	13,205,000		
Total	**/**		**70,087,500**	**17,210,000**	**–**	**–**	**8,956,000**	**78,341,500**		

Notes:

1. As of the end of the Reporting Period, Ms. ZONG Wenhong has been granted a total of 10,500,000 options under the Pre-IPO SOS, representing 1.25% of the total issued shares of the Company.

2. As of the end of the Reporting Period, Ms. WANG Shuli has been granted a total of 8,750,000 options under the Pre-IPO SOS, representing 1.04% of the total issued shares of the Company.

3. Save as disclosed above, as at the end of the Reporting Period, (i) there are no other grantees who are directors, chief executives, substantial shareholders, connected persons or their respective associates of the Company; (ii) 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 audited consolidated financial statements.

5. The exercise period of the options granted under the Pre-IPO SOS is 10 years.

6. The vesting of the pre-IPO share options granted is subject to the performance targets set out in the relevant grant notices.

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.

At of the end of the Reporting Period, no Post-IPO SOS Options 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 Options (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 quotations 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.

(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 be notified 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 within the period specified in the offer, 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**"), representing approximately 10% of the total issued share capital of the Company as at the date of this report. 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 Options 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.

(9) Maximum entitlement of Post-IPO SOS Participants

No Post-IPO SOS Options 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 Options 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 Options 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 Options 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 date of this report, the remaining life of the Post-IPO SOS is about ten years.

As of January 1, 2023 and December 31, 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 78,341,500 Shares may be issued in respect of options granted under all share schemes of the Company, accounting for 9.31% of the total issued Shares of the Company as of the date of this report.

Contractual Arrangements

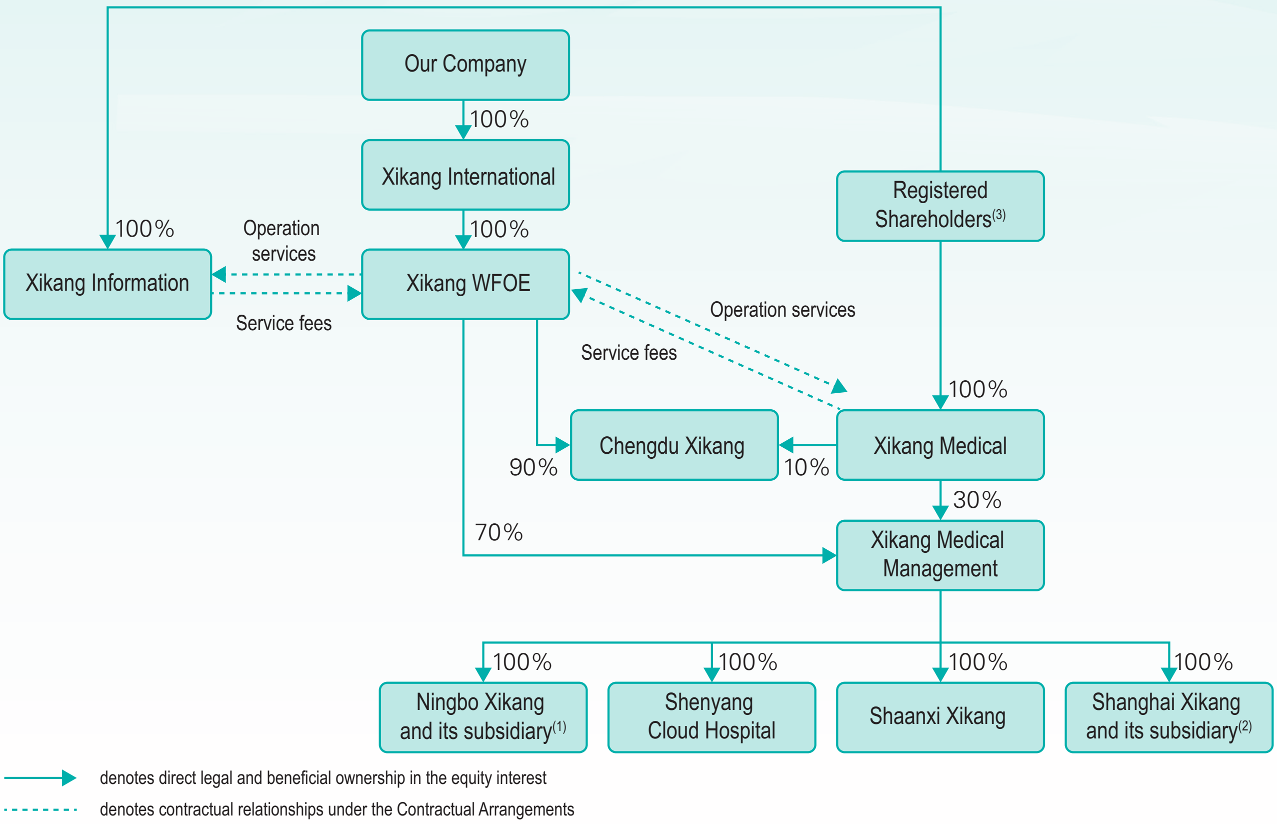
(1) Overview

Under the PRC laws, operation of "medical institution" established on or after April 10, 2015 in the PRC falls within the "restricted category", foreign investors are not allowed to hold more than 70% equity interests in a "medical institution". In addition, the provision of telecommunication information services and online data processing and transaction processing services through mobile application and Internet, fall within the value-added telecommunications services under relevant PRC laws, and foreign investors are not allowed to hold more than 50% equity interests in any enterprise conducting value-added telecommunication services. For further details on foreign investment restrictions on medical services and value-added telecommunication services under the PRC laws, see the section headed "Contractual Arrangements" in the prospectus.

As foreign investment in medical services and value-added telecommunication services which our Company currently operates is subject to restrictions under PRC laws and regulations, our Company does not directly own or wholly own equity interests in its Consolidated Affiliated Entities, as the case may be. Each of Xikang Medical and Xikang Information is held as to 80% by Ms. ZONG Wenhong, executive Director and chief executive officer of our Company and 20% by Ms. WANG Shuli, vice president and chief financial officer of our Company. Our Company obtained control over Xikang Medical and Xikang Information via a series of contractual arrangements signed among Xikang WFOE, Xikang Medical, Xikang Information, Ms. ZONG Wenhong and Ms. WANG Shuli, where applicable.

Our Directors believe that the Contractual Arrangements are fair and reasonable because: (i) the Contractual Arrangements were freely negotiated and entered into among the parties; (ii) by entering into the Exclusive Management Consultancy and Business Cooperation Agreements with Xikang WFOE, which is a subsidiary of our Company incorporated in the PRC, the Consolidated Affiliated Entities of our Company will enjoy better economic and technical support from our Company, as well as a better market reputation after the Listing, and (iii) a number of other companies use similar arrangements to accomplish the same purpose.

The following simplified diagram illustrates the Contractual Arrangements of our Company:



Notes:

(1) The subsidiary of Ningbo Xikang refers to Ningbo Cloud Hospital.

(2) The subsidiary of Shanghai Xikang refers to Shanghai Clinic.

(3) As of the date of this annual report, each of Xikang Medical and Xikang Information is held as to 80% by Ms. ZONG Wenhong, the Company's executive Director and chief executive officer and 20% by Ms. WANG Shuli, the Company's vice president and chief financial officer. Notwithstanding that each of the Registered Shareholders may hold limited beneficial interest in the Company's issued share capital upon the Listing, the Group has adopted the following safeguards to manage the potential risks arising from the Contractual Arrangements:

(A) The Contractual Arrangements enable WFOE to exercise effective control over Xikang Medical and Xikang Information. No event of default has ever occurred since the Company's current contractual arrangements were put in place and the Company has not experienced any practical difficulties in enforcing the contractual arrangements. The contractual arrangements agreements are binding upon both of the Registered Shareholders;

(B) According to the Contractual Arrangements, the Registered Shareholders entered into the Exclusive Option Agreements (defined below), pursuant to which the Registered Shareholders unconditionally and irrevocably agree to grant Xikang WFOE an exclusive option to purchase all or part of the equity interests in our Onshore Holdcos, as the case may be, for the minimum amount of consideration permitted by applicable PRC laws. Further, the Registered Shareholders and Xikang WFOE also entered into the Equity Pledge Agreements (defined below), according to which the Registered Shareholders unconditionally and irrevocably pledged all of the equity interests in the Onshore Holdcos to Xikang WFOE in order to guarantee Onshore Holdcos' and their respective Registered Shareholders' performance of obligations under the Contractual Arrangements; and

(C) The Group is managed centrally by the Board and the senior management members as disclosed in "Directors and Senior Management" of this annual report, who are primarily responsible for the day-to-day and overall management of the business and operations of the Group. As members of the senior management, Ms. ZONG Wenhong and Ms. WANG Shuli, being the Registered Shareholders, are dedicated to carrying out decisions made centrally by the Board and senior management of the Group.

The table below sets forth the principal business activities of our Consolidated Affiliated Entities:

Consolidated Affiliated Entity	Principal business activities
Xikang Information	Provision of telecommunication information services and online data processing and transaction processing services through mobile application and internet
Xikang Medical	Investment holding company of Xikang Medical Management
Xikang Medical Management	Investment holding company of Ningbo Xikang, Shenyang Cloud Hospital, Shaanxi Xikang and Shanghai Xikang
Ningbo Xikang	Investment holding company of Ningbo Cloud Hospital
Ningbo Cloud Hospital	Provision of Internet medical services and health management services
Shenyang Cloud Hospital	Provision of Internet medical services and health management services
Shaanxi Xikang	Provision of Internet medical services and health management services
Shanghai Xikang	Investment holding company of Shanghai Clinic
Shanghai Clinic	Provision of Internet medical services and health management services
Chengdu Xikang	Provision of Internet medical services and health management services

Xikang Information currently holds an ICP License and an EDI License. The provision of telecommunication information services and online data processing and transaction processing services through mobile application and internet engaged by Xikang Information falls within the scope of value-added telecommunication service under the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》). In addition, Xikang Medical, Xikang Medical Management and/or its subsidiaries and Chengdu Xikang operate "medical institutions" established on or after April 10, 2015, which falls within the "restricted category" for foreign investment under the PRC laws.

As a result of the Contractual Arrangements among Xikang WFOE, the Onshore Holdcos and the Registered Shareholders, Xikang WFOE is able to effectively control, recognize and receive substantially all the economic benefit of the business and operations of the Consolidated Affiliated Entities. Accordingly, the Consolidated Affiliated Entities are treated as controlled structured entities of our Company and consolidated by our Company. For the year ended December 31, 2023, the Consolidated Affiliated Entities in aggregate accounted for 62.5% of the Group's revenue and in aggregate accounted for 7.5% of the Group's loss for the year.

(2) Summary of the agreements under the Contractual Arrangements and other key terms thereunder

A description of each of the specific agreements that comprise the Contractual Arrangements is set out below.

Exclusive Management Consultancy and Business Cooperation Agreements

As part of the Xikang Information Contractual Arrangements and the Xikang Medical Contractual Arrangements, (i) Xikang Information, Xikang WFOE and the Registered Shareholders entered into the exclusive management consultancy and business cooperation agreement on May 18, 2021; and (ii) Xikang Medical, Xikang WFOE and the Registered Shareholders entered into the exclusive management consultancy and business cooperation agreement on May 18, 2021 (collectively, the "**Exclusive Management Consultancy and Business Cooperation Agreements**"). Pursuant to the Exclusive Management Consultancy and Business Cooperation Agreements, which contain similar terms and conditions, Xikang WFOE has the exclusive right to provide, or designate any third party to provide each of the Onshore Holdcos with corporate management consulting services, intellectual property licensing services as well as technical and business support services. Such services include:

(i) the provision of advisory services and recommendations on asset and business operation, debt disposal, material contracts (including negotiations, execution and performance of the same), mergers and acquisitions, the development, maintenance and research services on computer system, software and products, employee management training, technology development, transfer and consulting services, public relation services, market survey, research and consulting services, market development and planning services, human resources and internal informatization management, network development, upgrade and ordinary maintenance services, sales of propriety products, licensing software, trademark, domain name and know-how and/or the use of related intellectual property rights, and

(ii) other additional services as the parties may mutually agree from time to time.

Without Xikang WFOE's prior written consent, none of the Onshore Holdcos may accept services covered by the Exclusive Management Consultancy and Business Cooperation Agreements from any third party. Xikang WFOE owns all intellectual property rights arising out of the performance of the agreements.

In exchange, the Onshore Holdcos agree to pay the entirety of their total income (net of costs, expenses, taxes and payments required by the relevant laws and regulations to be reserved or withheld except the enterprise income tax) to Xikang WFOE as the service fee.

Under the Exclusive Management Consultancy and Business Cooperation Agreements, without prior written approval from Xikang WFOE, the Onshore Holdcos shall not enter into any transaction (save as those transactions entered into in the ordinary course of business) that may affect its assets, obligations, rights or operation, including but not limited to (i) the provision of any security or guarantee in favour of any third party or the creation of any encumbrances in relation to its assets; (ii) the entry into of any loan or debt obligations in favour of any third party; and (iii) in relation to any third party the disposal, acquisition or otherwise dealing of any assets (including but not limited to intellectual properties) with a value higher than RMB500,000.

In addition, under the Exclusive Management Consultancy and Business Cooperation Agreements, without prior written consent of Xikang WFOE, none of the Onshore Holdcos shall change or remove the members of its board of directors who are appointed by Xikang WFOE in accordance with the articles of association of each of the Onshore Holdcos. Xikang WFOE also has the right to appoint the directors, general managers, financial controllers and other senior managers of the Onshore Holdcos. Xikang WFOE has absolute control over the distribution of dividends or any other amounts to the shareholders of the Onshore Holdcos as the Onshore Holdcos and their shareholders have undertaken not to make any distribution without Xikang WFOE's prior written consent.

Exclusive Option Agreements

As part of the Xikang Information Contractual Arrangements and the Xikang Medical Contractual Arrangements, (i) Xikang Information, Xikang WFOE and the Registered Shareholders entered into the exclusive option agreement on May 18, 2021; and (ii) Xikang Medical, Xikang WFOE and the Registered Shareholders entered into the exclusive option agreement on May 18, 2021 (collectively, the "**Exclusive Option Agreements**"). Pursuant to the Exclusive Option Agreements, which contain similar terms and conditions, the Registered Shareholders unconditionally and irrevocably agree to grant Xikang WFOE an exclusive option to purchase all or part of the equity interests in our Onshore Holdcos, as the case may be, for the minimum amount of consideration permitted by applicable PRC laws, under circumstances in which Xikang WFOE or its designated third party is permitted under PRC laws to acquire all or part of the equity interests of our Company's Onshore Holdcos.

Where the purchase price is required by relevant PRC laws and regulations to be an amount other than nil consideration, the Registered Shareholders undertake to return the amount of purchase price they have received to Xikang WFOE or any of its designated third party.

To prevent the flow of the assets and value of the Onshore Holdcos to their respective shareholders, pursuant to the Exclusive Option Agreements, none of the assets of the Onshore Holdcos are to be transferred or otherwise disposed of without the prior written consent of Xikang WFOE. In addition, under the Exclusive Option Agreements, none of the Registered Shareholders may transfer or permit the encumbrance of or allow any guarantee or security to be created on any of the equity interests in our Onshore Holdcos without Xikang WFOE's prior written consent.

In the event that the Registered Shareholders receive any profit distribution or dividend from our Onshore Holdcos, the Registered Shareholders shall immediately pay such amount (subject to the relevant tax payment being made under the relevant laws and regulations) to Xikang WFOE. If Xikang WFOE exercises this option, all or any part of the equity interests in our Onshore Holdcos acquired would be transferred to Xikang WFOE and the benefits of equity ownership would flow to Xikang WFOE and its shareholders.

Equity Pledge Agreements

As part of the Xikang Information Contractual Arrangements and the Xikang Medical Contractual Arrangements, (i) Xikang Information, Xikang WFOE and the Registered Shareholders entered into the equity pledge agreement dated May 18, 2021; (ii) Xikang Medical, Xikang WFOE and the Registered Shareholders entered into the equity pledge agreement dated May 18, 2021 (collectively, the "**Equity Pledge Agreements**"). Pursuant to the Equity Pledge Agreements, which contain similar terms and conditions, the Registered Shareholders unconditionally and irrevocably pledged all of the equity interests in the Onshore Holdcos to Xikang WFOE in order to guarantee Onshore Holdcos' and their respective Registered Shareholders' performance of obligations under the Exclusive Management Consultancy and Business Cooperation Agreements, Exclusive Option Agreements, the Loan Agreements and relevant Powers of Attorney (as defined below).

Under the Equity Pledge Agreements, the Registered Shareholders have agreed to unconditionally and irrevocably pledge all of their respective equity interests in the Onshore Holdcos to Xikang WFOE.

The pledges in respect of the Company's Onshore Holdcos take effect upon completion of registration with the relevant administration for market regulation and shall remain valid until (i) the satisfaction of all contractual obligations of the Onshore Holdcos and the Registered Shareholders in full under the Exclusive Management Consultancy and Business Cooperation Agreements, Exclusive Option Agreements, the Loan Agreements and the Powers of Attorney, or (ii) the nullification or termination of the Exclusive Management Consultancy and Business Cooperation Agreements, the Exclusive Option Agreements, the Loan Agreements and the Powers of Attorney, whichever is later.

The Company has completed the registration of the Equity Pledge Agreements with the relevant PRC legal authority pursuant to the PRC Laws.

To further enhance its control over the Onshore Holdcos, our Company has taken measures to ensure that the Onshore Holdcos' register of shareholders and share certificates of the Registered Shareholders are properly secured, within full control of Xikang WFOE, and cannot be used by the Onshore Holdcos except for the registration and change of registration procedure necessary for Onshore Holdcos' operation.

Loan Agreements

On May 18, 2021, (i) Xikang WFOE and the Registered Shareholders entered into a loan agreement in respect of the Xikang Information Contractual Arrangements; and (ii) Xikang WFOE and the Registered Shareholders entered into a loan agreement in respect of the Xikang Medical Contractual Arrangements (collectively, the "**Loan Agreements**"). Pursuant to the Loan Agreements, which contain similar terms and conditions, Xikang WFOE provided interest-free loans in an aggregate amount of RMB10 million and RMB100,000 to the Registered Shareholders for their investments in Xikang Information and Xikang Medical, respectively.

Pursuant to the Loan Agreements, upon repayment of the loans, the Registered Shareholders shall transfer their equity interests in the Onshore Holdcos to Xikang WFOE or its designated third party at a consideration equivalent to the amount of loans being repaid. The maturity date of the loans is on the twentieth anniversary of the date when the Registered Shareholders received the loans. The term of the loans may be extended with the consent of the parties. The loan must be repaid immediately under certain circumstances, including, among others, 30 days after receiving a written notice from Xikang WFOE requesting repayment of the loan.

Powers of Attorney

As part of the Xikang Information Contractual Arrangements and the Xikang Medical Contractual Arrangements, each of the Registered Shareholders has executed a power of attorney on May 18, 2021 (collectively, the "**Powers of Attorney**"). Each of the Registered Shareholders irrevocably appointed Xikang WFOE (or any person designated by Xikang WFOE, provided that this person does not have a conflict of interest with Xikang WFOE or its parent company) as their exclusive agent and attorney to act on their behalf on all matters concerning the Onshore Holdcos and to exercise all of their rights as a registered shareholder of the Onshore Holdcos. These rights include: (i) the right to propose to convene and attend shareholders' meetings and to execute shareholders' resolutions and meeting minutes; (ii) the right to exercise all the shareholder's rights and the shareholder's voting rights in accordance with law and the constitutional documents of the Onshore Holdcos, including but not limited to the sale and transfer of any or all of the equity interests in the Onshore Holdcos; (iii) the right to file documents with the relevant registrar of companies; and (iv) the right to nominate and appoint the senior management of the Onshore Holdcos.

Further, pursuant to the Powers of Attorney and to ensure that it does not give rise to a conflict of interest, each of the Registered Shareholders of the Onshore Holdcos irrevocably undertakes that:

(i) the authorisations under the Powers of Attorney will not lead to any potential conflict of interests between Xikang WFOE and the Registered Shareholders; and

(ii) if any conflict of interest occurs during the performance of the Contractual Arrangements, Xikang WFOE's interest shall take priority.

The Powers of Attorney remain effective as long as the Registered Shareholders remain shareholders of the Onshore Holdcos, unless Xikang WFOE requests to replace the appointed designee under the Powers of Attorney.

The articles of association of the Onshore Holdcos state that the shareholders, in a shareholders' meeting, have the power to approve its operating strategy and investment plan, appoint the executive director, and review and approve the annual budget and earning distribution plan. Therefore, through the irrevocable power of attorney arrangement, the Company and Xikang WFOE can exercise effective control over Onshore Holdcos through shareholder votes and, through such votes, can also control the composition of the board of directors for Onshore Holdcos.

Spouse Undertakings

The spouse of each of the Registered Shareholders has signed two sets of letter of undertaking on May 18, 2021 (collectively, the "**Spouse Undertakings**") in respect of the Xikang Information Contractual Arrangements and the Xikang Medical Contractual Arrangements, respectively, to the effect, among others, that:

(i) each spouse confirmed and agreed that the respective Registered Shareholder is entitled to deal with his/her own equity interests in the Onshore Holdcos in accordance with the Contractual Arrangements;

(ii) each spouse confirmed that the respective Registered Shareholder may further amend or terminate the Contractual Arrangements without the authorization or consent by the spouse;

(iii) each spouse will enter into all necessary documents and take all necessary actions to ensure the due performance of Contractual Arrangements as amended from time to time; and

(iv) each spouse unconditionally and irrevocably waives any right or benefits on such equity interests and assets in accordance with applicable laws and confirms that he/she will not have any claim on such equity interests and assets; and he/she has not and does not intend to participate in the operation and management or other voting matters of the Onshore Holdcos.

(3) The extent to which the Contractual Arrangements relate to requirements other than the foreign ownership restriction

All Contractual Arrangements are subject to the restrictions set out on pages 318 to 336 of the Prospectus. There were no material changes in the Contractual Arrangements and/or the circumstances in which the Contractual Arrangements were adopted during the Reporting Period. During the Reporting Period, Contractual Arrangements were not unwound as the regulatory restrictions that led to the adoption of the Contractual Arrangements were not revoked.

(4) Risks relating to the Contractual Arrangements

- If the PRC government finds that the agreements that establish the structure for operating the businesses of our Company in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, our Company could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of our Company's interest in the Consolidated Affiliated Entities of our Company;

- The Contractual Arrangements of our Company may not be as effective in providing operational control as direct ownership, and the Consolidated Affiliated Entities may fail to perform their obligations under the Contractual Arrangements of our Company;

- Our Company may lose the ability to use and enjoy assets held by the Consolidated Affiliated Entities that are material to the business operations of our Company if the Consolidated Affiliated Entities declare bankruptcy or become subject to a dissolution or liquidation proceeding;

- The interests of the Registered Shareholders of the Consolidated Affiliated Entities may not align with the interests of the Shareholders of our Company, which may materially and adversely affect the business of our Company;

- The Company conducts its business operations in the PRC through the Consolidated Affiliated Entities by way of the Contractual Arrangements, but certain of the terms of the Contractual Arrangements may not be enforceable under PRC laws;

- If the Company exercises the option to acquire equity ownership and assets of the Consolidated Affiliated Entities, the ownership or asset transfer may subject the Company to certain limitations and substantial costs;

- The current corporate structure and business operations of the Company may be affected by the Foreign Investment Law;

- The Contractual Arrangements of the Company may be subject to scrutiny by the PRC tax authorities, and a finding that the Company owes additional taxes could substantially reduce its consolidated net income and the value of your investment.

For details of the risks relating to the Contractual Arrangements, please refer to the section headed Risk Factors in the Prospectus. To mitigate the risks relating to the Contractual Arrangements, the Board will conduct an annual review in relation to the implementation of and compliance with the Contractual Arrangements, and the Group will work closely with the Registered Shareholders, external legal advisors and counsels, so as to monitor the regulatory environment and developments of the PRC laws and regulations, which, in turn, reduce the risks relating to the Contractual Arrangements.

(5) Listing Rules implications

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon Listing as the party to the Contractual Arrangements, namely Ms. ZONG Wenhong, is a connected person of the Group. Both Xikang Medical and Xikang Information are owned as to 80% by Ms. ZONG Wenhong, and are therefore associates of Ms. ZONG Wenhong.

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated therein are fundamental to our Group's legal structure and business, that such transactions have been and will be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and the Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into, among others, by any of the Company's Consolidated Affiliated Entities and any member of our Group (collectively, "New Intergroup Agreements" and each of them, a "New Intergroup Agreement") technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the annual reporting requirement under Rules 14A.49 and 14A.71 of the Listing Rules, the announcement requirement under Rule 14A.35 of the Listing Rules, the independent Shareholders' approval requirement under Rule 14A.36 of the Listing Rules and the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules.

(6) Waiver granted by the Stock Exchange

In respect of the Contractual Arrangements, the Company has applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as the Shares of the Company are listed on the Stock Exchange, subject, however, to the following conditions:

(a) No change without independent non-executive Directors' approval;

(b) No change without independent Shareholders' approval;

(c) The previous Contractual Arrangements shall continue to enable our Group to receive the economic benefits generated by the Consolidated Affiliated Entities;

(d) The previous Contractual Arrangements may be renewed and/or reproduced upon expiry or by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the previous Contractual Arrangements; and

(e) the Group will disclose details relating to previous Contractual Arrangements on an ongoing basis.

(7) Confirmation by Directors

Directors (including the independent non-executive Directors) of our Company are of the view that the Contractual Arrangements and the transactions therein have been entered into and will be entered into during the Company's ordinary and usual course of business on normal commercial terms or better, and are fair and reasonable and in the interests of our Company and the Shareholders as a whole. The Directors are of the view that with respect to the terms of the relevant agreements under the Contractual Arrangements, which are of a duration of longer than three years, it is a justifiable and normal business practice for the Contractual Arrangements of this type to be of such duration to ensure that (i) the financial and operational policies of the Consolidated Affiliated Entities can be effectively controlled by Xikang WFOE; (ii) Xikang WFOE can obtain the economic benefits derived from the Consolidated Affiliated Entities, and (iii) any possible losses of assets and values of the Consolidated Affiliated Entities can be prevented on an ongoing basis.

(8) Confirmation by the Independent Auditor

PricewaterhouseCoopers, the auditor of our Company has confirmed in a letter issued to the Board that, with respect to the Contractual Arrangements for the year ended December 31, 2023:

(a) nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Board of the Company;

(b) nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not conducted, in all material respects, in accordance with the relevant agreements governing such transactions; and

(c) with respect to the disclosed continuing connected transactions of the Consolidated Affiliated Entities under the Contractual Arrangements, nothing has come to the auditor's attention that causes the auditor to believe that dividends or other distributions have been paid or made by Consolidated Affiliated Entities to the holders of their equity interests which have not subsequently been assigned or transferred to the Company.

MATERIAL LITIGATION

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

SUBSEQUENT EVENTS

After the Reporting Period and up to the date of this annual report, there were no other significant events that had a material adverse effect on the performance and value of the Group.

REVIEW OF ANNUAL RESULTS AND APPROVAL OF ANNUAL REPORT

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 Dr. CHEN Yan and Dr. YIN Guisheng. The Audit Committee of our Company has reviewed the audited annual results and annual report of our Company for the year ended December 31, 2023. The annual report and the consolidated financial statements of the Group for the year ended December 31, 2023 have been approved and authorized to be published by the Board of Directors on March 20, 2024.

SUFFICIENT PUBLIC FLOAT

Based on the information publicly available to our Company and to the knowledge of the Directors of our Company, from the Listing Date to the date of this annual report, our Company has maintained sufficient public float as required under the Listing Rules.

APPRECIATION

Our Company would like to express its appreciation to all the staff for their outstanding contribution towards the Group's 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 express its gratitude for the continued support from its shareholders, customers and business partners. Our Company will continue to dedicate to sustainable business, so as to create more values for the shareholders.

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

Directors and Senior Management

Biographical Details of Directors

Dr. LIU Jiren (劉積仁), aged 68, has been the chairman of the Board and a non-executive Director of our Company since July 15, 2011. He is a core founding member of our Group. Dr. LIU is one of the founders of Neusoft Corporation. He served as a director and the general manager of Shenyang Neusoft Software Co., Ltd. (瀋陽東軟軟件股份有限公司) ("Neusoft Software") (formerly known as Shenyang Neu-Alpine Software Co., Ltd (瀋陽東大阿爾派軟件股份有限公司), the predecessor of Neusoft Corporation), from June 1991 to August 1999, the chairman of the board of Neusoft Software from August 1999 to June 2008, and the chairman of the board and president of the former Neusoft Corporation from May 2003 to June 2008. He has acted as the chairman of the board of Neusoft Corporation since June 2008, and the chief executive officer of Neusoft Corporation from June 2008 to April 2021. Dr. LIU has concurrently served as the chairman of the board of Neusoft Holdings since November 2011. Since August 2018, he has served as a non-executive director and the chairman of the board of Neusoft Education Technology Co., Limited (東軟教育科技有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 9616.HK) mainly engaged in providing private IT higher education services. In addition, Dr. LIU served as a lecturer at Northeastern University (東北大學) (formerly known as Northeastern University of Technology (東北工學院)) from May 1987 to June 1988, and the vice president of Northeastern University from March 1995 to August 2014. Dr. LIU received his bachelor's, master's and doctoral degrees in computer science from Northeastern University in the PRC in April 1980, December 1982 and November 1987, respectively. He has been a professor of Northeastern University since June 1988.

Ms. ZONG Wenhong (宗文紅), aged 56, has been the chief executive officer of our Company since December 15, 2015 and the executive Director since December 27, 2019 (previously the vice president and chief medical officer) of our Company. Ms. ZONG also holds directorship and senior management position in a number of our Group members, including: (i) the director and the general manager of Xikang Medical, (ii) the director and the general manager of Xikang Information, (iii) the director and the general manager of Xikang Medical Management, (iv) the director and the general manager of Xikang Medical System, (v) the director and the general manager of Liaoning Xikang, (vi) the director and the general manager of Shanghai Xikang, (vii) the director and the general manager of Ningbo Xikang, and (viii) the director and the general manager of Xikang WFOE. Ms. ZONG currently does not hold any executive position in Neusoft Corporation or Neusoft Holdings. Prior to joining our Group, Ms. ZONG worked consecutively as (i) the deputy director of Shanghai Jing'an Community Health Service Management Center (上海市靜安區社區衛生服務管理中心) (formerly known as Shanghai Zhabei Community Health Service Management Center (上海市閘北區社區衛生服務管理中心)) from August 2007 to January 2010 and (ii) the standing deputy director of Shanghai Jing'an Health Technology and Information Center (上海市靜安區衛生技術信息中心) (formerly known as Shanghai Zhabei Health Technology and Information Center (上海市閘北區衛生科技與信息中心)) from February 2010 to July 2015. She has served as the vice chairman of the Health Records and Regional Health Informatization Professional Committee (健康檔案與區域衛生信息化專業委員會) of the Chinese Medical Information and Big Data Association (中國衛生信息與健康醫療大數據學會) since May 2019. Ms. ZONG obtained her bachelor's degree in clinical medicine in July 2002 from Shanghai Jiao Tong University School of Medicine (上海交通大學醫學院) (formerly known as Shanghai No.2 Medicine University (上海第二醫科大學)) in the PRC, and her master's degree in software engineering from Dalian University of Technology (大連理工大學) in the PRC in January 2009. Ms. ZONG received her intermediate qualifications (中級資格) in obstetrics and gynecology, internal medicine and general medicine from National Health Commission of the People's Republic of China (中華人民共和國國家衛生健康委員會) in October 2002, June 2004 and June 2005, respectively. She was granted the title of Chief Physician (主任醫師) in general medicine from Shanghai Municipal Human Resources and Social Security Bureau (上海市人力資源和社會保障局) in November 2013.

Directors and Senior Management

Mr. XU Hongli (徐洪利), aged 59, has been a non-executive Director of the Company from 20 March 2024. Mr. XU is currently a co-president of Neusoft Corporation. Since joining Neusoft Corporation in July 1996, he has served successively as a director of Social Security Development Division, a director of Software Engineering Division, and a general manager of Social Security Affairs Department in Neusoft Corporation. He also served as a general manager of Government Affairs Division of Neusoft Corporation from October 2008 to November 2012, and a vice president of Neusoft Corporation from February 2002 to March 2014. He served as a senior vice president of Neusoft Corporation from March 2014 to April 2021, and he has served as a co-president of Neusoft Corporation since April 2021. Mr. XU was awarded the First Class Award for Technological Advancement in Shenyang (瀋陽市科技進步一等獎), the Award of Science and Technology for Revitalization in Shenyang (瀋陽市科技振興獎), two of the Second Class Award for Technological Advancement in Liaoning Province (遼寧省科技進步二等獎), the honorary title of the Top 10 Outstanding Young Factory Directors (Managers) in Shenyang City (瀋陽市十大傑出青年廠長(經理)榮譽稱號), the Outstanding Builder of the Socialist Cause with Chinese Characteristics in Shenyang (瀋陽市優秀中國特色社會主義事業建設者), the Leading Figure of China's Smart City Construction in 2018 (2018中國智慧城市建設領軍人物), the May 1st Labour Medal of Shenyang (瀋陽市五一勞動獎章), the May 1st Labour Medal of Liaoning Province (遼寧省五一勞動獎章) and other awards. Mr. XU received his bachelor's degree of science in mathematics from Northeastern University in the PRC in July 1988 and his master's degree in computer applications from Northeastern University in the PRC in March 1996.

Dr. WANG Nan (王楠), aged 48, has been a non-executive Director of our Company since November 18, 2015. Dr. WANG has been working for Neusoft Corporation since August 1995. From August 1995 to May 2011, she served in Neusoft Corporation, in a consecutive order, as (i) the head of Java application department of the software center (軟件中心 Java 應用部), (ii) the deputy manager and the head of mobile Internet affair department (移動互聯網事業部) of Neusoft Middleware Technology Branch (東軟中間件技術分公司), (iii) the deputy director of Neusoft Advanced Automotive Electronic Technology Research Center (東軟汽車電子先行技術研究中心), (iv) the vice president and the director of strategic alliance and overseas business promotion department (戰略聯盟與海外業務推進事業部). She is currently (i) the senior vice president since May 2011, (ii) the secretary to the board since December 2011, and (iii) the chief investment officer since April 2021 in Neusoft Corporation. Aside from being a key member of Neusoft Corporation, Dr. WANG has also served as a non-executive director of Hospital Corporation of China Limited (弘和仁愛醫療集團有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 3869.HK) since May 2017. Dr. WANG obtained her bachelor's, master's and doctoral degrees in computer science from Northeastern University in the PRC in June 1994, March 1997 and July 2009, respectively. She received her title of intermediate computer engineer (中級計算機工程師) from Liaoning Provincial Department of Human Resources and Social Security (遼寧省人力資源和社會保障廳) on June 30, 2006. Dr. WANG became a member of Review Committee of Shanghai Stock Exchange in July 2019.

Mr. PU Chengchuan (蒲成川), aged 37, has been a non-executive Director of our Company since December 2022. Mr. PU has worked for Hony Capital since May 2018 with his current position being an investment director of private equity investment department, focusing on the investment in medical and healthcare-related fields. Mr. PU also serves as an executive director of Hospital Corporation of China Limited, a company listed on the Hong Kong Stock Exchange (stock code: 3869.HK) since June 2021. Mr. PU obtained his bachelor's degree in science (physics) in July 2008 from Tsinghua University in the PRC, and his master's degree in finance in June 2012 from Peking University in the PRC.

Dr. CHEN Lianyong (陳連勇), aged 61, has been a non-executive Director of our Company since December 27, 2019. Dr. CHEN started and worked as a scientist in drug development of Schering Plough Research Institute from January 1993 to July 1997. He has been engaged in the consulting and investment activities in the field of biotech ever since. Dr. CHEN is currently the founding managing partner and the chief executive officer of 6 Dimensions Capital, L.P. since August 2017. He has been an executive director and the general manager of Frontline BioVentures (Shanghai) Limited (崇凱創業投資諮詢(上海)有限公司) since September 2013. He holds directorships in a number of listed companies, including: (i) a director of Shanghai Hile Bio-Technology Co., Ltd. (上海海利生物技術股份有限公司) (stock code: 603718.SH) since December 2014, (ii) a director of Hua Medicine (華領醫藥) (stock code: 2552.HK) since January 2015, (iii) the chairman of the board and an executive director of Ocumension Therapeutics (歐康維視生物) (stock code: 1477.HK) since May 2018, (iv) a director of CStone Pharmaceuticals (基石藥業) (stock code: 2616.HK) since August 2018, and (v) a director of 111, Inc. (NASDAQ: YI) since May 2019. Dr. CHEN obtained his bachelor's degree in chemistry from Peking University (北京大學) in PRC in July 1984. He received his doctoral degree in chemical sciences from the University of Louvain in Belgium in June 1991 and was a postdoctoral researcher in bioorganic chemistry at Massachusetts Institute of Technology in the United States from August 1991 to December 1992.

Dr. CHEN Yan (陳艷), aged 62, has been an independent non-executive Director of our Company since September 11, 2023. With expertise in accounting and financial management, Ms. CHEN has been a lecturer from May 1990 to July 1997, an associate professor from July 1997 to July 2005, a professor since July 2005, and a doctoral supervisor since July 2010 at Dongbei University of Finance and Economics (東北財經大學). From May 2018 till now, Ms. CHEN has served as a director of Liaoning SC Technology Co., Ltd. (遼寧思凱科技股份有限公司). She has concurrently served as an independent non-executive director of Wanda Hotel Development Co., Ltd. (萬達酒店發展有限公司), a company listed on the Hong Kong Stock Exchange (stock code: 169.HK) since March 2019. From May 2019 to September 2020, she served as an independent non-executive director of Zhangzidao Group Co., Ltd. (獐子島集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002069.SZ). Ms. CHEN obtained her bachelor's and master's degrees in economics in July 1984 and July 1998, respectively, and her doctoral degree in financial management major in June 2006, from Dongbei University of Finance and Economics (formerly known as Liaoning Institute of Finance and Economics (遼寧財經學院)) in the PRC. Ms. CHEN is a former member of the American Accounting Association, a former member of the Association of Certified Fraud Examiners, and a senior member of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會).

Dr. QI Guoxian (齊國先), aged 68, has been an independent non-executive Director of the Company since December 18, 2023. Dr. QI served as the cardiologist, professor and department director in the First Hospital of China Medical University from December 1982 to September 2010. From September 2010 to September 2017, he served as the professor and department director of the Department of Geriatrics of the First Hospital of China Medical University. He has served as the professor and chief physician of the Department of Geriatrics of the First Hospital of China Medical University since September 2017. Dr. QI has also held a number of academic positions in the medical field. He has served as a member of the Standing Committee of the Geriatrics Branch of the Chinese Medical Association since 2009. Since 2019, he has served as the chairman of the Geriatric Disease Prevention and Treatment Professional Committee of the Preventive Medicine Association of Liaoning Province. And since 2023, he has served as the president of the Liaoning Provincial Geriatrics Society. Dr. QI has won several awards in the medical field. He was awarded the May 1st Labor Medal of Liaoning Province from Liaoning Federation of Trade Union in 2014 and the first Liaoning famous doctor from Health Commission of Liaoning Province in 2015. Dr. QI obtained a bachelor's degree in medicine from China Medical University in June 1982 and a master's degree in internal medicine from the First Hospital of China Medical University in June 1987. He obtained his doctoral degree from the Department of Cardiology of the First Hospital of China Medical University in June 2000. In December 2000, Dr. QI was awarded the titles of professor and chief physician by the Liaoning Provincial Department of Human Resources and Social Security, and was awarded the title of doctoral supervisor by China Medical University in the same year.

Dr. YIN Guisheng (印桂生), aged 58, has been an independent non-executive Director of our Company since engaged by the Company. Prior to joining our Group, Dr. YIN has been teaching at College of Computer Science and Technology of Harbin Engineering University (哈爾濱工程大學計算機科學與技術學院) as, in a consecutive order, (i) a lecturer from April 1989 to September 1998, (ii) an associate professor from October 1998 to July 2000, and (iii) a professor since September 2003. Dr. YIN obtained his bachelor's degree in computer application and technology in July 1986, his master's degree in computer application in April 1989, and his doctoral degree in control theory and control engineering in April 2000 from Harbin Engineering University (哈爾濱工程大學).

Biographical Details of Senior Management

Please refer to the section headed "Biographical Details of Directors" above for the biography of Ms. ZONG Wenhong.

Ms. WANG Shuli (王淑力), aged 51, has been the vice president and the chief financial officer of our Company since March 14, 2017. Ms. WANG worked for Neusoft Corporation from May 1997 to February 2012, including, as the manager of financial center (財務中心), the director of investment management and auditing department (投資管理審計部), the chief accountant, the chief financial officer of Philips and Neusoft Medical Systems Co., Ltd. (東軟飛利浦醫療設備系統有限責任公司), and the director of business development department (企業發展部). From March 2012 to May 2013, Ms. WANG served as the vice president and the chief financial officer of our Group. Subsequently she served as a non-executive director and the chief financial officer from June 2013 to October 2016, and a vice president from June 2013 to February 2017 of Shenyang Machine Tool Co., Ltd. (瀋陽機床股份有限公司), a listed company on Shenzhen Stock Exchange (stock code: 000410.SZ). Ms. WANG obtained her bachelor's degree in industrial accounting in July 1993 and her master's degree in management engineering in March 1996 from Northeastern University in the PRC. She received her title of Chief Accountant (高級會計師) from Liaoning Provincial Department of Human Resources and Social Security (遼寧省人力資源和社會保障廳) in December 2006. She is also a member of The Chinese Institute of Certified Public Accountants since 1995.

Mr. YANG Yuanwei (楊元蔚), aged 48, has been the vice president of our Company since July 13, 2017. He is also (i) a director of Chongqing Jinxi and (ii) the general manager of Xikang Smart Wearable Equipment. Mr. YANG served as the vice president of San Meditech Technologies (Huzhou) Co., Ltd. (聖美迪諾醫療科技(湖州)有限公司) from May 2012 to December 2015. From January 2016 to June 2017, he subsequently served as the executive vice president of Zhejiang Helowin Medical Technology Co., Ltd. (浙江好絡維醫療技術有限公司). Mr. YANG obtained his bachelor's degree in economics from Chongqing Technology and Business University (重慶工商大學) (formerly known as Yuzhou University (渝州大學)) in the PRC in July 1999. He then received his master's degree in business administration from Cheung Kong Graduate School of Business (長江商學院) in the PRC in October 2012.

Mr. SHAO Shuli (邵樹力), aged 48, has been the vice president of our Company since February 22, 2021. Prior to joining our Group, Mr. SHAO served as the chief advisor of government affairs department of Neusoft Corporation and the dean of the Neusoft Institute of Smart Governance (東軟智慧政務研究院) from April 2000 to February 2021. During his service, Mr. SHAO acted as a consultant, software architecture designer and project manager and advised on various large-scale projects about informatization sponsored by the State Council and its ministries, commissions and bureaus. Mr. SHAO obtained his bachelor's degree in machine manufacturing technology and equipment in July 1997 and his master's degree in machine design and theory in March 2000 from Northeastern University in the PRC. He received his title of senior information system project manager (高級信息系統項目管理師) from Liaoning Provincial Department of Human Resources and Social Security (遼寧省人力資源和社會保障廳) in May 2013.

Corporate Governance Report

Corporate Governance Practices

The Company is committed to achieving high-standard corporate governance with a view to safeguarding the interests of our Shareholders. The principles of the Company's corporate governance are to promote effective internal control measures and to enhance the transparency and accountability of the Board to all the Shareholders. Our Directors recognize the importance of incorporating elements of good corporate governance into the management structure and internal control procedures of our Group to achieve effective accountability. The Company's corporate governance practices are based on the principles and code provisions under the Corporate Governance Code set out in Appendix C1 to the Listing Rules.

As the Company was listed on the Main Board of the Hong Kong Stock Exchange on the Listing Date, the principles and code provisions of the Corporate Governance Code apply to the Company with effect from the Listing Date. Since then, the Company has been complying with the corporate governance requirements under the Corporate Governance Code set out in Appendix C1 to the Listing Rules. The Board considers that, during the period from the Listing Date and up to the date of this annual report, the Company has complied with all applicable code provisions set out in the Corporate Governance Code.

The Board will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with statutory and professional standards and align with the latest development.

CORPORATE CULTURE

The Company is a pioneer in the PRC digital healthcare services market and is dedicated to empowering and creating value for healthcare stakeholders by utilizing information technology to drive healthcare transformation. With city as the specific, the Company helps the government build and operate a new regional medical infrastructure platform – city-wide cloud hospital platform, closely connects local governments, medical institutions, insurance institutions and patients, builds a new city-level ecosystem of "Internet + Healthcare" services, and realizes the rational allocation of medical resources and the efficient delivery of medical services. With the mission of "to empower the healthcare transformation through information technology", the Company has established a vision of "to empower and create value for medical stakeholders", and has always adhered to the values of "Respect, Innovation, Excellence". The Board believes that the corporate culture of the Group is lined with its objectives, values and strategies.

BOARD OF DIRECTORS

Composition of the Board of Directors

As at the date of this annual report, members of the Board of Directors are set out below:

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
Mr. XU Hongli (徐洪利)
Dr. WANG Nan (王楠)
Mr. PU Chengchuan (蒲成川)
Dr. CHEN Lianyong (陳連勇)

Independent non-executive Directors
Dr. CHEN Yan (陳艷)
Dr. QI Guoxian (齊國先)
Dr. YIN Guisheng (印桂生)

A latest list of the Directors and information on their roles and functions are maintained on the websites of the Company and the Hong Kong Stock Exchange. Biographical details of the Directors are described in the section headed "Directors and Senior Management."

Mr. XU Hongli, who was appointed as a non-executive Director on March 20, 2024, has obtained the legal opinion as stated in Rule 3.09D of the Listing Rules on March 15, 2024 and confirmed that he is aware of the obligations as a director of the listed issuer.

Save as disclosed in the section headed "Directors and Senior Management", to the best knowledge of the Company, there is no relationship (including financial, business, family or other material/relevant relationship(s)) among the Directors and senior management.

Independent Non-executive Directors

Since the Listing Date up to the end of the Reporting Period, the Board has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors (representing at least one-third of the Board) and at least one independent non-executive Director of which has the appropriate professional qualifications or accounting or related finance management expertise.

The Board has received written annual confirmation from each of the independent non-executive Directors in respect of the independence of such Director pursuant to Rule 3.13 of the Listing Rules and the Company considers that they are independent.

The Board and the Management

The Board is responsible for, and has the general authority on, the management and operation of the Company and is responsible for making all major decisions of the Company, including approving and monitoring all major policies and overall strategies, internal control and risk management systems, notifiable transactions and connected transactions, nomination of the Director(s) and joint company secretary(ies), and other significant financial and operational matters of the Group. The Board has also delegated to the senior management to be responsible for the day-to-day management of the Company's business.

Chairman and Chief Executive Officer

The positions of Chairman and chief executive officer are held by Dr. LIU Jiren and Ms. ZONG Wenhong, respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The chief executive officer is primarily responsible for the Company's business development, day-to-day management and general operations. Their respective responsibilities are clearly defined and set out in writing.

Board Meetings/General Meetings and Attendance of Directors

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of not less than 14 days are given for all regular Board meetings to provide all Directors with an opportunity to attend and discuss matters included in the agenda for a regular Board meeting.

For other Board and Board Committee meetings, reasonable notices are generally given. The agenda and accompanying board papers are dispatched to the Directors or Board Committee members at least three days before the date of the meetings to ensure that they have sufficient time to review the papers and are adequately prepared for the meetings. Where Directors or Board Committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting.

Matters considered and the decisions reached by the Board and Board committees during the meetings are recorded in sufficient details in the minutes of the meetings. Such details include, but are not limited to, any concerns raised by the Directors. The draft minutes of each Board meetings and Board committee meetings are sent to the relevant Directors for their comments within a reasonable time after the date on which the meeting is held. All minutes are properly maintained by the Joint Company Secretaries and are available for the Directors' and Board committee members' inspection.

As the Company was listed on the Main Board of the Hong Kong Stock Exchange on September 28, 2023, the Company held one Board meeting, one Audit Committee meeting, one Nomination Committee meeting, one Remuneration Committee meeting, and no Strategy Committee meeting nor general meeting was held from the Listing Date to the end of the Reporting Period. During the period from the Listing Date to the end of the Reporting Period, the Directors' attendance at the Board meetings and meetings of the specialized committees of the Board was as follows:

	Number of attendance/meetings			
Name of Director	Board of Directors	Audit Committee	Remuneration Committee	Nomination Committee
Dr. LIU Jiren	1/1	/	1/1	1/1
Ms. ZONG Wenhong	1/1	/	/	/
Ms. LU Zhaoxia(1)	1/1	/	/	/
Mr. XU Hongli(2)	/	/	/	/
Dr. WANG Nan	1/1	/	/	/
Mr. PU Chengchuan	1/1	/	/	/
Dr. CHEN Lianyong	1/1	1/1	/	/
Dr. CHEN Yan	1/1	1/1	1/1	/
Dr. QI Guoxian(3)	1/1	/	/	/
Dr. YIN Guisheng	1/1	1/1	/	1/1
Dr. FANG Weiyi(4)	/	/	/	/

Notes:

(1) Ms. LU Zhaoxia resigned as a Director of the Company on March 20, 2024.

(2) Mr. XU Hongli was appointed as a Director of the Company on March 20, 2024.

(3) Dr. QI Guoxian was appointed as a Director of the Company on December 18, 2023.

(4) Dr. FANG Weiyi resigned as a Director of the Company on December 18, 2023.

In addition to the above meetings, from the Listing Date and as of the date of this annual report, the Chairman of the Board has also held one meeting with the independent non-executive Directors without the presence of other Directors.

Directors' Service Agreements

Each of the executive and non-executive Directors has entered into a service contract with the Company for a term effective from the date of appointment of Directors and up to the third annual general meeting of the Company after the date of his/her appointment. The service contracts may be renewed in accordance with the Memorandum and Articles of Association and the applicable Listing Rules.

Each of independent non-executive Directors has entered into an appointment letter with the Company. The initial term for their appointment letter shall be three years with immediate effect from the date of appointment of Directors, and until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than one month's prior notice in writing, subject always to re-election as and when required under the Memorandum and Articles of Association).

During the Reporting Period, save as disclosed above, none of the Directors has entered into, or has proposed to enter into, a service contract with the Company (other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

Appointment and Re-election of Directors

Pursuant to Article 16.2 of the Memorandum and Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director, either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his appointment and shall then be eligible for re-election at that meeting.

Pursuant to Article 16.19 of the Memorandum and Articles of Association, at every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Any Director required to stand for re-election pursuant to Article 16.2 of the Memorandum and Articles of Association shall not be taken into account in determining the number of Directors and which Directors are to retire by rotation. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

Dr. LIU Jiren, Ms. ZONG Wenhong, Dr. WANG Nan, Dr. CHEN Lianyong, Mr. XU Hongli and Dr. QI Guoxian will retire from office by rotation and are eligible and willing to be re-elected at the annual general meeting in accordance with the Memorandum and Articles of Association. Details in relation to the re-election are set out in the circular of general meeting to be issued in due course by the Company.

Training and Professional Development

Pursuant to the code provision C.1.4 of the Corporate Governance Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills, so as to ensure that their contribution to the Board remains informed and relevant.

To help the Directors develop and refresh their knowledge and skills, internally-facilitated briefings for Directors would be arranged and written materials on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the Reporting Period, the Company has also arranged for its Hong Kong listing legal advisor to provide training to all Directors (including independent non-executive Directors). The training courses covered a wide range of relevant topics including Directors' duties and responsibilities, corporate governance and requirements under the Listing Rules.

The Directors are required to provide details of the training they received in each financial year to the Company for the maintenance of proper training records. During the Reporting Period, the training received by the Directors was as follows:

Name of Director	Type of Continuous Professional Development Training[5]
Dr. LIU Jiren	A and B
Ms. ZONG Wenhong	A and B
Ms. LU Zhaoxia[1]	A and B
Mr. XU Hongli[2]	/
Dr. WANG Nan	A and B
Mr. PU Chengchuan	A and B
Dr. CHEN Lianyong	A and B
Dr. CHEN Yan	A and B
Dr. QI Guoxian[3]	A and B
Dr. YIN Guisheng	A and B
Dr. FANG Weiyi[4]	A and B

Notes:

(1) Ms. LU Zhaoxia resigned as a Director of the Company on March 20, 2024.

(2) Mr. XU Hongli was appointed as a Director of the Company on March 20, 2024. As of the date of this annual report, he had received trainings of both type A and B.

(3) Dr. QI Guoxian was appointed as a Director of the Company on December 18, 2023.

(4) Dr. FANG Weiyi resigned as a Director of the Company on December 18, 2023.

(5) Types of trainings:

A: participating in seminars, meetings, forums and/or training courses arranged by the Company or external institutions.

B: reading materials provided by the Company or external parties in details, such as materials related to business updates of the Company, duties and responsibilities of Directors, corporate governance and regulation updates, as well as other applicable regulatory requirements.

A MECHANISM FOR DIRECTORS TO OBTAIN INDEPENDENT VIEWS AND INPUT

At the Board meetings, Directors can express their opinions freely, and major decisions are made only after thorough discussions. Directors may also engage independent professional institutions at the Company's expense after going through due procedures, if they deem it necessary to get independent professional opinions. If any Director has interests in a proposal to be considered by the Board, he or she should abstain from discussion and voting on the relevant proposal, and will not be counted in the quorum of the relevant proposal. In addition, independent non-executive Directors shall also give objective and impartial independent opinions on matters discussed by the Company. Independent non-executive Directors of the Company do not have any business or financial interests in the Company or its subsidiaries, nor do they hold any other positions in the Company or have the relationships with the Company or its substantial shareholders that may influence their independent and objective judgment. Therefore, the participation of independent non-executive Directors during the Reporting Period can effectively ensure a strong and sufficient independent element in the Board. The Board will review the implementation and effectiveness of the aforementioned mechanism on an annual basis.

Board Committees

The Company has established four board committees, including the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategy Committee in accordance with relevant laws and regulations and the corporate governance practices under the Listing Rules.

Audit Committee

The Company has established the Audit Committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code, which comprises Dr. CHEN Yan, Dr. CHEN Lianyong and Dr. YIN Guisheng, all of whom are non-executive Directors and independent non-executive Directors of the Company, as of the end of the Reporting Period. Dr. CHEN Yan serves as the chairman of the Audit Committee, and has appropriate accounting and related financial management expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules.

The Audit Committee is responsible for reviewing and supervising the financial reporting, risk management and internal control systems of the Company, and assisting the Board to fulfill its duty of audit. The Audit Committee's duties and powers should include:

(a) to be responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and to deal with any matters related to the resignation or dismissal of the external auditor;

(b) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards; and to discuss with the external auditor the nature and scope of the audit and reporting obligations before the audit commences;

(c) to monitor the integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review the significant financial reporting judgments contained therein;

(d) to ensure co-ordination between the internal and external auditors, and to ensure that the internal audit function is adequately resourced and has appropriate standing within the issuer, and to review and monitor its effectiveness; and

(e) to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems.

The Audit Committee also performs the Company's corporate governance functions, including (but not limited to):

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board;

(b) to review and monitor the training and continuous professional development of Directors and senior management of the Company;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors of the Company; and

(e) to review the Company's compliance with codes and disclosure in the Corporate Governance Report of the Company.

During the Reporting Period, the Audit Committee held one meeting to review the Group's consolidated financial statements and interim report for the six months ended June 30, 2023.

Responsibilities of the Directors for Financial Statements

The Directors acknowledge their responsibility for preparing financial statements, which should give a true and fair view of the state of the Company and of the results and cash flows for such Reporting Period.

In preparing financial statements, the Board has adopted HKFRS and suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable, and prepared financial statements on a going concern basis. The Board is responsible for ensuring that the Company keeps proper accounting records to disclose the financial position of the Company reasonably and accurately at any time.

The Board is not aware of any material uncertainties relating to events or conditions that may cast significant doubt over the Company's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

The auditor is responsible for auditing the financial statements of the Company and expressing opinions thereon. The independent auditor's report for the Reporting Period is set out in the section headed "Independent Auditor's Report" of this annual report.

Auditor's Remuneration

The Company has appointed PricewaterhouseCoopers, Certified Public Accountants and Registered Public Interest Entity Auditor, as its auditor for the year ended December 31, 2023. The statement of the PricewaterhouseCoopers about its reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 119 to 124.

For the year ended December 31, 2023, the audit fees payable by the Group to the external auditor amounted to approximately RMB2.6 million, and the fees for non-audit services (being the agree-upon procedure for annual results and review on connected transactions) amounted to approximately RMB0.2 million.

Such fees exclude the service fees payable to PricewaterhouseCoopers for acting as the Company's reporting accountant in respect of initial public offering.

Nomination Committee

The Company has established the Nomination Committee in compliance with Rule 3.27A of the Listing Rules and the Corporate Governance Code, which comprises Dr. LIU Jiren, Dr. QI Guoxian and Dr. YIN Guisheng as of the end of the Reporting Period. Dr. LIU Jiren serves as the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee include (but not limited to):

(a) to review the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(b) to identify individuals suitably qualified to become Directors, and select or make recommendations to the Board on the selection of, individuals nominated for directorships;

(c) to assess the independence of independent non-executive Directors;

(d) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors (in particular the Chairperson and chief executives); and

(e) to review the board diversity policy and measurable objectives for implementing such board diversity policy as may be adopted by the Board from time to time and to review the progress on achieving the objectives; and to make disclosures of its progress and review results in the annual report of the Company annually and disclose the diversity policy in the Corporate Governance Report of the Company.

During the Reporting Period, the Nomination Committee held one meeting to consider the proposal to appoint Dr. Qi Guoxian as an independent non-executive Director.

Board Diversity Policy

Our Company has adopted a board diversity policy which sets out the approach to achieve diversity of the Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining the Company's competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent. Our Company currently has six male and three female Directors, demonstrating that we have achieved gender diversity in respect of the Board. If suitable candidates become available in the future, the Board will maintain the number of female Directors to ensure that gender diversity of the Board will continue to be met in the next few years. Pursuant to the board diversity policy, in reviewing and assessing suitable candidates to serve as a Director of the Company, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry and regional experience. Pursuant to the board diversity policy, the Nomination Committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for adoption.

The Nomination Committee of the Company is responsible for the implementation of the board diversity policy. During the Reporting Period, the Nomination Committee of the Company reviewed the board diversity policy from time to time to ensure its continuous effectiveness.

The Company is committed to promoting gender diversity, not only within the Board, but also throughout the workforce. As of the end of the Reporting Period, the gender ratio of the Company's employees (including senior management) is as follows:

Male	33%
Female	67%
Total	100%

Based on the above, the composition of the Company's employees is consistent with and expected to maintain a reasonable level of gender diversity.

Director Nomination Policy

The Board has adopted the director nomination policy (the "**Director Nomination Policy**"), which sets out the criteria and procedures for the nomination and appointment of Directors and ensures that the Board will maintain balance skills, experience and diversity of perspectives, which are appropriate to the Company. The Board believes that defining selection process will contribute to corporate governance, ensure Board continuity and appropriate leadership at the Board level, and enhance Board efficiency and diversity.

Article 16.4 of the Company's seventh amended and restated Memorandum and Articles of Association stipulates that, no person shall, unless recommended by the Board, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person nominated) eligible to attend and vote at the meeting for which such notice is given of his intention to nominate such person for election and also notice in writing signed by the person to be nominated of his willingness to be elected.

Pursuant to Articles 16.2 and 16.3 of the Memorandum and Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director, either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his or her appointment and shall then be eligible for re-election at that meeting.

The Nomination Committee shall have the responsibilities and authority for selection and appointment of Directors. The Nomination Committee will identify, consider and recommend suitable candidates to the Board for consideration and make recommendations to the Shareholders for election of Director(s) at a general meeting. The selection criteria used in assessing the suitability of a candidate include, among others, integrity, professional qualifications and skills, commitment in respect of available time and diversity in all aspects. The Nomination Committee will make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors.

Remuneration Committee

The Company has established the Remuneration Committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code, which comprises Dr. CHEN Yan, Dr. LIU Jiren and Dr. QI Guoxian as of the end of the Reporting Period. Dr. CHEN Yan serves as the chairman of the Remuneration Committee.

The principal terms of reference of the Remuneration Committee include (but not limited to):

(a) to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

(b) to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

(c) to make recommendations to the Board on the remuneration packages of individual executive Directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment;

(d) to make recommendations to the Board on the remuneration of non-executive Directors;

(e) to consider salaries paid by comparable companies, time commitment and responsibilities and employment conditions elsewhere in the Group;

(f) to review and approve the compensation payable to executive Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair, reasonable and not excessive;

(g) to review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;

(h) to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration; and

(i) to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

During the Reporting Period, the Remuneration Committee held one meeting to review the proposed amount of directors' fees and the criteria for determining the new independent non-executive Directors.

Remuneration Policy

The Company has established Remuneration Committee in accordance with Corporate Governance Code to formulate remuneration policy. The Remuneration Committee determines the proposed remuneration based on the qualification, position and seniority of each of executive Directors and senior management. In terms of independent non-executive Directors, their remuneration is determined by the Board based on the Remuneration Committee's proposals. The Directors and senior management are qualified to participate in the Pre-IPO Share Option Scheme and Post-IPO Share Option Scheme. Details of remuneration of the Directors, senior management and the five highest paid individuals are set forth in note 42, note 41 and note 9 in consolidated financial statements, respectively.

None of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

Pursuant to code provision E.1.5 of the Corporate Governance Code, the annual remuneration (including share-based compensation) of the members of senior management, including those who are also executive Directors during the Reporting Period is set out below by band:

Annual Remuneration	Number of Individuals
Nil to RMB1,000,000	0
RMB1,500,000 to RMB2,000,000	0
Over RMB2,000,000	4

Strategy Committee

The Company has established the Strategy Committee with written terms of reference, which comprises Dr. LIU Jiren, Ms. ZONG Wenhong, Dr. CHEN Lianyong, Dr. QI Guoxian and Dr. YIN Guisheng as of the end of the Reporting Period. Dr. LIU Jiren serves as the chairman of the Strategy Committee.

Terms of reference of Strategy Committee are as follows:

(a) to review and make suggestions for the medium- to long-term development strategies (including overall strategies, human resources strategies, business strategies and investment strategies) and development plans and proposals of the Company, evaluate and monitor the implementation of such plans;

(b) to review and make suggestions for the annual operation plans and investment proposals of the Company;

(c) to review and make suggestions for major investments, financing and capital injection which are subject to the approval of the Board;

(d) to review and make suggestions for major business reorganization, acquisition, merger and asset transfer which are subject to the approval of the Board;

(e) to review and make suggestions for the expansion to new markets, launch of new business(es) and research and development of new products of the Company;

(f) to review and make suggestions for any major institution reorganization and restructuring proposals of the Company; and

(g) other duties as conferred by the Board.

As the Company was listed on the Main Board of the Hong Kong Stock Exchange on the Listing Date, the Strategy Committee of the Company did not convene any meetings during the Reporting Period.

Risk Management and Internal Control

The Board is responsible for the risk management and internal control systems, and has the responsibility to review the effectiveness of such systems. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives and establishing and maintaining appropriate and effective risk management and internal control systems. The Audit Committee is responsible for assisting the Board in leading the management and monitoring its design, implementation and management and control of the risk management and internal control systems. The Company has established an internal audit function to conduct internal control on certain significant areas of the Group.

The Company has devoted itself to establishing and maintaining risk management and internal control systems consisting of policies and procedures appropriate to our Company's business operations, and our Company is dedicated to continually improving these systems. The Company evaluates the operation of risk management and internal control systems during the year at least once a year, identifies risk factors that will affect the Group's achievement of its objectives from the standpoint of key areas such as strategic management, operations, finance, legal compliance, information technology and data security, and categorizes the potential defects identified in the evaluation into high, medium and low levels based on the impact of the defects, selects appropriate response strategies, formulates measures to address specific risks and determines the rectification time accordingly. The Company has been committed to promoting compliance culture and will adopt policies and procedures on various compliance matters, including the Stock Exchange's requirements on corporate governance and environmental, social and governance matters. Our Board will be collectively responsible for our management and operations, including the establishment of such mechanisms. Our Directors will be involved in the formulation of the mechanisms and related policies. The Company has adopted and implemented comprehensive risk management policies in various aspects of our business operations such as healthcare quality and safety, operational and regulatory risk management.

Healthcare Quality and Safety

The Company focuses on providing professional healthcare services, and therefore the quality and safety of the care delivered is the lifeline of the Company's business. The Company has established comprehensive risk management systems and internal control procedures to minimize medical risks arising from our operations. During the Listing Date and up to the Reporting Date, the Company did not receive any written notice or penalty for material non-compliance or violation of healthcare quality and safety laws or regulations.

The Company has adopted stringent procedures to manage quality and safety of care delivery on its platforms, and designated special medical quality control personnel to oversee matters relating to quality of Internet home care services, medical security management, infection controls, medical oversight, medical incident and medical disputes. The Company performs stringent screening of the qualifications of medical professionals that provide healthcare services over its platforms, strictly monitors the medical processes, activities and results of the relevant services rendered, and closely manages the medical supplies and waste involved in the provision of its Internet home care services. The Company also carries professional liability insurance covering the medical professionals serving on its platforms.

The Company offers pre-job training for new employees to raise their awareness of healthcare quality and safety, and provides continuous training on a periodic or ad hoc basis for medical personnel with respect to quality control, healthcare safety, professional ethics and legal awareness. In addition, the Company has established a healthcare service quality assessment mechanism that supervises all processes of the healthcare activities over its platforms.

Operational Risk Management

Operational risk refers to the risk of direct or indirect financial loss resulting from incomplete or problematic internal processes, personnel mistakes, IT system failures, or external events. The Company has established a series of internal procedures to manage such risk.

The Company takes a comprehensive approach with regard to operational risk management, and implements a mechanism with detailed and decentralized responsibilities and clear rewards and punishment systems. Through effective operational risk management, the Company expects to control operational risks within a reasonable range by identifying, measuring, monitoring and containing operational risks to reduce potential losses.

Compliance Risk Management

Compliance risk refers to the risk of being subject to legal and regulatory sanctions, and the risk of major financial and reputational losses as a result of the Company's failure to comply with relevant laws, regulations, rules and guidelines.

Compliance management refers to the Company's dynamic management process of effective identification and management of compliance risks and proactively preventing the occurrence of risk events. Compliance risk management is the core of the Company's risk management activities, the foundation for effective internal controls, and an important aspect in corporate cultures. The Company has established a sound compliance risk management framework as part of its comprehensive risk management system, to achieve effective identification and management of compliance risk and ensure that the operation of the Company is in compliance with applicable laws and regulations.

The Company has designed anti-bribery compliance risk control measures as part of the Company's regulatory compliance management system. Specifically, the Company's anti-bribery compliance risk control measures set forth the details of anti-bribery risks, including, for example, the detailed introduction of the identification, evaluation, monitoring and reporting of the anti-bribery compliance risks. The Company also provides anti-bribery compliance training to its employees from time to time. The business code of conduct management policy of the Company also stipulates that all commercial briberies are prohibited, including (1) briberies in cash, in kind, or by providing services, giving price concessions or discounts, and incurring various expenses in business activities; and (2) acceptance from or provision to customers of gifts or catering, entertainment, travelling, shopping and other types of consumer entertainment that exceed general business courtesies in business activities. In addition, the Company has set up an anti-bribery reporting hotline and all reports received are required to be transferred to an independent department for further investigation.

The Group's activities expose it to a variety of financial risks: market risk (including currency 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. Risk management is carried out by the senior management of the Group and approved by the executive directors. For an overview of these risks, please refer to the section headed "Directors' Report – Financial Risks".

Ongoing Review

The Board conducted a review on the effectiveness of the Company's risk management and internal control from the Listing Date to the end of the Reporting Period, which covered all material controls including financial control, operational control and compliance control. In light of the confirmation from the management, the Audit Committee and the internal audit function, the Board considers that the Company's risk management and internal control systems for the relevant period are effective and sufficient. No significant areas of concern were identified.

Securities Dealing and Handling of Inside Information

The Board has adopted the Model Code set out in Appendix C3 of the Listing Rules as the code of conduct regulating Directors' dealings in securities of the Company. As the shares of the Company were listed on the Stock Exchange on the Listing Date, the Model Code applies to the Company from the Listing Date. In response to specific enquiries made by the Board, all Directors confirmed that they have complied with the provisions of the Model Code during the period from the Listing Date to the date of this annual report.

The Company has also developed and implemented policies and procedures relating to the disclosure of information (including but not limited to the disclosure of inside information), including monitoring potential inside information, ensuring rapid identification of and assessment to relevant facts and circumstances that may have material impacts on the share price of the Company, and submitting relevant matters to the attention of the Board, if necessary, to determine whether a disclosure is needed. Directors, senior management and relevant employees in possession of inside information or potential inside information are required to take reasonable steps to preserve confidentiality and to ensure that its recipients recognize their obligations to maintain confidentiality.

Joint Company Secretaries

The Joint Company Secretaries are responsible for advising the Board on corporate governance matters and ensuring that the Board policies and procedures, as well as the applicable laws, rules and regulations are followed. The current Joint Company Secretaries are Ms. WANG Shuli and Mr. WONG Wai Chiu. Biographical details of Ms. WANG Shuli and Mr. WONG Wai Chiu are set out as follows:

Ms. WANG Shuli (王淑力), was appointed as a joint company secretary of our Company on October 5, 2021. Please refer to the section headed "Biographical Details of Senior Management" above for her biography.

Mr. WONG Wai Chiu (黃偉超), was appointed as a joint company secretary of our Company on May 27, 2021. Mr. WONG is the associate director of SWCS Corporate Services Group (Hong Kong) Limited. Mr. WONG obtained his bachelor's degree in social science (Honours) from the University of Hong Kong, his Post-Graduate diploma in Hong Kong and the United Kingdom law from the Manchester Metropolitan University in the United Kingdom, his master's degree in corporate governance from the Hong Kong Polytechnic University, his master's degree in arbitration and dispute resolution from City University of Hong Kong and his master's degree in applied science from the University of Technology Sydney in Australia. Mr. WONG is a fellow of The Hong Kong Chartered Governance Institute, a fellow of the Chartered Governance Institute, a member of CPA Australia, a member of the Hong Kong Trustees' Association and a Certified Trust Practitioner. Mr. WONG's main contact person at the Company is Ms. WANG Shuli.

During the Reporting Period, each of the Joint Company Secretaries has attended a total of no less than 15 hours of training courses on the Listing Rules, corporate governance, information disclosure, investor relations as well as the functions and duties of the company secretary of a Hong Kong listed issuer as required under Rule 3.29 of the Listing Rules.

Relationship with Shareholders

Shareholders' General Meeting

The Shareholders' general meetings of the Company serve as an opportunity for the Directors and senior management to communicate with the Shareholders. Shareholders are encouraged to participate in Shareholders' general meetings or to appoint proxy(ies) to attend and vote at meetings for and on their behalf if they are unable to attend the meetings. An annual general meeting of the Company shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing.

Members of the Board, in particular, the chairmen of Board committees or their proxies, appropriate managements and external auditors will attend annual general meetings to answer Shareholders' questions.

The process of the Company's Shareholders' general meeting will be monitored and reviewed on a regular basis, and, if necessary, amended to ensure that Shareholders' needs are best served.

Corporate Communication

Corporate communication will be provided to Shareholders in plain language and in both English and Chinese to facilitate Shareholders' understanding about the content of the communication. Shareholders have the right to choose the language (either English or Chinese) or means of receipt (in hard copy or through electronic means) of corporate communication. Shareholders are encouraged to provide, in particular, their email addresses to the Company in order to facilitate timely and effective communications.

Company's Website

The Company maintains a website at www.xikang.com as a communication platform with the Shareholders and investors. Information on the Company's website will be updated on a regular basis. Information released by the Company on the website of the Stock Exchange will also be posted on the Company's website for corporate communications immediately thereafter. Such information includes financial statements, results announcements, circulars and notices of Shareholders' general meetings and associated explanatory documents, etc.

Shareholders' Enquiries

Shareholders and investors may send written enquiries or requests to the Company for the attention of the Board. The contact details are as follows:

Address: 1-1, 1-2, 1-3, 1-4, 1-5, 2-1, No. 12 Huizheng Lane, Haishu District, Ningbo City, Zhejiang Province, PRC

Email: XKBO@neusoft.com

Shareholders may direct their questions about their shareholdings to the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited. The Company ensures that the Hong Kong Share Registrar maintains the most up-to-date information relating to the Shares at all times so that it can respond effectively to the Shareholders' enquiries.

Shareholders' Communication Policy

The Company has established the Shareholders' communication policy with the objective of ensuring that the Shareholders and the investment community at large are provided with ready, equal and timely access to balanced and understandable information about the Company, in order to enable Shareholders to exercise their rights in an informed manner, and to enhance the communication among Shareholders, the investment community and the Company. The Company uses a number of formal communication channels to report and account for the Company's results to its shareholders and investors. Such channels include (i) publishing interim and annual reports; (ii) annual general meetings or extraordinary general meetings that provide platforms for shareholders to present their views and exchange insights with the Board; (iii) providing the latest key information of the Group to its shareholders and investors through the Stock Exchange and the Company's website; (iv) specific contact details from the Company's website to facilitate direct communication between the Company and its shareholders and investors; and (v) the registration services in relation to all shares from the Company's Share Registrar in Hong Kong.

The Board reviews the Shareholders' communication policy on a regular basis to ensure its effectiveness, particularly with regard to the requirements of Part 2 of the Corporate Governance Code (Appendix C1 to the Listing Rules). The Board committees have reviewed the implementation and effectiveness of the Shareholders' communication policy during the meetings, and are of the view that the Shareholders' communication policy has been effectively implemented and that the information disseminated to the Shareholders was effective.

Dividend Policy

Under the Cayman Islands law, our Company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in our Company being unable to pay its debts as they fall due in the ordinary course of business. Our Board has completed discretion as to whether to distribute dividends. In addition, the Company's Shareholders may by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by the Company's Board. A decision to declare or to pay any dividends in the future, and the amount of any such dividends, will depend on a number of factors, including the Company's results of operations, cash flows, financial condition, payments by our subsidiaries or consolidated affiliated entities of cash dividends to the Company, business prospects, statutory, regulatory and contractual restrictions on the Company's declaration and payment of dividends and other factors that our Board may consider important. No dividend will be declared or payable except out of our profits and reserves lawfully available for distribution. There can be no assurance that the Company will declare or distribute any amount of dividend in any year.

Shareholders' Rights

To safeguard the Shareholders' interests and rights, separate resolutions are proposed at the Shareholders' general meetings on each substantial issue, including the election of individual Directors, for Shareholders' consideration and voting. All resolutions proposed at the Shareholders' general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company at www.xikang.com and the Hong Kong Stock Exchange at www.hkexnews.hk after each Shareholders' general meeting.

In accordance with the Memorandum and Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. Shareholders' general meetings shall also be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the voting rights, on a one vote per share basis, of the Company which carry the right of voting at Shareholders' general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and the resolutions to be added to the meeting agenda, and signed by the requisitionist(s). If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the Shareholders' general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

The Board is not aware of any provisions in the Memorandum and Articles of Association and the Companies Act of the Cayman Islands allowing the shareholders to put forward proposals at the general meetings of the Company. Shareholders who wish to make proposals at the general meetings may refer to the preceding paragraph to make a written request for the convening of an extraordinary general meeting of the Company.

Effective Communications with Investors

The Group has made effective improvements in investor relations under the leadership and support of the Board and management. From the Listing Date to the date of this annual report, the Group has successively participated in a number of investor/analyst communication meetings, investment forums and investor events, etc., to promote the Company's communications with Shareholders and investors. In the future, the Company will maintain on-going and effective communications with investors through road shows after the issuance of interim results, annual results as well as through Shareholders' general meetings.

Constitutional Documents

The seventh amended and restated Memorandum and Articles of Association of the Company have been effective from the Listing Date, and are available on the websites of the Company and the Stock Exchange. There was no amendment to the Company's constitutional documents during the period from the Listing Date to the end of the Reporting Period.

On March 20, 2024, the Board proposed to change the English name of the Company from "Neusoft Xikang Holdings Inc." to "Xikang Cloud Hospital Holdings Inc.", and adopt the Chinese name "熙康雲醫院控股有限公司" as its new Chinese name to replace the existing Chinee name "東軟熙康控股有限公司". The Board also proposed to amend and restate the seventh amended and restated Memorandum and Articles of Association to reflect the proposed change of Company names, which shall take effect immediately when the proposed change of Company names takes effect. The Board proposed to submit a special resolution at the Shareholders' general meeting for Shareholders to approve the adoption of the eighth amended and restated Memorandum and Articles of Association, so as to replace and delete the existing seventh amended and restated Memorandum and Articles of Association. The proposed adoption of the eighth amended and restated Memorandum and Articles of Association is subject to Shareholders' approval on the special resolution of the adoption of the eighth amended and restated Memorandum and Articles of Association.

Environmental, Social and Governance Report

1. ABOUT THE REPORT

NEUSOFT XIKANG HOLDINGS INC. (hereinafter referred to as the "**Company**" or "**we**" or "**Neusoft Xikang**"), its subsidiaries and consolidated affiliated entities (hereinafter referred to as the "**Group**") are pleased to release the first Environmental, Social, and Governance Report (hereinafter referred to as "**ESG Report**" or the "**Report**"), which outlines our principles and sustainable development concepts in fulfilling corporate social responsibilities, and elucidates our performance and responsibilities regarding social responsibilities.

Reporting Standards

The Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide (hereinafter referred to as the "**Guide**") as set out in Appendix C2 to the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), covering content that complies with the mandatory disclosure requirements, "Comply or Explain" provisions, and the four reporting principles (materiality, quantitative, balance, and consistency) set out in the Guide. The final chapter of the Report contains a reference index to the Guide used in compiling the Report, facilitating quick referencing for readers.

Materiality	The Report has identified material ESG issues, and disclosed the process of identifying these issues and the criteria for selecting them, as well as described the process of stakeholder engagement.
Quantitative	The statistical standards, methods, assumptions, and calculation tools used for ESG key performance indicators (KPIs) and related data disclosed in the Report are explained herein.
Balance	The Report presents the Group's performance in a fair and unbiased manner to avoid any inappropriate influence on readers' decisions or judgments that may arise from selection, omission, or reporting format.
Consistency	We employ consistent statistical disclosure methods throughout the Report. In the event of any changes to the statistical methods or key performance indicators, or any other factors that may impact meaningful comparisons, we will provide clear explanations in the ESG Report.

Scope of Reporting

The Report delineates the sustainable development policies, measures, and key performance indicators (hereinafter referred to as the "**KPI**") related to the core business of the Group from January 1, 2023, to December 31, 2023 (hereinafter referred to as the "**this year**" or "**Reporting Period**"). Unless otherwise stated, the social scope of the Report covers the actual business scope of the Group, while the environmental key performance indicators are collected from the Group's medical institutions and offices mainly located in Shenyang, Changsha, Hefei, Ningbo, Chengdu, Xi'an, Dandong, Fuzhou, and Shanghai in China.

Report Language

The Report is published in both Traditional Chinese and English. In case of any discrepancies, the Traditional Chinese version shall prevail.

Report Approval

As confirmed by the management, the Report was approved by the Board of Directors on March 20, 2024.

Feedback to Report

We highly value your opinion on the Report. If you have any queries or suggestions, please feel free to contact us via email: XKBO@neusoft.com.

2. SUSTAINABLE DEVELOPMENT STRATEGY

The Group is primarily engaged in digital medical services in China, encompassing cloud hospital platform services, Internet medical services, health management services, and smart healthcare products. In line with our commitment to social responsibility, we prioritize the impact of our operations on society and the environment and strive to continuously enhance our ESG performance to generate sustainable value for all stakeholders. We have incorporated ESG principles into our business, enabling us to care about our own and the industry's sustainable development while concentrating on the medical service market.

2.1 Statement of the Board of Directors

We firmly believe that a robust sustainable governance structure is critical to our corporate development. The Group views ESG management as a part of our responsibility. Playing the most important leadership role in the Group, the Board of Directors is ultimately responsible for ESG matters. Its main responsibilities are to supervise ESG risks, review ESG strategy, topics, risk management and performance, and regularly inspect the progress of environmental objectives to ensure that the management approaches effectively serve as the framework of the Group's sustainable development. At the same time, the Board will continue to identify, prioritize and manage key ESG issues in line with the Group's policies, business directions and the relevant concerns of stakeholders at a macro level, and review the Group's own ESG strategic planning and performance as appropriate, with a view to integrating sustainability into our daily operations and working towards sustainable development in all aspects of our operations.

During this year, the Group has also implemented a sustainable management approach in the daily operations. The Board has set out the Group's directional environmental objectives and will continue to monitor the progress of these objectives. In the future, the Board will continuously seek opportunities to enhance performance in terms of ESG, with the aim of creating long-term value for the Group.

2.2 Sustainable Development Governance

We realize that the establishment of a complete ESG structure is an important step for the Group to implement its ESG practice. The Board has authorized and set up an ESG working group to be responsible for ensuring the implementation of the ESG approach in all operating units. The Group has established an ESG governance structure comprising the Board, ESG working group and all function departments, and clarified the responsibilities and duties at all levels through a top-down way. Among them, our ESG working group is led by the management of the Company and consists of the representatives from different departments, reports directly to the Board on the progress of ESG works, and is also responsible for assisting different business departments in implementing ESG measures.

Decision-Making Level
The Board

- Taking responsibility for ESG and climate-related issues' strategy and reporting;
- Formulating the regulatory systems of ESG and climate-related issues, and disclosing the supervision process of the Board such as the discussion process and frequency;
- Resolving and approving the Company's management policies, strategies, plan, goals and annual work on ESG and climate-related issues, including assessment, prioritization and management of major ESG issues, risks and opportunities;
- Reviewing and monitoring the performance and target achievement of ESG and climate-related issues on a regular basis;
- Establishing and monitoring ESG risk management and internal control systems, including the management of climate-related risks;

Coordination Level
ESG Working Group

- Reporting periodically to the Board on ESG and climate-related issues and progress;
- Responsible for reviewing and supervising the Group's ESG and climate-related policies and practices to ensure the Group's compliance with relevant legal and regulatory requirements;
- Constantly tracking and reviewing the progress of ESG and climate-related performance and goal to ensure the proper management and implementation of various ESG issues;
- Coordinating and promoting various departments to implement various ESG and climate-related policies, and to supervise the ESG-related work of various function departments;

Execution Level
All Business Departments

- Organizing, promoting and executing various ESG and climate-related work in accordance with the arrangement, requirement and division of the Company's ESG and climate-related management policies, strategies, plan, annual work and goals;
- Collecting and reporting ESG and climate-related internal policies, systems and ESG-related performance indicators.

2.3 Stakeholder Engagement

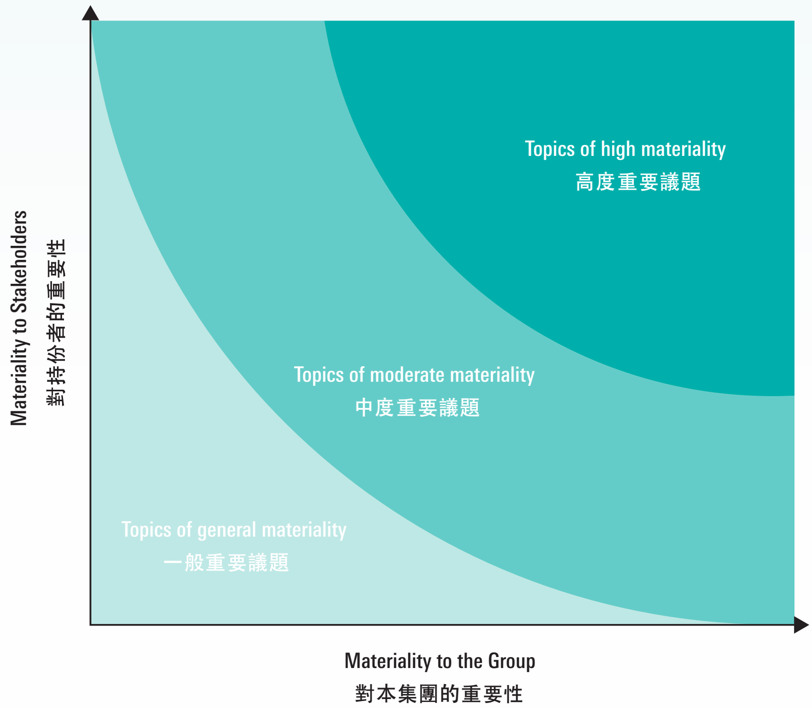
The Group attaches great importance to the views of our stakeholders. We maintain regular communication with them through a wide range of channels to understand their concerns and expectations so as to help us formulate the Group's sustainable development strategy to continuously improve our ESG performance. During this year, we reached out to stakeholders from different sectors, including customers, employees, shareholders and investors, business partners, suppliers, regulatory authorities and the media.

Stakeholders	Major communication and response channels	Main concerning issues
Customers	• Telephone	• High-quality services and products
Shareholders	• Annual general meeting • Interim report and annual report • Corporate communications • Regular announcements • The Company's website	• Corporate Governance • Compliance risk management • Business expansion • Guarantee of rights and interests
Employees	• Employee opinion survey • Work performance appraisals and conversations • Meetings and interviews • Publications (such as employee communications) • Seminars/workshops/lectures • Employee activities • Employee communication conferences • Employee intranet	• Equality and diversity • Evaluation and motivation • Employee rights and benefits • Employee training and development • Open and transparent
Suppliers and business partners	• Supplier management procedures • Supplier/subcontractor evaluation system • Site inspection	• Strengthening cooperation relations • Product quality control • Controlling product costs • Delivery cycle • After-sales service
Government/ regulatory authorities	• Policy documents and guidance • Working meetings • Working reports • Information submission • Seminars	• Medical intelligence empowers public health and population health management • Technology development and innovation • Promoting technological improvement and intelligent development in the medical industry
Community/ non-governmental organizations	• Public benefit activities • Community investment plan • Seminars/lectures/workshops	• Taking part in social welfare • Providing more accessible, inclusive and equitable healthcare services • Raising public health awareness • Promoting technological improvement and intelligent development in the medical industry
Peers	• Strategic cooperation projects • Industry conference or forum	• Promoting technological improvement and intelligent development in the medical industry

2.4 Materiality Assessment

In order to further identify the key aspects of the Company's ESG practice and disclosure, we built material topics database with reference to the disclosure obligations under the Guide issued by the Stock Exchange, the material topics database of relevant industry issued by the Sustainability Accounting Standards Board (SASB) and the ESG issues of concern of our peers, and finally identified 27 material topics applicable to the Group's business after materiality assessment, 9 of which are topics of high materiality, 10 are topics of moderate materiality and 8 are topics of materiality. The following issues are highlighted in this report to reflect our contribution to the ESG work. The results of the materiality assessment have been approved and confirmed by the Board of Directors.

Materiality Matrix
重要性矩陣



Topics of high materiality			
Empowering the healthcare stakeholders	Technology development and innovation	Inclusive healthcare	Optimizing customer service
Information security and data privacy	Intellectual property protection	Compliance risk management	Employee training and development
Waste management			

Medium materiality issues			
Occupational health and safety	Compliant employment	Employee interests and benefits	Equality and diversity in employment
Employee care	Quality and safety assurance of product and service	Responsible marketing and publicity	ESG management
Anti-corruption and establishment of integrity	Business ethics and code of conduct		

General materiality issues			
Customer interests	Public welfare and voluntary service	Anti-monopoly and anti-unfair competition	Responsible procurement
Green office	Use of water resource	Use of energy and resource	Response to climate change

Materiality assessment responses

Neusoft Xikang is a pioneer in the PRC digital healthcare services market, committed to using information technology to drive the healthcare transformation, empowering the medical stakeholders and creating value. We always focus on the control and improvement of service quality. Therefore, we have implemented different measures to optimize product quality, fully fulfilled our obligations to empower the healthcare stakeholders, inclusive healthcare, service quality and safety, and continuously enhanced our independent innovation capabilities. We plan to implement the following strategies and respond to our material issues:

Expand cloud hospital network

- inclusive healthcare

Enrich specialized healthcare services and clinical application settings

- empowering the healthcare stakeholders

Strengthen technological development and data processing capabilities

- technology development and innovation

Improve quality controls of healthcare services

- responsible marketing and publicity
- quality and safety assurance of product and service
- customer interest

Expand cloud hospital network

Neusoft Xikang practices inclusive healthcare and helps the government build and operate a new regional medical infrastructure platform – city-wide cloud hospital platform. We aim to expand the coverage of the cloud hospital platform to other affluent and remote parts of China, to achieve a more efficient distribution of medical resources in the healthcare system. With a complete network of cloud hospital platforms, we closely connect local governments, medical institutions, insurance institutions and patients, and build a new ecosystem of city-level "Internet + Healthcare" services, realizing the rational allocation of healthcare resources and the efficient delivery of medical services.

Enrich specialized healthcare services and clinical application settings

We strengthen our collaborations with medical specialists of different areas at top medical institutions, and continue to develop the portfolio of medical specialty-based processes, systems and programs to cover medical specialties such as diabetes and oncology. Meanwhile, we are also continually exploring the online to offline healthcare services including long-term care management, chronic disease management and elderly care, and expanding our service coverage to insurance and health management services and other service sectors.

Strengthen technological development and data processing capabilities

We strive to explore the road of digital medical services and strengthen the technological development and innovation of the cloud hospital platform. We make use of the integration of big data analytics, AI and blockchain technology into our platforms to further enhance our service capabilities. During this year, we successfully launched the "Ningbo Cloud Hospital platform 4.0", which utilized blockchain technology to promote the integration of regional medical resources, establish health records for patients, and open up health data and explore the value of data.

Improve quality controls of healthcare services

We have continued to improve quality control of healthcare services on our cloud hospital platforms. Through close cooperation with regulatory authorities and professional institutions such as public health agencies, medical associations and nursing societies in major cities, and through enhancing the quality control systems over quality of care, we reinforced the supervision of services rendered through our cloud hospital platforms. Such cooperation further increased the servicing capabilities of primary medical institutions to provide professional, standardized and specialized medical services. The description of how we promote our work in the areas of quality, customer rights, information security, responsible marketing and publicity is set out in the section headed "Business Ethics" below.

3. BUSINESS ETHICS

3.1 Focusing on Quality

3.1.1 Medical Data Quality

We are fully aware that information security is crucial to the Group's long-term business development and corporate reputation. Therefore, the Group strictly complies with the Management Measures of Standards, Safety and Service of National Health and Medical Big Data (Trial)《國家健康醫療大數據標準、安全和服務管理辦法(試行)》and Guiding Opinions on Promoting and Regulating the Application and Development of Healthcare Big Data《關於促進和規範健康醫療大數據應用發展的指導意見》and other laws and regulations related to information security. We have developed such business operation and service codes of conduct as the Information System Authority Management Procedures, Network Backup and Disaster Recovery Specifications, Server Log Management Specifications, Terminal Access Standard Specifications, and Data Access Authority Control Specifications. Our cloud hospital platform is subject to provincial supervision of Internet medical services, including Internet hospital auditing, internet hospital operation supervision, safety and quality control and policy formulation and analysis.

We categorize the incidents according to the severity, controllability and scope of influence of the network information incidents that had taken place. The Operation and Maintenance Security Department needs to report to the team leader immediately, activate the emergency plan, and handle the incident in accordance with the established response methods. After the incident is handled, we will find out the cause of the incident, investigate the liability, raise the security awareness of the staff, and prevent the occurrence of similar incidents. In order to ensure that we can trace back to such issues to analyze and assess the damage, we set up the Server Log Management Specifications and Server Logging Standards, and the operation and maintenance engineers configure and save server logs such as web server logs, operating system logs, database logs, and business logs on the basis of the standards, and the person in charge of the operation and maintenance of servers should evaluate the standards on a regular basis to decide whether there is a need to update them.

We are able to fully protect the confidentiality, integrity and availability of data in cloud environments, and ensure the security and reliability of data storage. We prevented unauthorized access and leakage effectively by adopting encryption and decryption techniques. We introduced an additional identity authentication mechanism for the encryption system so that an attacker can be identified and prevented from accessing the authentic data in a timely manner even if he or she tries to change the access password of an authorized user to carry out an identity forgery attack. We have established a database firewall to enable activities to monitor the database and prevent illegal access to sensitive data such as access to the unauthorized database and SQL injection.

We have instituted information system emergency plans to clearly regulate the disposal of various types of information security incidents, such as cybersecurity attack incidents, equipment malfunction incidents, power supply system blackout, network failure, data loss failure, and information content security incidents. In case of an emergency, we will swiftly activate the information system emergency plans and organize relevant departments to respond to the incident and minimize the impact caused by information system failures.

Personal Information Protection

We are committed to protecting information and privacy of the customers. Therefore, we have established an access control strategy, which includes the principle of least privilege, principle of least leakage, and the multi-level security strategy as its core components. We set up dynamic access control for different scenarios to ensure that employees only have access to limited privileges when handling customer information. We will conduct detailed classification according to employees' roles, responsibilities and the sensitivity of the information required to ensure that employees only have access to information directly related to their work, thereby effectively reducing the risk of data leakage.

During the Reporting Period, the Group was not aware of any laws and regulations that violated any privacy matters and had a material impact on the Group.

3.1.2 Medical Service Quality

To ensure the quality of healthcare delivery, we team up with renowned medical institutions and top medical groups in China to formulate standard medical specialty-based processes and systems of healthcare delivery applicable in areas such as cardiology, obstetrics, pediatrics, oncology and specialized care.

We ensure the high quality and professionalism of Internet medical services. We have strict requirements for the qualifications and experience of nurses. All nurses must have more than five years of work experience, which ensures that they have accumulated a wealth of expertise and skills in care practices. They can not begin to provide Internet medical services until they complete systematic nursing care training organized by medical institutions, so as to ensure that they have the knowledge and skills required to provide remote care services. For certain specialized nursing care projects, nurses are required to obtain relevant certificates after passing academic training and tests approved by medical institutions, which ensures that nurses have in-depth expertise and practical competence in these specific areas. For postpartum rehabilitation, infant rehabilitation and other maternal and child nursing programs, we emphasize that nurses are required to have first-hand nursing experience and relevant nursing qualifications, which ensures that these special groups of patients can get the most appropriate and effective care services.

3.1.3 Medical Device Quality

For our medical device sales business, we mainly purchase medical devices from medical device agents and manufacturers, and have obtained the national medical device registration certificate. We comply with national and industrial regulations such as the Regulations on Supervision and Administration of Medical Devices, and have formulated the Quality Management System for Medical Device Operation. We ensure the quality and safety of medical devices through sales processes including procurement review, warehousing inspection and acceptance, storage and outbound re-check.

We implement the quality management self-inspection system, and conduct inspections and assessments every six months based on the Execution and Assessment Management System for Quality Management System, including reviewing the new cooperative enterprise and newly introduced products, training on the laws and regulations and management systems on medical device, and knowledge of products being sold; handling returned or exchanged products and unqualified products; maintenance, verification and calibration of facilities and equipment; as well as requirements on handling medical device quality complaints, accident investigations, and reports. We will also follow on the quality management for medical devices, collect customers' feedback on product quality, and promptly pass on all kinds of information to the manufacturing enterprises. As a seller, we are fully aware of the importance of the maintenance and repair of medical devices to extend their life cycle and ensure customer safety. Therefore, we have formulated the Equipment Usage and Maintenance System to guide customers on the correct use, preventive maintenance, and reasonable repair of equipment, in order to ensure the normal operation of the equipment, prevent accidents, and extend the useful life of the equipment.

We consistently implement the Regulations on Supervision and Administration of Medical Devices. In all stages of procurement, inspection and acceptance, storage, sales, and after-sales service of products, if quality issues or potential risks are found in any such stage, each supervisory department will exercise veto on quality and ensure that unqualified products can not be gotten on the market. If we cast doubts on the quality of the medical device and need to return it, we will conduct re-inspection according to the purchase and acceptance standards for the products, and make a clear acceptance conclusion and record. The product can be transferred to the area for qualified products only after passing the inspection. If the product is identified as unqualified, it will be moved to the unqualified products warehouse with a clear marking, and disposed of according to the confirmation and disposition procedures for unqualified products. In the event that any adverse event occurs with a medical device, we will immediately conduct an investigation, fill out the Report Form for Adverse Events of Medical Devices, bring it up to the manufacturer and agent, and promptly report to the Medical Device Administration.

During this year, the Group did not recall products due to safety and health reasons[1].

1 In the Group's Digital Pharmacy business, the drugs are provided by the third-party cooperative medical institutions themselves, so such drugs are not applicable to the recall procedures.

3.2 Customer Focus

3.2.1 Guarantee medical services

We are well aware of the importance and particularity of medical services, therefore constantly comply with the requirements of laws and regulations when providing physical medical institutions and Internet diagnosis and treatment services. Our institutions have obtained approval from regional governments after the strict examination and hold the Practicing License for Medical Institution to ensure that every service provided to patients is legality and compliance.

We strictly abide by the Measures for the Administration of Internet Diagnosis and Treatment (Trial) and other relevant regulations, and observe them as the guiding principles for daily operations. When a patient has not conducted preliminary diagnosis in a physical medical institution, there are new changes in his condition, or there is a new change in his or her condition, or there is obvious inapplicability for online diagnosis and treatment, we require the physicians to exert their professional judgment and guide patients to visit the physical medical institutions for in-depth diagnosis and treatment in a timely manner. When conducting Internet diagnosis and treatment activities, we will inform the patients of the risks and obtain their consents.

In addition, our prescription drug information also strictly abides by the requirements of laws and regulations such as the Measures for the Supervision and Administration of Online Pharmaceutical Transactions, and all advertisements for pharmaceutical products and medical devices have been approved by the National Medical Products Administration (NMPA) or its competent branches, and such advertisements shall specify the approval document number.

3.2.2 Sales of Compliant Devices

We shoulder the responsibility of responsible marketing and publicity for product sales. We have formulated the Medical Device Sales Management System 《醫療器械銷售管理制度》 to ensure that medical devices are sold to legally qualified units, that the medical devices sold are traceable, and that the responsible party for after-sales service is determined. We record the details of the medical devices and obtain the Medical Device Operation License from the agents. When marketing and promoting medical devices, we ensure that they comply with the instructions for use of medical devices approved by the national medical device supervision and management departments. We should not falsely exaggerate the therapeutic effects of medical devices, and shall correctly guide users to use the marketed medical devices.

In addition, we ensure the authenticity of the information about the products sold. In the process of warehouse acceptance of medical devices, we will check whether the labels and packaging marks of medical devices specify: product data specifications, manufacturer data, product production date or batch number (serial number), medical device registration certificate number, product standard number, expiration date, performance, etc. We will comply with the requirements of national laws and regulations on advertising. When promoting medical devices for marketing, the relevant contents must comply with the instructions for use of medical devices approved by the national medical device supervision and management departments, and shall not be exaggerated.

During this year, the Group did not receive any complaints about advertisements and labelling of products and services.

During the Reporting Period, the Group was not aware of any legal and regulatory matters that violated the health and safety, advertising and labelling of products and services and had a significant impact on the Group.

3.2.3 Optimizing Customer Services

In order to establish long-term and good customer relationships, the Group is committed to providing customers with quality services. We have standardized customer service management procedures and formulated the Neusoft Xikang Quality Complaint Management Regulations《東軟熙康質量投訴管理規定》, the Telephone Service Quality Inspection Specifications《電話服務質檢規範》, the Telephone Customer Service Officer Performance Plan《電話客服專員績效方案》, the User Access and Complaint Management System《用戶訪問、投訴管理制度》to clarify the principles for handling customer complaint, responsible departments and division of department responsibilities to ensure that customer complaints are properly handled.

In terms of product quality, we attach great importance to customer feedback. Through the establishment of the customer visit system, we conduct door-to-door visits from time to time, distribute written questionnaires, and make full use of various business opportunities to actively collect customers' opinions and suggestions on the quality of our products and services. Every piece of feedback from our customers is very important to us, and we will record and timely give these valuable comments to the relevant department leaders, so that we can continue to improve and enhance the quality of services.

In terms of service quality, we use a quality inspection mechanism to comprehensively evaluate the performance of our customer service officer. Through the quality inspection of the recording samples, we objectively evaluate from the three dimensions of professionalism, to what extent the complaint is resolved and attitude to ensure that each customer service officer has sufficient professional knowledge and problem-solving ability.

If a complaint is received, we will immediately follow up with the event, promptly communicate with the affected customer to investigate and research, and provide feasible remedial measures and give a response immediately without delaying until the next day. We will also conduct a comprehensive analysis of the customers' feedback, examine the reasons of the complaints, discuss practical remedial measures and continuously improve the services we provide to prevent the recurrence of similar situations.

During this year, the Group did not receive any complaint cases in relation to products and services.

3.3 Supply Management

The Group emphasizes on the quality of supply and also particularly pays attention to the development of suppliers. We have formulated supplier management systems such as the Procurement Management System, the Regulations on Supplier Management and the Inventory Management System. We promote the sustainable development of supply chain and ensure that the supply meets our pursuit of quality.

The suppliers of the Group can be broadly grouped into three categories, namely medical, non-medical and engineering. According to the different types of suppliers, we have different selection criteria and the introduction of suppliers must be subject to approval before cooperation can be initiated. Non-medical suppliers are required to possess business licences, while medical suppliers are required to possess not only business licences, but also medical-related permits, such as production, operation and licences, and engineering suppliers, in addition to basic business licences, are also required to provide other relevant certificates according to the nature of the project, such as production safety permits and project qualification documents. Priority selection will be given to the suppliers with other relevant certificates such as Quality Management (ISO 9000), Environmental Management (ISO 14000) and Occupational Health and Safety Management (ISO 18000).

We regularly evaluate qualified suppliers, and the evaluation criteria are divided into four areas, including quality, cost, delivery/project schedule and service. There are four grades according to the evaluation results, namely A, B, C and D. The shares of purchasing new products and original materials by suppliers with a grade of C will be reduced, while suppliers with a grade of D will be disqualified from supplying. For some of our core suppliers, where the products supplied by them are found defective or complained about by customers, we will regularly conduct on-site reviews. During this year, we reviewed 21 suppliers.

During this year, the Group had a total of 348 suppliers, all of which are from the Mainland, providing products and services such as system integration, network service software and hardware, reagent consumables, drug and health care products and medical devices.

In order to implement the development of sustainable supply, in the contract, we require that the products supplied by the suppliers shall meet the national requirements on environmental protection, and also need to incorporate environmental protection considerations in transportation, which shall comply with the national standards for the environmental protection industry, and we will also prioritize the suppliers with low carbon emissions. We will strengthen our collaboration with suppliers, including establishing communication channels and promoting the message of sustainability, and we will also actively collaborate with the suppliers to manage the carbon footprint of the supply chain and encourage the suppliers to reduce carbon emissions.

4. Compliance Operation

We focus on compliance in business operations and are committed to implementing various measures to ensure compliance with regulatory requirements and ethical standards. In addition to quality requirements, we have also formulated measures and policies in terms of anti-corruption, intellectual property and supply chain management, so as to protect the interests of other partners other than patients and customers, and promote the development of new medical technologies together.

4.1 Operating with Integrity

The Group strictly complies with the Audit Law of the People's Republic of China, the Regulations on the Implementation of the Audit Law of the People's Republic of China, the Regulations of the National Audit Office on Internal Auditing, the Basic Standards for Enterprise Internal Control, the Basic Rules for Internal Auditing and specific standards, and requirements of other laws and regulations. We have formulated various policies, such as the Administrative System of Reporting and Monitoring, the Internal Audit System, the Supervision and Compliance Management System and the Code of Business Conduct. Employees are required to comply with all requirements of compliance operation, and are not allowed to engage in bribery or solicitation of bribery in cooperation with third parties. Employees shall pay attention to avoid conflict of interest, if a situation of possible conflict of interest is identified, employees should make a declaration to the Company in advance and wait for the Company's consent before proceeding.

The Group has established a compliance and internal audit system, the compliance management includes the identification, assessment, monitoring and reporting of compliance risks. We evaluate the compliance risk management capability and effectiveness of each department through regular internal assessments, and if any violations are identified, relevant departments are required to deal with the relevant issues in a timely manner. The compliance officer will also maintain day-to-day working relationship with external regulatory authorities, convey regulatory rules and requirements, and follow up and monitor the implementation of the relevant rules. The Group regularly conducts internal audit programs, and the audit team of business development department is responsible for the audits, which conducts audit evaluation and supervision on the legality of operating activities, the accuracy of financial revenues and expenditures, and the soundness of internal controls. We will classify the audit results by severity and provide kind opinions on internal control. The audit unit will conduct follow-up inspection on the issues identified, so as to ensure the corrective actions taken are effective.

We have set up an anti-fraud reporting hotline, employees or any entity which has cooperation relationship with the Group may whistle-blow to the Group through this channel. We ensure that any whistleblower will be protected against any discrimination or retaliation. The internal audit department will investigate all whistle-blowing and any person accessing the reported information is required to be registered, so as to ensure the confidentiality of the information. If any violations are identified after investigation, we will take appropriate measures against the offenders, and if criminal law is involved, we will notify the judiciary for processing.

In order to establish an anti-corruption culture in the Group, we provide anti-corruption trainings for our Directors. During this year, we have provided our Directors with listing compliance trainings. New employees will participate in anti-corruption trainings and sign a code of conduct during their onboarding process. We will provide anti-corruption trainings for our employees in the coming year.

During the Reporting Period, we did not receive any new lawsuits or identify any cases of corruption, bribery, extortion, fraud and money laundering against the Group or employees.

4.2 Intellectual Property

We respect intellectual property and strictly abide by the requirements of the Copyright Law of the PRC, the Patent Law, the Trademark Law, Regulation on the Protection of the Right of Communication to the Public on Information Networks, the Regulations on the Protection of Computer Software, the Measures for the Administration of Internet Domain Names and the Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Internet Information Services. The employees are required to keep the intellectual property that they have access to at work confidential and sign confidentiality agreements. The employees shall not misappropriate or encroach on the Company's intellectual property assets, leak to third parties in any form, or copy, store or modify any confidential information without the Company's authorization. We have also formulated a "Management System on Genuine Business Software", which stipulates that employees are required to use genuine software, otherwise, they must uninstall it immediately. Genuine software used by departments shall be purchased in a unified manner, and employees are prohibited from installing unauthorized software without authorization, or uploading, copying, selling or granting genuine software without authorization.

During this year, in terms of the intellectual property, the Group had registered a total of 149 software, nine art copyrights and four trademarks, etc.

5. ESTABLISHMENT OF A COMPETENT TEAM

Employees are fundamental for enterprises and their development. Neusoft Xikang protects the basic rights of employees and safeguards the legitimate rights and interests of each employee, and is committed to building a harmonious and trusting employment relationship. We establish a fair and friendly working environment, protect the health and safety of our employees, support their development, and build a united and positive team.

As of December 31, 2023, the Group had a total of 962 employees. The following table shows the distribution of the Group's employees by gender, employee category, age and regional group for this year:

Employee Distribution	Unit	Number of Employees
By Gender		
Female employees	Number of people	645
Male employees	Number of people	317
By Employee Category[2]		
Full-time junior employees	Number of people	910
Full-time middle management	Number of people	45
Full-time senior management	Number of people	7
By Age Group		
Employees aged below 30	Number of people	200
Employees aged 30 to 50	Number of people	630
Employees aged above 50	Number of people	132
By Region		
Northern China region	Number of people	6
Northeast China region	Number of people	397
Eastern China region	Number of people	367
Central China region	Number of people	119
Northwestern China region	Number of people	56
Southern China region	Number of people	17

2 No part-time employees were employed by the Group for this year

5.1 Compliant Employment

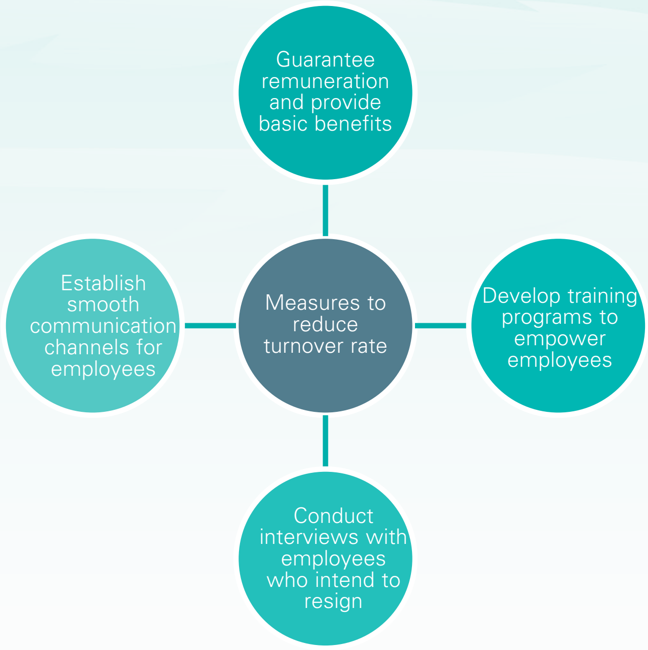
The Group strictly complies with the Labor Law of the People's Republic of China, the Labor Contract Law of the People's Republic of China, the Law on Protection of Minors and the Provisions on the Prohibition of Using Child Labor, and other laws and regulations relating to labor and employment. In the Employee Handbook, we have clearly specified and described a series of issues relating to employment, remuneration and dismissal, working hours, work practices, staff development, performance appraisal, holidays, equal opportunities, prevention of using child labor and forced labor and welfare, etc., so as to ensure that our employees are protected in terms of their career development, treatment and welfare.

Recruitment and employment management

The Group adopts the principle of "openness and fairness, standardized operation, and merit-based recruitment" in accordance with the Recruitment and Employment Management System. We take into account the professional knowledge and skills, comprehensive qualities, style and characteristics, professional qualities of the candidates and conduct a uniform selection process, so that all candidates can enjoy equal employment opportunities regardless of their gender, age, nationality and race. Each year, the Group formulates its human resources planning for the following year in accordance with the Company's annual development strategy and business objectives. The Human Resource Department conducts recruitment through external and internal channels in accordance with the plan. External channels include online recruitment, job fairs, etc. Internal channels include internal competitions and internal recommendations, etc. The Human Resource Department will conduct interviews with the preliminarily shortlisted candidates, and the candidates will also be arranged to interview with the person in charge. Only candidates who pass the interview and obtain approval from the relevant person in charge can be hired.

We are strongly opposed to any child labor and forced labor. When employees join us, we will conduct background checks and require them to provide their identity cards for age verification, so as to eliminate the employment of child labor at source; at the same time, we reserve the right to require employees to provide personal information such as academic qualifications and work experience. If any violation is found, the Group has the right to terminate the labor contract immediately. We have set up a working hour system for our employees. Employees who need to work overtime are required to submit an application and are allowed to do so only after approval, and we will compensate them with overtime pay or time off in lieu for overtime work. During this year, we did not employ any child labor or forced labor.

We sign a legally binding employment contract with each employee to protect the rights and responsibilities of both employers and employees, including regular working hours. We also respect our employees' decision on staying or leaving. In term of employee separation, we follow the Group's internal operating procedures and the relevant national regulations to handle the departure procedures, understand the reasons behind the departure, and then arrange for the job handover and continue to optimize the Group's operating mechanism.



During the Reporting Period, the Group did not violate any laws and regulations relating to remuneration and dismissal, recruitment and promotion, working hours, equal opportunities, diversity, anti-discrimination, etc., and there was no case of non-compliance relating to the hiring or employment of child labor or forced labor.

Employee Remuneration Management

The Group has established a Remuneration Management System that is fair and sustainable, while rewarding employees for their performance and personal growth to stimulate their potential. These measures include, but are not limited to performance pay, annual bonuses and welfare cash gifts. We will confirm whether to make salary adjustments annually based on the results of performance appraisals, competency assessments, overall performance of the Company and the level of competitiveness of the overall salary market.

The Group has a Performance Management System, which is conducted in different forms on an annual/semi-annual/quarterly/monthly basis to objectively reflect the performance of our employees, promote the improvement of their performance and the development of their personal capabilities, and enhance their work efficiency. Based on the results of performance appraisals, we make salary adjustments, performance pay, job transfer, promotion and advancement to our employees to motivate other employees to strive for better performance.

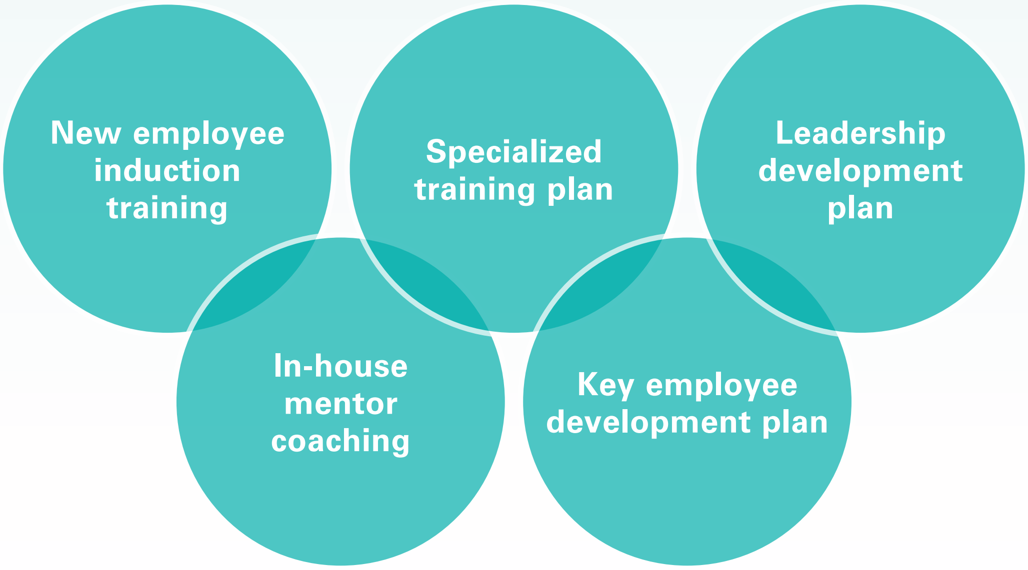
In addition, we provide all eligible employees with various social security in accordance with national laws and regulations, including basic medical insurance, basic pension insurance, unemployment insurance, employment injury insurance, maternity insurance, housing provident fund and supplementary commercial insurance. At the same time, our employees are entitled to statutory holidays, sick leave, annual leave, marriage leave, maternity leave, nursing leave and other holidays.

During the Reporting Period, the Group did not discover any violations of laws and regulations regarding holidays and other benefits that would have a significant impact on the Group.

5.2 Enabling Talent Development

The Group cares about and attaches great importance to the vocational training and development of our employees. We are committed to setting up a plan for the personal development of each employee to enhance his/her working ability. We have formulated a series of training programs and plans to standardize and promote systematic training and continuously explore the potential of our employees, aiming to provide career development opportunities for employees in different positions.

The trainings we organized included:



Training type	Training content
New employee induction training	• Help new employees understand the Company's general situation of development and rules and regulations, and understand and identify with our corporate culture
In-house mentor coaching	• Assign a mentor to each new employee to guide him/her in acquiring necessary knowledge and skills
Specialized training plan	• Carry out specialized trainings for different groups of people, such as sales capacity improvement, research and development, general ability, and medical care capacity improvement
Key employee development plan	• Provide more development opportunities and exchanges by formulating personalized development plans (such as high-level attention, mentor coaching, peer exchanges, specialized training, etc.)
Leadership development plan	• Leadership development maps support critical junctures along the career ladder • Help employees reorganize their values in all areas of life and comprehensively improve productivity and leadership

During the Reporting Period, all employees of the Group received various types of trainings. The chart below shows the training of employees:

Training of employees		**Average training hours (hours)**	**Percentage of employees trained (%)[3]**
By gender	Female employees	7.45	89.15
	Male employees	7.48	82.65
By employee category	Full-time junior employees	7.72	86.26
	Full-time middle management	3.13	100.00
	Full-time senior management	1.00	100.00

5.3 Providing Safety and Health Support

Workplace health and safety is an integral part of business operations. We strictly abide by the state laws and regulations such as the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, Law of the People's Republic of China on Work Safety, the Fire Control Law of the People's Republic of China, the Provisions on the Supervision and Administration of Occupational Health at Workplaces and the Regulations on Work-related Injury Insurance, striving to establish a safe and healthy workplace environment.

We prohibit anyone from smoking in the Group's workplaces and provide employees with necessary protective equipment. In addition to the management's supervision of the working environment, employees are required to observe labor discipline, comply with the rules and regulations, and receive necessary education and training during their working hours. We also provide general safety education to new employees, including the Company's safety regulations and emergency measures, so that employees have a basic understanding of occupational safety and minimize the chance of injury. Employees working in radioactive environment are required to be licensed and receive occupational health check-ups by designated professional medical and health organizations during work, when leaving work or in emergency, as well as training on protection regulations and professional and technical knowledge. If employees identify potential safety hazards in the workplace, equipment, etc., they should immediately report to their direct supervisors, follow the unified command of professionals or designated personnel of the Company and evacuate to the designated location in an orderly manner according to the evacuation requirements.

During the Reporting Period, the Group was not involved in any violation of any relevant laws and regulations on the provision of a safe working environment and the protection of employees against occupational hazards, nor did it receive any reports on the number of working days lost as a result of occupational injuries, or the occurrence of employees' deaths arising out of their work relationships in the past three years.

3 Percentage of trained employees: number of employees trained in this category ÷ number of staff in this category at the end of the year × 100%

Employee Communication and Activities

Neusoft Xikang attaches great importance to the opinions of employees, and promotes communication and collaboration between all departments of the Company to achieve barrier-free communication. We have set up open communication channels for employees, including interviews, meetings, written and online communication, etc. to understand their expectations for the Group.

Monthly "Department Communication Meeting"

- Managers of each department should conduct regular monthly communication with employees in their departments

Quarterly "Senior Management Face-to-Face"

- Senior management of each business line have regular face-to-face communication with employees of the business lines which they are responsible for every quarter

Semi-annually "President Reception Day"

- Hold 1-2 sessions regularly every half a year
- Collect the effective work-related issues and suggestions reported by employees and hand over to the relevant departments, keep track of the implementation and feed the implementation results back to the president.

In addition to close communication with our employees, we also hold a number of activities for employees to enhance cooperation and communication among our employees, which could at the same time alleviate the work pressure of our colleagues, relax body and mind, and increase the cohesion of the Company. During this year, we organized activities such as "Still retain childlike, to be with you"(童心未泯，與你『童』行), "Endless learning, pay tribute to teachers" (弦歌不輟，禮頌師恩) and "928 listing, warm afternoon tea"(928上市，暖心下午茶).

Still retain childlike, to be with you

During this year, we hold the activity "Still retain childlike, to be with you" to regain the happiness of Children's Day for all our grown-up friends, where they can play childhood games, enjoy childhood snacks, and feel like they have returned to their carefree childhood, allowing employees to release their stress from work and life.

"Still retain childlike, to be with you"

6. CREATING A GREEN ENVIRONMENT

As a pioneer in the digital healthcare services market in the PRC, the Group actively implements energy-saving and environmental protection measures to mitigate the impacts on the environment during our operations. Therefore, the Group strictly complies with the Environmental Protection Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China, the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution, the Regulations on the Administration of Medical Wastes, the Measures for Medical Wastes Management of Medical and Health Institutions and the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Wastes and other laws and regulations. The Group's operating activities are mainly concentrated in our offices and our own health management centers. We do not hold any data centers and the data used in our cloud hospital services are stored in public or private cloud servers. We understand that energy consumption is closely related to the emission of greenhouse gases, and therefore we have formulated policies for energy saving and appointed a dedicated energy conservation administrator. We promote the concept of green management and spread the idea of green development in a timely manner.

During the Reporting Period, the Group was not aware of any cases of violation of environmental protection laws and regulations.

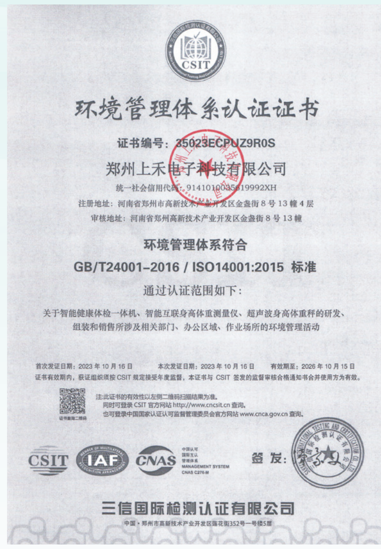
We have set directional objectives:

Objectives	
Greenhouse gas emissions and energy use efficiency	Reduce electricity consumption and greenhouse gas emissions by 5% of our self-owned medical institutions based on consumption in 2022
Water efficiency	Reduce water consumption by 5% of our self-owned medical institutions based on consumption in 2022
Reduce waste	Taking 2022 as the baseline year, reduce the average medical waste per service of our self-owned medical institutions by 2% to 5% by 2028

The Group is committed to the implementation of environmental management system. The environmental management system has been implemented in a number of subsidiaries, affiliates and consolidated affiliated entities, and has obtained certification of relevant management systems.


ENVIRONMENTAL MANAGEMENT SYSTEM CERTIFICATION
Certicate NO :97722E0005R0S
This is to certify that
Guangzhou Zhongxiang Information Technology Co., Ltd.
Unifed social credit code: 91440101MA5CLB7H5N
Registered Address: One of the 5th Floor, No. 8, No. 2 Road, Zhongsi Industrial Development Zone, Zhongsi Village, Zhongcun Street, Panyu District, Guangzhou
Business Address: One of the 5th Floor, No. 8, No. 2 Road, Zhongsi Industrial Development Zone, Zhongsi Village, Zhongcun Street, Panyu District, Guangzhou
The Established Environmental Management System Accords With:
GB/T24001-2016/ISO14001:2015
Scope of certification:
Environmental management involved in the production of all-in-one machines (information technology equipment) within the scope of CCC qualifications
Date of issue: May 10, 2022
Valid until: May 09, 2025
Lssuer:
Zhongan Certification Technology (Guangdong) Co., Ltd


环境管理体系认证证书
证书号:21421E0082R0S
兹证明
广州喜仕达信息科技有限公司
建立的环境管理体系符合标准
GB/T 24001-2016/ISO 14001:2015
认证范围：资质许可范围内的液晶一体机的生产及相关管理活动。
发证日期: 2021/11/04
有效期至: 2024/11/03
首次发证: 2021/11/04


环境管理体系认证证书
郑州上禾电子科技有限公司
环境管理体系符合
GB/T24001-2016 / ISO14001:2015 标准
通过认证范围如下：
三信国际检测认证有限公司

Environmental Management System Certification (GB/T24001-2016/ISO 14001:2015)

6.1 Energy and Greenhouse Gas Consumption

We will further reduce energy consumption in our daily work, and promote green and low-carbon initiates in the Company and various local healthcare management centers by implementation of the green environment concept, vigorous promotion of online offices and transformation to an intelligent operation model. The Group's energy consumption was mainly attributable to daily operation of offices and self-operated healthcare management centers. During the Reporting Period, our electricity consumption was 1,998,949.00 kWh, while the electricity consumption density was 3,717.59 kWh per RMB million of revenue and 2,292.37 kWh per employee. We arrange property security guard to switch off lighting, air-conditioning and other power supplies according to the pre-set schedule, monitor the power consumption continuously, and review the relevant measures in a timely manner, so as to improve effectiveness and minimise the impact on environment and natural resources.

Our greenhouse gas emissions primarily come from electricity consumption in our offices. We conduct greenhouse gas review for the Group in accordance with *the Greenhouse Gas Protocol* 《溫室氣體盤查議定書》 developed by World Resources Institute (世界資源研究所)and World Business Council for Sustainable Development (世界可持續發展工商理事會) and the ISO14064-1 established by International Organization for Standardization (國際標準化組織). During the Reporting Period, the summary of greenhouse gas emissions was as follows:

Greenhouse Gas (GHG) Emissions	Unit	2023
Direct GHG emission (Scope 1)	tonnes CO_2e	42.85
Indirect GHG emission (Scope 2)	tonnes CO_2e	1,140.00
Total GHG emission (Scope 1&2)	tonnes CO_2e	1,182.85
Density of GHG emission (per RMB million of revenue) (Scope 1&2)	tonnes CO_2e/RMB million of revenue	2.20
GHG emission per employee (Scope 1&2)	tonnes CO_2e/employee	1.36
Energy consumption		
Consumption of purchased electricity	kWh	1,998,949.00
Consumption intensity of purchased electricity (per RMB million of revenue)	kWh/RMB million of revenue	3,717.59
Consumption of purchased electricity per employee	kWh/employee	2,292.37

Scope 1: Greenhouse gas emissions generated from all sources owned and controlled by the Group, including the use of refrigerants.

Scope 2: Greenhouse gas emissions incurred by electricity generation, heating and cooling, or vapours purchased by the Group from external sources, including electricity consumption in the operation of the Group.

6.2 Water Resources Management

The Group is concerned about the use of water resources and further reduces the consumption of water resources in its operation, and we have not encountered any issues relating to access of water resources. During the Reporting Period, our total water consumption was 14,776.00 litres, with the water consumption intensity of 16.95 litres per employee and 27.48 litres per RMB million of revenue. We take various measures to avoid water wastage, including conducting leakage testing on water pipes to avoid potential water wastage, arranging for workers to repair leaking water taps in time, and putting up posters about the culture of cherishing water to remind everyone to turn off water taps completely after use.

6.3 Waste Management

We deal with the disposal of medical wastes in strict accordance with the requirements of laws and regulations. Each healthcare management center is required to classify various medical wastes (including infectious wastes, damaged wastes, chemical wastes, pathological wastes and pharmaceutical wastes) according to the requirements, and then put them in garbage bags and seal. We will label the information of the wastes on the sealed garbage bags and hand them over to qualified medical wastes processors for disposal. Where there are any sharps, they are required to be placed in a special sharps box and transported by hand. Each health management center is required to do a good job of handing over medical wastes with processors and keeping records.

We recognize the importance of waste reduction at the source, and therefore advocate the reuse of waste paper and to use duplex printing as much as possible. We are gradually implementing paperless systems through adopting systems such as OA system, and reducing wastes generated in our daily operation through recycling or reuse. Local health management centers should strictly implement the medical wastes sorting management, place garbage cans for medical wastes sorting according to the requirements, and dispose of medical wastes in accordance with local medical wastes recycling requirements. In addition, we plan to continuously raise employees' awareness for environmental protection and consider the resources and materials we use in our daily operation. We also plan to continuously improve our waste management procedures, promote recycling programs, seek alternative ways to dispose of and reduce wastes in an environmentally friendly manner, and reuse materials as much as possible.

As the Group's businesses do not involve packaging materials used in finished products, during the Reporting Period, we generated a total of 240,626.40 kilograms of non-hazardous wastes, with 447.51 kilograms per RMB million of revenue, and generated medical wastes of 32,602.00 kilograms, with average amount of medical wastes generated of 0.06 kilograms per service.

6.4 Responding to Climate Change

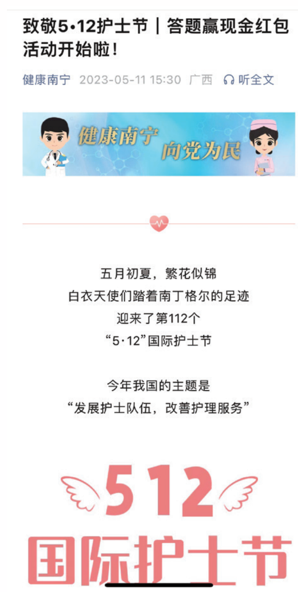
In the face of current global challenge of climate change, the Group is acutely aware of the risks posed to corporate operations. To this end, we have taken a variety of measures to respond to climate change in identifying, assessing and managing climate change risks. This helps us systematically identify actual risks and transition risks related to climate change so that we can develop responses. Through these measures, we expect to create lasting value for our employees, shareholders and society even in the context of climate change. We regularly track the latest changes in requirements, review the effectiveness of climate change policies and measures, and study the inclusion of environmental factors in business decisions to promote and support the fight against climate change.

Risk types	Potential consequences	Mitigating actions
Acute risks - Frequent occurrence of extreme weather such as storms and typhoons	• Causing damage to equipment and affecting operations; • Impacting the safety of employees; • Interruption or instability of network services caused by unstable power supply.	• Conducting regular drills; • Enhancing the protection of equipment; • Purchasing insurance for equipment and transferring risks; • We have formulated the policy of the Network Backup and Disaster Recovery Specifications and devised emergency response plans of information systems under extreme weather; • Making a backup of the data.
Chronic risks - continuous high temperature	• The increased demand for refrigeration of equipment has led to an increase in operating costs;	• Developing energy-saving measures to reduce energy use.
Transition risks – policy and regulation risks	• The implementation of stricter environmental regulations will increase compliance costs.	• Strict compliance with related environmental regulations; • Keeping up to date with the latest environmental regulations.

7. CONTRIBUTION TO SOCIETY

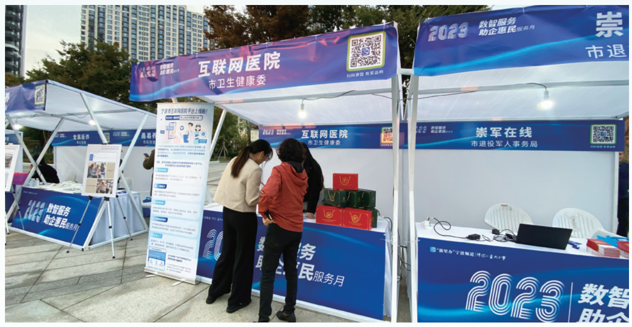
The Group recognizes the importance of giving back to society in promoting social development. As a builder and operator of urban cloud hospitals in China, Neusoft Xikang continues to promote new healthcare services ecosystem innovations such as "Internet + Medical Service" and "Internet + Care Service", allowing medical services to move from offline to online, from in-hospital services to out-of-hospital services, from in-ward service to home care service, and from an ordinary nurse-patient relationship to a more harmonious relationship. Over the past year, continually leveraging our advantages in technology and operation, we fulfilled corporate social responsibility by supporting medical aid and patient assistance, joining hands with local governments and hospitals to offer voluntary medical consultation for nursing homes, schools and other institutions, and providing free-of-charge online medical consultation. We proceeded with the promotion of health-related charitable undertakings by providing our public welfare resources. During this year, 150 of our employees participated in community activities.

During International Women's Day on March 8, International Nurses Day on May 12 and other holidays and festivals, we provided public service consultation and home care and free medical services for citizens in Nanning. During International Women's Day, we cooperated with the Nanning Municipal Health Commission and other institutions to carry out the "Public Consultation with Famous Medical Experts (名醫專家公益諮詢)" activity to care for urban women and care for women's health. During the International Nurses Day, we cooperated with the Nanning Municipal Health Commission and other institutions to carry out the Nurses Day activity with the theme of "Salute to Nurses and Deliver Warmth through Services (致敬白衣天使服務傳遞溫暖)", which popularized nursing knowledge and health education among all citizens in Nanning through nursing knowledge contests with prizes, and provided free home care and free medical services for some citizens.



International Nurses Day on May 12 "Salute to Nurses and Deliver Warmth through Services"

In last November, we jointly carried out the "Digital Smart Healthcare (數智醫療)" Internet Hospital Experience Event (互聯網醫院體驗活動) with the Health Commission and other departments, so that the citizens can fully understand and experience the convenience and inclusive value of digital healthcare brought for patients. At the event, our staff answered all kinds of enquiries for the public enthusiastically and carefully, and the citizens who participated in the event said that the digital healthcare experience had made it more convenient for the public to see a doctor. In the same month, we also jointly carried out the "Digital Healthcare into Campus with Free Medical Services Event (數字醫療進校園義診活動)" with the First Affiliated Hospital of Ningbo University, through which we helped students to solve the problems of reaching out for medical services such as consultations, diagnoses and treatments at school without leaving the school, provided high-quality medical security for students practically, cared for and safeguarded the health of every student.



"Digital Smart Healthcare" Internet Hospital Experience Event

"Digital Healthcare into Campus with Free Medical Services Event"

APPENDIX I: SUMMARY OF SUSTAINABLE DEVELOPMENT DATA

Environmental Aspect	Unit	2023
Greenhouse Gas (GHG) Emissions[4]		
Direct GHG emission (Scope 1)	tonnes CO_2e	42.85
Indirect GHG emission (Scope 2)	tonnes CO_2e	1,140.00
Total GHG emission (Scope 1&2)	tonnes CO_2e	1,182.85
Density of GHG emission per RMB million of revenue (Scope 1&2)	tonnes CO_2e/RMB million of revenue[5]	2.20
Density of GHG emission per employee (Scope 1&2)	tonnes CO_2e/employee	1.36
Energy consumption		
Consumption of purchased electricity	kWh	1,998,949.00
Consumption of purchased electricity per RMB million of revenue	kWh/RMB million of revenue[5]	3,717.59
Consumption of purchased electricity per employee	kWh/per employee	2,292.37
Water Consumption		
Total water consumption	m^3	14,776.00
Water consumption per RMB million of revenue	m^3/RMB million of revenue[5]	27.48
Water consumption per employee	m^3/employee	16.95
Paper Consumption		
Total paper consumption	kg	23,939.73
Paper consumption per employee	kg/employee	27.45
Waste Generated		
Total non-hazardous waste generated	kg	240,626.40
Non-hazardous waste generated per employee	kg/employee	275.95
Total medical waste generated	kg	32,602.00
Average medical waste generated per service	kg/employee	0.06

4 GHG emissions calculation calculated the Group's GHG emissions with reference to "How to Prepare an ESG Report – Appendix 2: Reporting Guidance on Environmental KPIs" from the Stock Exchange.

5 Revenue data are from the 2023 Annual Report.

Social Aspect	Unit	2023
Number of Employees		
Total number of employees	Number of people	962
Number of Employees (By Gender)		
Female	Number of people	645
Male	Number of people	317
Number of Employees (By Employee Category)		
Full-time junior employees	Number of people	910
Full-time middle management	Number of people	45
Full-time senior management	Number of people	7
Number of Employees (By Age Group)		
Below 30	Number of people	200
31-50	Number of people	630
Above 50	Number of people	132
Number of Employees (By Region)		
Northern China region	Number of people	6
Northeast China region	Number of people	397
Eastern China region	Number of people	367
Central China region	Number of people	119
Northwestern China region	Number of people	56
Southern China region	Number of people	17
Turnover Rate[6]		
Total turnover rate of employees	%	32.21
Turnover Rate of Employees (By Gender)		
Female	%	32.03
Male	%	32.55
Turnover Rate of Employees (By Age Group)		
Below 30	%	41.52
31-50	%	29.13
Above 50	%	29.79

6 The calculation method of turnover rate for different categories of employees: number of departed employees in such category ÷ (number of departed employees + number of employees in such category at the end of the year) × 100%

Social Aspect	Unit	2023
Turnover Rate of Employees (By Region)		
Northern China region	%	57.14
Northeast China region	%	33.16
Eastern China region	%	32.66
Central China region	%	30.41
Northwestern China region	%	20.00
Southern China region	%	32.00
Occupational Health and Safety		
Number of work-related fatalities occurred in each of the past three years including the Reporting Period	Number of people	0
Rate of work-related fatalities occurred in each of the past three years including the Reporting Period	%	0.00
Number of lost days due to work injury	Day(s)	0
Development and Training		
Percentage of Employees Trained, By Gender[3]		
Female	%	89.15
Male	%	82.65
Percentage of Employees Trained, By Employee Category		
Full-time junior employees	%	86.26
Full-time middle management	%	100.00
Full-time senior management	%	100.00
Average Hours of Training for Employees, By Gender		
Female	Hour(s)	7.45
Male	Hour(s)	7.48
Average Hours of Training for Employees, By Employee Category		
Full-time junior employees	Hour(s)	7.72
Full-time middle management	Hour(s)	3.13
Full-time senior management	Hour(s)	1.00

Appendix II: Content Index of the Environmental, Social and Governance Report Guide

Indicator Contents			Relevant Chapter
A. Environmental Scope			
A1: Emissions	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	6. Creating a Green Environment
	A1.1	The types of emissions and respective emissions data.	Appendix I: Summary of Sustainable Development Data
	A1.2	Direct (Scope 1) and energy indirect (Scope 2) total greenhouse gas emissions and intensity.	Appendix I: Summary of Sustainable Development Data
	A1.3	Total hazardous waste produced and intensity.	Appendix I: Summary of Sustainable Development Data
	A1.4	Total non-hazardous waste produced and intensity.	Appendix I: Summary of Sustainable Development Data
	A1.5	Description of emissions target(s) set and steps taken to achieve them.	6. Creating a Green Environment
	A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	6. Creating a Green Environment
A2: Use of Resources	General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	6. Creating a Green Environment
	A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total and intensity.	Appendix I: Summary of Sustainable Development Data
	A2.2	Water consumption in total and intensity.	Appendix I: Summary of Sustainable Development Data
	A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	6. Creating a Green Environment
	A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	6. Creating a Green Environment
	A2.5	Total packaging material used for finished products and with reference to per unit produced.	Not applicable to the Group

Indicator Contents			Relevant Chapter
A3: The Environment and Natural Resources	General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	6. Creating a Green Environment
	A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	6. Creating a Green Environment
A4: Climate Change	General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	6.4 Responding to Climate Change
	A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	6.4 Responding to Climate Change
B1: Employment	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	5. Establishment of a competent team
	B1.1	By gender, employment type, age group and geographical region.	Appendix I: Summary of Sustainable Development Data
	B1.2	Employee turnover rate by gender, age group and geographical region.	Appendix I: Summary of Sustainable Development Data

Indicator Contents			Relevant Chapter
B2: Health and Safety	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	5.3 Providing Safety and Health Support
	B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	5.3 Providing Safety and Health Support; Appendix I: Summary of Sustainable Development Data
	B2.2	Lost days due to work injury.	5.3 Providing Safety and Health Support; Appendix I: Summary of Sustainable Development Data
	B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	5.3 Providing Safety and Health Support
B3: Development and Training	General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	5.2 Facilitating Talent Development; Appendix I: Summary of Sustainable Development Data
	B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Appendix I: Summary of Sustainable Development Data
	B3.2	The average training hours completed per employee by gender and employee category.	Appendix I: Summary of Sustainable Development Data
B4: Labour Standards	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	5. Establishment of a competent team
	B4.1	Description of measures to review employment practices to avoid child and forced labour.	5. Establishment of a competent team
	B4.2	Description of steps taken to eliminate such practices when discovered.	5. Establishment of a competent team

Indicator Contents			Relevant Chapter
B5: Supply Chain Management	General Disclosure	Policies on managing environmental and social risks of the supply chain.	3.6 Supply Chain Management
	B5.1	Number of suppliers by geographical region.	3.6 Supply Chain Management
	B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	3.6 Supply Chain Management
	B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	3.6 Supply Chain Management
	B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	3.6 Supply Chain Management
B6: Product Responsibility	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	3.1 Focusing on Quality; 3.2 Customer Focus; 4.2 Intellectual Property
	B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	3.1.3 Medical Device Quality
	B6.2	Number of products and service related complaints received and how they are dealt with.	3.2.3 Optimizing Customer Services
	B6.3	Description of practices relating to observing and protecting intellectual property rights.	4.2 Intellectual Property
	B6.4	Description of quality assurance process and recall procedures.	3.1.1 Medical data quality; 3.1.2 Medical service quality; 3.1.3 Medical Device Quality
	B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	3.1.1 Medical data quality

Indicator Contents			Relevant Chapter
B7: Anti-corruption	General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	4.1 Operating with Integrity
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	4.1 Operating with Integrity
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	4.1 Operating with Integrity
	B7.3	Description of anti-corruption training provided to directors and staff.	4.1 Operating with Integrity
B8: Community Investment	General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	7. Contribution to Society
	B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	7. Contribution to Society
	B8.2	Resources contributed (e.g. money or time) to the focus area.	7. Contribution to Society

Independent Auditor's Report

To the Shareholders of Neusoft Xikang Holdings Inc.
(incorporated in the Cayman Islands with limited liability)

Opinion

What we have audited

The consolidated financial statements of Neusoft Xikang Holdings Inc. (the "Company") and its subsidiaries (the "Group"), which are set out on pages 125 to 236, comprise:

- the consolidated statement of financial position as at 31 December 2023;
- the consolidated statement of comprehensive loss for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Revenue recognition
- Expected credit losses of trade receivables

Key Audit Matter	How our audit addressed the Key Audit Matter
Revenue recognition Refer to note 5 to the consolidated financial statements. The Group primarily generates its revenue from the provision of cloud hospital platform services, internet medical services, health management services and sales of smart healthcare products. Revenue of RMB538 million were recognised for the year ended 31 December 2023. Revenue is recognised when the control of the goods or services is transferred to the customer, at a point in time or over time, depending on the terms of the contracts. The Group's majority of revenue was recognised at a point in time, when the goods and services are received and accepted by the customers. We focused on this area as significant effort was spent on auditing the revenue due to the large volume of transactions and large number of customers in different locations for which significant audit resources are required to be allocated.	Our procedures in relation to revenue recognition primarily included the following: • We obtained an understanding of management's internal controls and process over revenue recognition derived from the sale of different goods and services; • We read the contractual agreements, on a sample basis, to identify terms relating to the transfer of control and assessed the Group's timing of revenue recognition with reference to the requirements of prevailing accounting standards; • We tested, on a sample basis, the revenue recognised for the year by tracing the transactions to supporting documents, such as contractual agreements, customers' acceptance reports or underlying invoices, to assess whether revenue was properly recognised. • We tested sales transactions recorded before and after the balance sheet date, on a sample basis, by tracing to the supporting documents, to assess whether revenue was recognised in the proper period. We found the Group's revenue recognition was supported by the evidence we obtained.

Key Audit Matter	How our audit addressed the Key Audit Matter
Expected credit losses of trade receivables Refer to note 4(a) and 21 to the consolidated financial statements. As at 31 December 2023, the Group had gross trade receivables of RMB246 million and expected credit loss allowance for trade receivables of RMB94 million. Loss allowance for trade receivables was measured based on the simplified approach of the expected credit loss ("ECL") model prescribed under HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the trade receivables. ECL allowance for trade receivables reflects the best estimates made by management. Management assesses ECL of trade receivables individually, or in groups with similar nature and risk characteristics. The expected credit loss rates of each group are determined based on the historical credit loss rates and are adjusted to reflect current and forward looking information on economic indicators and scenarios. We focused on this area due to significant management's judgments and estimates involved in the ECL assessment.	Our procedures in relation to the judgments and estimates used in the ECL of trade receivables primarily included the following: • We obtained an understanding of management's internal control and process over the estimation of the ECL on trade receivables; • We assessed the reasonableness of the model adopted by management based on our understanding on the Group's business and the credit risk characteristics of the trade receivables; • For individually impaired trade receivables, we evaluated the appropriateness of management judgments by reviewing the historical payment documentation or checking the financial position and creditworthiness of customers; • For ECL assessed in groups: – We understood and evaluated the management's process and basis in grouping customers with similar credit risk characteristics; – We tested, on a sample basis, the accuracy of ageing schedule of trade receivables by tracing to sales invoices and receipts; – With the support of our in-house experts, we assessed the appropriateness of ECL model applied and external macroeconomic data inputs adopted by management. • We checked the mathematical accuracy of the calculation of the provision for loss allowance. We found the judgments and estimates used in the ECL of trade receivables supported by the available evidence.

Other Information

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ng Tsun.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 20 March 2024

Consolidated Statement of Comprehensive Loss

	Notes	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers	5	**537,715**	687,415
Cost of sales and services	5,8	**(373,106)**	(518,965)
Gross profit		**164,609**	168,450
Selling and marketing expenses	8	**(96,251)**	(126,066)
Research and development expenses	8	**(55,580)**	(78,959)
Administrative expenses	8	**(118,404)**	(139,396)
Net impairment losses on financial assets		**(6,538)**	(36,652)
Other income	6	**4,156**	18,926
Other losses – net	7	**(1,640)**	(1,780)
Operating loss		**(109,648)**	(195,477)
Finance income		**5,220**	4,811
Finance costs		**(38,283)**	(42,880)
Finance costs – net	10	**(33,063)**	(38,069)
Share of losses from investments accounted for using the equity method	12	**(4,925)**	(4,762)
Loss before income tax		**(147,636)**	(238,308)
Income tax expense	13	**(7,256)**	(4,952)
Loss for the year		**(154,892)**	(243,260)
Loss attributable to:			
Owners of the Company		**(154,652)**	(241,967)
Non-controlling interests		**(240)**	(1,293)
		(154,892)	(243,260)
Other comprehensive loss:			
Items that will be reclassified to profit or loss:			
Currency translation differences of the Company's subsidiaries		**(177)**	778
Items that will not be reclassified to profit or loss:			
Currency translation differences of the Company		**(13,776)**	(15,226)
Other comprehensive loss for the year, net of tax		**(13,953)**	(14,448)
Total comprehensive loss for the year		**(168,845)**	(257,708)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(168,605)**	(256,415)
Non-controlling interests		**(240)**	(1,293)
		(168,845)	(257,708)
Loss per share, basic and diluted (RMB)	14	**(0.23)**	(0.39)

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

Consolidated Statement of Financial Position

	Notes	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	15	**28,902**	28,789
Right-of-use assets	16	**81,939**	52,271
Intangible assets		**3,184**	3,847
Deferred income tax assets	35	**596**	1,189
Investments accounted for using the equity method	12	**186,993**	191,918
Long-term trade receivables	18,19	**10,073**	19,309
Prepayments	17	**14**	718
Total non-current assets		**311,701**	298,041
Current assets			
Inventories	22	**38,096**	18,453
Assets recognized from costs to fulfil contracts	5	**7,321**	8,768
Contract assets	5	**6,080**	6,621
Trade receivables	19,21	**151,809**	151,143
Financial assets at fair value through profit or loss	19,23	**144,205**	–
Other receivables	19,20	**47,737**	31,766
Prepayments	17	**6,089**	12,059
Other current assets	25	**6,505**	55,830
Cash and cash equivalents	19,24	**676,794**	350,748
Restricted deposits	19,24	**1,674**	1,016
Total current assets		**1,086,310**	636,404
Total assets		**1,398,011**	934,445
Share capital	26	**1,125**	940
Share premium	26	**2,543,431**	1,928,654
Treasury shares	27	**–**	(368,913)
Other reserves	28	**340,865**	284,978
Accumulated losses		**(2,457,277)**	(2,297,635)
		428,144	(451,976)
Non-controlling interests		**5,589**	5,808
Total shareholders' equity/(deficit)		**433,733**	(446,168)

Consolidated Statement of Financial Position

	Notes	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Liabilities			
Non-current liabilities			
Borrowings	19,34	**269,850**	509,420
Long-term trade payables	19	**–**	1,900
Lease liabilities	16,19	**62,072**	35,114
Contract liabilities	5	**14,486**	10,951
Deferred income	33	**4,420**	6,680
Deferred income tax liabilities	35	**602**	267
Financial liability for redeemable rights	19,29	**–**	356,228
Total non-current liabilities		**351,430**	920,560
Current liabilities			
Short-term borrowings	19,34	**240,135**	280
Contract liabilities	5	**31,802**	40,857
Trade payables	19,31	**238,652**	234,110
Other payables and accruals	19,32	**68,816**	155,443
Lease liabilities	16,19	**27,708**	26,510
Income tax payables		**5,699**	2,820
Other current liabilities		**36**	33
Total current liabilities		**612,848**	460,053
Total liabilities		**964,278**	1,380,613
Total shareholders' deficit and liabilities		**1,398,011**	934,445

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

The financial statements on pages 125 to 236 were approved by the Board of Directors on 20 March 2024 and were signed on its behalf.

Liu Jiren
Name of director

Zong Wenhong
Name of director

Consolidated Statement of Changes in Equity

		Attributable to owners of the Company							
	Notes	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Other reserves RMB'000	Accumulated losses RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
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 year		–	–	–	–	(241,967)	(241,967)	(1,293)	(243,260)
Currency translation differences	28	–	–	–	(14,448)	–	(14,448)	–	(14,448)
Total comprehensive losses for the year		–	–	–	(14,448)	(241,967)	(256,415)	(1,293)	(257,708)
Transactions with owners									
Share-based compensation	28	–	–	–	78,984	–	78,984	192	79,176
Total transactions with owners		–	–	–	78,984	–	78,984	192	79,176
Balance at 31 December 2022		940	1,928,654	(368,913)	284,978	(2,297,635)	(451,976)	5,808	(446,168)
Comprehensive losses									
Loss for the year		**–**	**–**	**–**	**–**	**(154,652)**	**(154,652)**	**(240)**	**(154,892)**
Currency translation differences	28	**–**	**–**	**–**	**(13,953)**	**–**	**(13,953)**	**–**	**(13,953)**
Total comprehensive losses for the year		**–**	**–**	**–**	**(13,953)**	**(154,652)**	**(168,605)**	**(240)**	**(168,845)**
Transactions with owners									
Capital reduction from shareholders	26	**(8)**	**(16,947)**	**–**	**–**	**–**	**(16,955)**	**–**	**(16,955)**
Share-based compensation	28	**–**	**–**	**–**	**29,801**	**–**	**29,801**	**21**	**29,822**
Equity transaction with eligible employees	27	**–**	**–**	**63,743**	**40,039**	**–**	**103,782**	**–**	**103,782**
Contributions of initial public offering ("**IPO**"), net of underwriting commissions and other issuance costs	26	**193**	**559,812**	**–**	**–**	**–**	**560,005**	**–**	**560,005**
Termination of liability for redeemable rights		**–**	**71,912**	**305,170**	**–**	**–**	**377,082**	**–**	**377,082**
Others		**–**	**–**	**–**	**–**	**(4,990)**	**(4,990)**	**–**	**(4,990)**
Total transactions with owners		**185**	**614,777**	**368,913**	**69,840**	**(4,990)**	**1,048,725**	**21**	**1,048,746**
Balance at 31 December 2023		**1,125**	**2,543,431**	**–**	**340,865**	**(2,457,277)**	**428,144**	**5,589**	**433,733**

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

Consolidated Statement of Cash Flows

	Notes	2023 RMB'000	2022 RMB'000
Cash flows from operating activities			
Cash used in operations	36	**(20,070)**	(75,542)
Interest received		**3,354**	1,959
Income taxes paid		**(3,442)**	(245)
Net cash used in operating activities		**(20,158)**	(73,828)
Cash flows from investing activities			
Purchases for property, plant and equipment and intangible assets		**(4,265)**	(7,339)
Proceeds from disposal of property, plant and equipment		**380**	331
Purchase of wealth management products		**(141,680)**	–
Net payments from disposal of subsidiaries	38	**–**	(1,437)
Others		**(1,032)**	–
Net cash used in investing activities		**(146,597)**	(8,445)
Cash flows from financing activities			
Contributions of IPO		**567,648**	–
Refund of restricted shares subscription paid by employees		**(7,963)**	(2,250)
Proceeds from bank borrowings		**–**	270,000
Repayments of bank borrowings		**(280)**	(150,170)
Payments for interests		**(25,159)**	(23,038)
Payments of lease liabilities		**(26,879)**	(28,000)
Payments for lease deposits		**(146)**	–
Payments of listing expenses		**(2,453)**	(1,918)
Net cash generated from financing activities		**504,768**	64,624
Net increase/(decrease) in cash and cash equivalents		**338,013**	(17,649)
Cash and cash equivalents at the beginning of the year		**350,748**	364,737
Effects of exchange rate changes on cash and cash equivalents		**(11,967)**	3,660
Cash and cash equivalents at the end of the year		**676,794**	350,748

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

Notes to the Consolidated Financial Statements

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**").

The Company completed its IPO and listed its shares on the Main Board of the Stock Exchange of Hong Kong Limited ("**HKSE**") on 28 September 2023 (the "**Listing**").

These financial statements are presented in Renminbi ("**RMB**"), unless otherwise stated.

2 Basis of preparation and changes in accounting policies

2.1 Basis of preparation

(i) 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**").

2 Basis of preparation and changes in accounting policies (continued)

2.1 Basis of preparation (continued)

(i) *Contractual arrangements* (continued)

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;
- 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.

2 Basis of preparation and changes in accounting policies (continued)

2.1 Basis of preparation (continued)

(ii) Compliance with HKFRS and disclosure requirements of HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") as issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

HKFRS comprise the following authoritative literature:

- Hong Kong Financial Reporting Standards
- Hong Kong Accounting Standards
- Interpretations developed by the Hong Kong Institute of Certified Public Accountants.

(iii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and liabilities – measured at fair value or revalued amount.

2.2 Changes in accounting policies

(i) New and amended standards adopted by the Group

All effective standards, amendments to standards and interpretations, which are mandatory for the financial year beginning on or after 1 January 2023 are consistently applied to the Group throughout the reporting period.

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

2 Basis of preparation and changes in accounting policies (continued)

2.2 Changes in accounting policies (continued)

(ii) New and amended standards and interpretations not yet adopted

The following certain amendments to accounting standards and interpretation have been published that are not mandatory for 31 December 2023 reporting periods and have not been early adopted by the Group. These amendments are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

		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 HKAS 21	Lack of Exchangeability	1 January 2025
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, and cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group and approved by the executive directors.

(a) Market risk

(i) 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 the Company and the subsidiaries operate in the PRC are USD and RMB, respectively. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and tries to minimize these exposures through natural hedges, wherever possible, and may enter into forward foreign exchange contracts, when necessary.

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in RMB, was as follows:

	As at 31 December 2023	As at 31 December 2022
	RMB'000	RMB'000
USD		
– Cash and bank balances	**1,267**	1,290

The aggregate net foreign exchange losses recognized in profit or loss were:

	2023	2022
	RMB'000	RMB'000
Net foreign exchange losses included in other losses – net (Note 7)	**(2,647)**	(13,023)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign exchange risk (continued)

As shown in the tables above, the Group is primarily exposed to changes in USD/RMB exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from cash and bank balances. The impact on loss before income tax is as follows:

	2023	2022
	RMB'000	RMB'000
USD to RMB exchange rate strengthened/weakened by 5%	**9**	65
	Lower/higher	Lower/higher

Other than aforementioned, management considers that the business is not exposed to any other significant foreign exchange risk relating to loss before income tax.

(ii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the Group to cash flow interest rate risk. During 2023 and 2022, the Group's borrowings at variable rate were mainly denominated in RMB.

The exposure of the Group's borrowings to interest rate changes at the end of the reporting period are as follows:

	As at 31 December 2023		As at 31 December 2022	
	RMB'000	**%**	RMB'000	%
Variable rate borrowings				
Less than 1 year	**240,135**	**47%**	280	0%
1 – 5 years	**269,850**	**53%**	509,420	100%
	509,985	**100%**	509,700	100%

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Cash flow and fair value interest rate risk (continued)

Profit or loss is sensitive to higher/lower financial cost from long-term borrowings as a result of changes in interest rates. The impact on loss before income tax is as follows:

	2023	2022
	RMB'000	RMB'000
	2,547	2,549
Interest rates – decrease/increase by 5%	**Lower/higher**	Lower/higher

(b) Credit risk

(i) Risk management

The Group is exposed to credit risk primarily in relation to its cash and cash equivalents placed with banks and financial institutions, as well as contract assets, trade receivables, long-term trade receivables, other receivables and other current assets. The carrying amount of each class of the above financial assets represents the Group's maximum exposure to credit risk in relation to the corresponding class of financial assets.

To manage this risk, deposits are mainly placed with state-owned or reputable financial institutions in the PRC and reputable international financial institutions outside of the PRC. There has been no recent history of default in relation to these financial institutions.

(ii) Impairment of financial assets

The Group has the following types of financial assets subject to expected credit loss model:

- contract assets
- trade receivables
- other receivables
- long-term trade receivables

While cash and cash equivalents and restricted deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables, contract assets and long-term trade receivables.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Impairment of financial assets (continued)

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

(iii) Net impairment losses on financial assets recognised in profit or loss

During the year, the following losses were recognised in profit or loss in relation to impaired financial assets:

	2023	2022
	RMB'000	RMB'000
Impairment losses		
Impairment losses on trade receivables (Note 21)	**200**	28,072
Impairment (reversal)/losses on contract assets (Note 5)	**(622)**	1,556
Impairment losses/(reversal) on long-term trade receivables (Note 18)	**1,029**	(3,264)
Impairment losses on other receivables (Note 20)	**5,931**	10,288
Net impairment losses on financial assets	**6,538**	36,652

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

The Group aims to maintain sufficient cash to meet operating capital requirements.

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 31 December 2023					
Borrowings	**261,884**	**276,150**	**–**	**–**	**538,034**
Trade payables	**238,652**	**–**	**–**	**–**	**238,652**
Other payables (excluding tax payables and salary and welfare payables)	**34,902**	**–**	**–**	**–**	**34,902**
Lease liabilities	**31,648**	**23,961**	**43,638**	**–**	**99,247**
Total	**567,086**	**300,111**	**43,638**	**–**	**910,835**
As at 31 December 2022					
Borrowings	25,695	262,528	276,281	–	564,504
Trade payables	234,110	–	–	–	234,110
Long-term trade payables	–	1,900	–	–	1,900
Other payables (excluding tax payables and salary and welfare payables)	118,216	–	–	–	118,216
Financial liability for redeemable rights (Note 29)	–	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

3 Financial risk management (continued)

3.2 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 at 31 December 2023, the Group has a net asset and the gearing ratio was not applicable.

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Net debt (Note 36(b))	**–**	576,804
Equity/(deficits) on total equity	**433,733**	(446,168)
Gearing ratio	**–**	129%

3 Financial risk management (continued)

3.3 Fair value estimation

(i) 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 consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

	As at 31 December 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Financial assets				
Wealth management products	**–**	**–**	**144,205**	**144,205**

	As at 31 December 2022			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Wealth management products	–	–	–	–

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during this year.

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

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

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(ii) 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.

The group did not change any valuation techniques in determining the level 2 and level 3 fair values.

(iii) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the years ended 31 December 2023 and 31 December 2022:

	Wealth management products RMB'000
Opening balance as at 1 January 2022	–
Acquisitions/redemption	–
Closing balance as at 31 December 2022	–
Acquisitions	**141,680**
Changes in fair value recognized in profit or loss	**1,977**
Currency translation differences	**548**
Closing balance as at 31 December 2023	**144,205**

3 Financial risk management (continued)

3.3 Fair value estimation (continued)

(iv) Valuation inputs and relationships to fair value

The following table summarized the quantitative information about the significant unobservable inputs used in level 3 fair value measurements (see (ii) above for the valuation techniques adopted):

	Fair Value at			Range of inputs		
Description	**31 December 2023 RMB'000**	31 December 2022 RMB'000	**Unobservable inputs**	**31 December 2023**	31 December 2022	**Relationship of unobservable inputs to fair value**
Wealth management products	**144,205**	–	Expected rate of return	**4.10%-5.10%**	n/a	The higher the expected rate of return, the higher the fair value

If the fair values of wealth management products measured at fair value through profit or loss held by the Group had been 5% lower/higher, the loss before income tax for the year ended 31 December 2023 would have been approximately RMB7.21 million higher/lower, respectively.

(v) 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.

4 Critical estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Impairment assessment of trade receivables, other receivables, contract assets and long-term trade receivables

The Group has used provision matrix to calculate expected credit loss ("**ECL**") for the trade receivables, other receivables, contract assets and long-term trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates, taking into consideration forward-looking information that is reasonable and supportable, available without undue costs or effort. At the end of each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables, other receivables, contract assets and long-term trade receivables is disclosed in Note 21, Note 20, Note 5 and Note 18.

(b) Fair value of certain financial assets

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period. For details of the key assumptions used and the impact of changes to these assumptions see Note 3.3.

(c) Recognition of deferred tax asset for carried-forward tax losses

A deferred tax asset is recognised for the carried-forward of unused deductible losses to the extent that it is probable that future taxable profits will be available against which the deductible losses can be utilised. Future taxable profits include taxable profits that can be achieved through normal operations and the increase in taxable profits due to the reversal of taxable temporary differences arising from previous period in future period. The Group needs to apply estimates and judgement in determining the timing and amount of future taxable profits. If there is any difference between the actual and the estimates, adjustment would be made to the carrying amount of deferred tax assets.

(d) Recognition of share-based compensation expenses

As mentioned in Note 30, equity-settled share-based compensation plans were granted to the employees. The directors have used the Black-Scholes model to determine the total fair value of the share options and used back-solve method to determine the total fair value of the restricted shares granted to employees, which are to be expensed over the vesting period. Significant estimate on assumptions, such as the risk-free interest rate, expected volatility, estimation of vesting period and dividend yield, is required to be made by the directors in applying the methods.

5 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 – net, finance costs – net, share of losses from investments accounted for using the equity method 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.

5 Segment information (continued)

(a) Disaggregation of revenue from contracts with customers (continued)

The revenue segment information reported to CODM is as follows:

	2023				
	Cloud hospital platform services RMB'000	**Internet medical services RMB'000**	**Health management services RMB'000**	**Smart healthcare products RMB'000**	**Total RMB'000**
Revenue from contracts with customers	**97,755**	**157,554**	**245,915**	**36,491**	**537,715**
Cost of sales and services	**(53,716)**	**(138,504)**	**(150,432)**	**(30,454)**	**(373,106)**
Gross profit	**44,039**	**19,050**	**95,483**	**6,037**	**164,609**

	2022				
	Cloud hospital platform services RMB'000	Internet medical services RMB'000	Health management services RMB'000	Smart healthcare products RMB'000	Total RMB'000
Revenue from contracts with customers	122,369	137,834	209,199	218,013	687,415
Cost of sales and services	(65,830)	(121,021)	(131,606)	(200,508)	(518,965)
Gross profit	56,539	16,813	77,593	17,505	168,450

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.

As at 31 December 2023 and 2022, substantially all of the non-current assets of the Group were located in the PRC.

5 Segment information (continued)

(a) Disaggregation of revenue from contracts with customers (continued)

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

	2023 **RMB'000**	2022 RMB'000
Segment revenue		
– recognized over time	**22,732**	19,700
– recognized at a point in time	**514,983**	667,715
	537,715	687,415

(b) Contract related assets and contract liabilities

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

	As at 31 December 2023 **RMB'000**	As at 31 December 2022 RMB'000
Contract assets (i)		
Cloud hospital platform services	**6,261**	4,694
Smart healthcare products	**1,581**	4,311
Less: allowance for impairment of contract assets	**(1,762)**	(2,384)
	6,080	6,621
Contract liabilities (ii)		
Cloud hospital platform services	**5,899**	5,156
Internet medical services	**1,998**	2,485
Health management services	**37,177**	41,448
Smart healthcare products	**1,214**	2,719
Less:contract liabilities (non-current)	**(14,486)**	(10,951)
	31,802	40,857
Assets recognized from costs to fulfil a contract (iii)		
Cloud hospital platform services	**7,321**	8,768

5 Segment information (continued)

(b) Contract related assets and contract liabilities (continued)

(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 asset from costs to fulfil contracts. For the years ended 31 December 2023 and 2022, assets recognized as cost are RMB33.7 million and RMB47.9 million, respectively.

(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.

	2023 **RMB'000**	2022 RMB'000
Cloud hospital platform services	**4,720**	4,107
Internet medical services	**1,321**	1,641
Health management services	**29,474**	15,864
Smart healthcare products	**2,181**	4,376
Total	**37,696**	25,988

5 Segment information (continued)

(d) Unsatisfied performance obligations

The following table shows unsatisfied performance obligations as at 31 December 2023 and 2022:

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Cloud hospital platform services	**108,547**	86,282
Internet medical services	**2,375**	3,280
Health management services	**37,177**	41,448
Smart healthcare products	**45,546**	54,001
Total	**193,645**	185,011

Management expects that 30% (2022: 30%) of the transaction price allocated to the unsatisfied contracts as at December 31, 2023 will be recognized as revenue within one year. The remaining 70% (2022: 70%) will be recognized over one to eight years.

(e) Accounting policies of revenue recognition

Revenues are recognized when, or as, the control of the goods or services is transferred to the customer. Depending on the terms of the contract and the laws applicable, control of the goods and services may be transferred over time or at a point in time. Control of the goods and services is transferred over time if the Group's performance:

- provides all the benefits received and consumed simultaneously by the customer; or
- creates and enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods and services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at a point in time when the customer obtains control of the goods and services.

5 Segment information (continued)

(e) Accounting policies of revenue recognition (continued)

The progress towards complete satisfaction of performance obligation, depending on the nature of the good and service to be transferred, is measured based on one of the following methods that best depicts the Group's performance in satisfying the performance obligation:

- direct measurements of the value of individual services transferred by the Group to the customer; or
- the Group's efforts or inputs to the satisfaction of the performance obligation.

If contracts involve the sale of multiple goods, goods followed by related services, or multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin, depending on the availability of observable information.

When either party to a contract has performed, the Group presents the contract in the balance sheets as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers a good or service to the customer, the Group presents the contract as a contract liability when the payment is made, or the receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Contract costs are the incremental costs of obtaining a contract with a customer. Incremental costs of obtaining a contract are those costs the Group would not have incurred if the contract had not been obtained. The Group capitalizes as an asset incremental cost of obtaining a contract with a customer if the Group expects to recover them, other costs of obtaining a contract are expensed when incurred. Amortization of capitalized contract costs is charged to profit or loss when the revenue to which the asset relates is recognized.

The revenue is measured at the transaction price agreed under the contract. Amount disclosed as revenue are net of return, trade allowances and amounts collected on behalf of third parties.

The following is a description of the accounting policy for the principal revenue streams of the Group.

5 Segment information (continued)

(e) Accounting policies of revenue recognition (continued)

(i) Cloud hospital platform service

Cloud hospital platform services consist primarily of project-based platform service for the customer including local governments, medical institutions, insurers, and enterprises.

The project-based platform services are provided through integrating the hardware, software and other services, all of which are highly interdependent and interrelated with each other and represent multiple inputs to a combined output, the combined output under such circumstances is accounted for as a performance obligation in a contract with the customer. Since none of the following criteria under HKFRS 15 paragraph 35 was satisfied, the revenue of project-based platform services recognized at a point in time when the combined output is inspected and accepted by the customer:

i) the customer does not simultaneously receive and consume benefits because another entity would need to substantially re-perform the Group's performance completed to date;

ii) the Group's performance does not under the customer's control as it is created; and

iii) although the Group's performance creates an asset without alternative use, the Group does not have an enforceable right to payment for performance completed to date in accordance with the contracts signed.

In addition, the Group also provide operation and maintenance service to the customer, revenue is recognized over time on straight line basis since the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs is meet.

The Group recognized an asset in relation to costs to fulfil the cloud hospital platform services contract. The asset is recognized into cost of sales with the related revenue of service and recognized at the point of completion.

The Group recorded the non-refundable prepayment from customers as contract liabilities.

(ii) Internet medical services

The Group provides medical services mainly consisting of online hospital services and remote medical services through the Group's cloud-based information infrastructures to the customer including medical institutions, individual customers, and enterprises. The revenue from medical services is recognized at the point when the services have been fulfilled.

(iii) Health management services

The Group provides health management services primarily consisting of the comprehensive health management services (mainly covering health check-ups) either to individual customers or enterprises customers. Health management services revenue is recognized at the point when related service has been fulfilled. The Group recorded the prepayment from customers as contract liabilities, while recorded the outstanding considerations as trade receivables.

5 Segment information (continued)

(e) Accounting policies of revenue recognition (continued)

(iv) Smart healthcare products

The Group provides a variety of smart healthcare products to medical institutions, enterprises, and individual customers. The Group is primarily responsible for providing the smart healthcare products to the customers being a principal, and the revenue is recognized at a point when the smart healthcare products are installed and accepted by the customer. The Group records the prepayment from customers as contract liabilities, while records the outstanding considerations as trade receivables or contract assets. For certain contracts of which the Group transfers control of smart healthcare products to the customers in advance of receiving consideration, the Group records contract assets when the outstanding consideration is subject to certain conditions other than the passage of time. Contract assets become trade receivables when the Group's right to consideration is unconditional if only the passage of time is required before payment of the consideration is due.

(f) Impairment and risk exposure

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all contract assets.

On the basis as described in Note 3.1(b)(ii), the loss allowance for contract assets as at 31 December 2023 and 2022 are determined as follows.

(i) As at 31 December 2023 and 2022, the loss allowance of impaired contract assets is determined as follows:

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Expected loss rate	**22%**	26%
Gross carrying amount – contract assets	**7,842**	9,005
Loss allowance	**(1,762)**	(2,384)

5 Segment information (continued)

(f) Impairment and risk exposure (continued)

	No more than 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	Total
At 31 December 2023					
Expected loss rate	**17%**	**35%**	**60%**	**100%**	**22%**
Gross carrying amount – contract assets	**6,078**	**1,525**	**134**	**105**	**7,842**
Loss allowance	**(1,039)**	**(538)**	**(80)**	**(105)**	**(1,762)**
At 31 December 2022					
Expected loss rate	18%	36%	100%	100%	26%
Gross carrying amount – contract assets	5,300	3,541	154	10	9,005
Loss allowance	(932)	(1,288)	(154)	(10)	(2,384)

As disclosed in Note 3.1(b)(ii), to measure the expected credit loss, contract assets have been grouped based on shared credit risk characteristics and the aging. And the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(ii) The movements on the provision for impairment of contract assets are as follows:

	2023 RMB'000	2022 RMB'000
At beginning of the year	**(2,384)**	(828)
Reversal of/(provision for) impairment of contract assets	**622**	(1,556)
At end of the year	**(1,762)**	(2,384)

6 Other income

	2023 RMB'000	2022 RMB'000
Government grants (i)	**3,572**	17,811
Value added tax ("**VAT**") refund and VAT reduction	**150**	775
Refund of service fee for withholding IIT	**150**	106
Additional deduction of input VAT	**84**	233
Other items	**200**	1
	4,156	18,926

(i) Government grants

Government grants are mainly for online healthcare service project funds and awards for technological innovation enterprises.

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

7 Other losses – net

	2023 RMB'000	2022 RMB'000
Net gains on disposal of subsidiaries or associates (Note 38)	**–**	8,532
Net (losses)/gains on disposal of long-term assets	**(428)**	2,190
Net foreign exchange losses	**(2,647)**	(13,023)
Net fair value gains on financial assets at fair value through profit or loss (i)	**1,977**	–
Other items	**(542)**	521
	(1,640)	(1,780)

(i) Net fair value gains on financial assets at fair value through profit or loss

As at 31 December 2023, the Group held wealth management products which were classified to financial assets at fair value through profit or loss. The fair value changes of wealth management products are included in the net fair value gains on these assets. For more details, please refer to Note 3.3 and Note 23.

8 Expenses by nature

Expenses included in cost of sales and services, selling and marketing expenses, administrative expense and research and development expenses are further analysed as follows:

	2023	2022
	RMB'000	RMB'000
Employee benefits expenses (Note 9)	**193,492**	223,506
Cost of sales of hardware, software, raw materials and others	**306,261**	450,100
Share-based compensation expenses (Note 9)	**29,822**	79,176
Travelling, entertainment, service fee and general office expenses	**24,224**	33,251
Depreciation of property, plant and equipment	**10,002**	12,138
Depreciation of right-of-use assets (Note 16)	**22,965**	21,096
Taxes and surcharges	**756**	1,140
Amortization of intangible assets	**736**	786
Auditors' remuneration	**2,780**	516
– Audit services	**2,580**	455
– Non-audit services	**200**	61
Other professional services expenses	**2,610**	2,352
Short-term leases expenses	**6,792**	5,293
Equipment lease expenses	**5,801**	7,845
Promotion and advertising expenses	**5,678**	8,783
Listing expenses	**21,270**	9,560
Others	**10,152**	7,844
	643,341	863,386

9 Employee benefits expenses

	2023 RMB'000	2022 RMB'000
Wages, salaries and bonuses	**146,771**	173,912
Share-based compensation expenses (Note 30)	**29,822**	79,176
Social security costs and housing benefits	**38,245**	43,892
Other employee benefits	**8,476**	5,702
	223,314	302,682

(a) Employees of the Group are members of a state-managed pension scheme operated by the local government. The Group is required to contribute a specified percentage of payroll costs as determined by local government authority to the pension obligations to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contribution under the scheme.

(i) Pension obligations

The Group has only defined contribution plan in which the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

(ii) Medical and other benefits

The Group makes monthly contributions for medical and other benefits to the local authorities in accordance with relevant local regulations for the employees. The Group's liability in respect of employee medical benefits is limited to the contributions payable in each period.

(iii) Housing benefits

The employees of the Group are entitled to participate in various government-sponsored housing funds. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees. The Group's liability in respect of these funds is limited to the contributions payable in each period.

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when the Group can no longer withdraw the offer of those benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

9 Employee benefits expenses (continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2022: one) director whose emoluments are reflected in the analysis shown in Note 42. The emoluments payable to the remaining four (2022: four) individuals during the year are as follows:

	2023	2022
	RMB'000	RMB'000
Salaries	**5,156**	4,505
Share-based compensation expenses	**12,547**	20,941
Social security costs, housing benefits and other employee benefits	**342**	616
	18,045	26,062

The remaining highest paid individuals fell within the following bands:

	Number of individuals	
	2023	2022
Emolument bands		
Nil to HKD500,000	**–**	–
HKD500,001 – HKD1,000,000	**–**	–
HKD1,000,001 – HKD1,500,000	**–**	–
HKD1,500,001 – HKD2,000,000	**–**	–
HKD2,000,001 – HKD2,500,000	**–**	–
HKD2,500,001 – HKD3,000,000	**2**	–
Over HKD3,000,000	**2**	4
	4	4

10 Finance income and costs

	2023 RMB'000	2022 RMB'000
Finance income		
– Interest income (a)	**5,220**	4,811
Finance costs		
– Interest costs on bank borrowings	**(25,159)**	(23,417)
– Interest costs on lease liabilities (Note 16)	**(3,447)**	(2,301)
– Interest expenses for financial liability for redeemable rights	**(9,677)**	(17,162)
	(38,283)	(42,880)
Finance cost – net	**(33,063)**	(38,069)

(a) Interest income

Interest income on financial assets at amortised cost calculated using the effective interest method is recognised in profit or loss as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(b) Interest costs on lease liabilities

At the lease commencement date, the Group recognises the right-of-use asset and measures the lease liability at the present value of the lease payments that are not paid at that date. Lease payments are allocated between principal and financial cost. The financial cost is charged to profit or loss over the lease period. The detailed information is disclosed in Note 16.

(c) Interest expenses for financial liability for redeemable rights

Redeemable rights issued by the Company to certain investors contains an obligation to purchase its own shares upon occurrence of certain future events, such redeemable rights are automatically cancelled upon Listing.

The potential cash payments related to the redeemable right are initially recognised at the present value of the redemption amount, and the difference between the present value and the redemption amount is recognized as interest expense and charged to profit or loss. The detailed information is disclosed in Note 29.

11 Subsidiaries

The Group's principal subsidiaries at 31 December 2023 are set out below. Unless otherwise stated, they have shared the proportion of ownership interests held equals to the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of incorporation and type of legal entity	Principal activities and place of operation	Paid in capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2023	2022	**2023**	2022
				%	%	**%**	%
Directly held –							
Neusoft Xikang International Co., Ltd.	Hong Kong Limited liability company	Investment holding Hong Kong	1,791,251,000	**100**	100	**–**	–
Indirectly held –							
Aerotel Medical Systems (1998) Limited (a)	ISRAEL Limited Liability Company	Medical device sales Israel	45,101,565	**Not applicable**	69 before deregistered	**Not applicable**	31 before deregistered
Neusoft Xikang Healthcare Technology Co., Ltd.	PRC Limited Liability Company	Computer technology R&D PRC	1,746,794,900	**100**	100	**–**	–
Liaoning Neusoft Xikang Healthcare Management Co., Ltd.	PRC Limited Liability Company	Healthcare PRC	50,000,000	**100**	100	**–**	–
Dandong Jinhai Xikang Clinic Co., Ltd.	PRC Limited Liability Company	Healthcare PRC	20,000,000	**60**	60	**40**	40
Shenyang Neusoft Xikang Medical System Co., Ltd.	PRC Limited Liability Company	Medical device sales PRC	150,000,000	**100**	100	**–**	–
Heilongjiang Neusoft XiKang Technology Co., Ltd. (b)	PRC Limited Liability Company	Technology service PRC	5,000,000	**–**	100	**–**	–
Shenyang Neusoft Xikang Medical Enterprise Management Co., Ltd.	PRC Limited Liability Company	Technology service PRC	30,000,000	**100**	100	**–**	–
Ningbo (Neusoft XiKang) Smart Healthcare Research Institute Co., Ltd.	PRC Limited Liability Company	Technology service PRC	1,000,000	**100**	100	**–**	–
Ningbo Cloud Hospital Co., Ltd.	PRC Limited Liability Company	Healthcare PRC	35,000,000	**100**	100	**–**	–
Shanghai Xikang Healthcare Management Co., Ltd.	PRC Limited Liability Company	Healthcare PRC	35,000,000	**100**	100	**–**	–
Shanghai Xikang Clinic Co., Ltd.	PRC Limited Liability Company	Healthcare PRC	10,000,000	**100**	100	**–**	–
Shanxi XiKang Healthcare Management Co., Ltd.	PRC Limited Liability Company	Healthcare PRC	5,000,000	**100**	100	**–**	–
Chengdu Neusoft XiKang Health Management Service Co., Ltd.	PRC Limited Liability Company	Healthcare PRC	5,000,000	**100**	100	**–**	–
Shenyang Xikang Cloud Hospital Co., Ltd.	PRC Limited Liability Company	Healthcare PRC	5,000,000	**100**	100	**–**	–
Neusoft XiKang (Ningbo) Smart Wearable Equipment Co., Ltd.	PRC Limited Liability Company	Medical device sales PRC	–	**100**	100	**–**	–

11 Subsidiaries (continued)

Name of entity	Place of incorporation and type of legal entity	Principal activities and place of operation	Paid in capital	Ownership interest held by the Group 2023 %	Ownership interest held by the Group 2022 %	Ownership interest held by non-controlling interests 2023 %	Ownership interest held by non-controlling interests 2022 %
Indirectly held (continued) –							
Hunan Xikang Health Management Co., Ltd.	PRC Limited Liability Company	Healthcare PRC	10,100,000	**100**	100	**–**	–
Hubei Xikang Health Management Co., Ltd. (d)	PRC Limited Liability Company	Healthcare PRC	40,000,000	**100**	100	**–**	–
Wuhan Jinghan XiKang Comprehensive Clinic Co., Ltd. (d)	PRC Limited Liability Company	Healthcare PRC	30,000,000	**100**	100	**–**	–
Anhui Xikang Health Management Co., Ltd.	PRC Limited Liability Company	Healthcare PRC	1,000,000	**100**	100	**–**	–
Hefei Shushan XiKang Health Examination Outpatient Department Co., Ltd.	PRC Limited Liability Company	Healthcare PRC	30,000,000	**100**	100	**–**	–
Hainan XiKang Health Management Co., Ltd. (b)	PRC Limited Liability Company	Healthcare PRC	–	**Not applicable**	100 before deregistered	**Not applicable**	–
Guangzhou Xikang Health Technology Co., Ltd. (b)	PRC Limited Liability Company	Healthcare PRC	–	**Not applicable**	100 before deregistered	**Not applicable**	–
Guangzhou Haizhu XiKang Clinic Co. Ltd. (b)	PRC Limited Liability Company	Healthcare PRC	–	**Not applicable**	100 before deregistered	**Not applicable**	–
Fujian XiKang Health Management Service Co., Ltd.	PRC Limited Liability Company	Healthcare PRC	5,000,000	**100**	100	**–**	–
Fuzhou Cangshan Xikang Comprehensive Clinic Co., Ltd.	PRC Limited Liability Company	Healthcare PRC	35,000,000	**100**	100	**–**	–
Chongqing Jinxi Health Management Co., Ltd. (b)	PRC Limited Liability Company	Healthcare PRC	–	**51**	51	**49**	49
Chongqing Jinxi Traditional Chinese and Western Medicine Clinic Co., Ltd. (b)	PRC Limited Liability Company	Healthcare PRC	–	**51**	51	**49**	49
Taiyuan XiKang Cloud Hospital Management Co., Ltd.	PRC Limited Liability Company	Healthcare PRC	5,000,000	**100**	100	**–**	–
Xikang (Hangzhou) Nursing Station Co., Ltd. (d)	PRC Limited Liability Company	Healthcare PRC	600,000	**100**	100	**–**	–
Indirectly controlled by the Company pursuant to the Contractual Agreements –							
Xikang Information	PRC Limited Liability Company	Technology service PRC	10,000,000	**100**	100	**–**	–
Xikang Medical	PRC Limited Liability Company	Investment holding PRC	100,000	**100**	100	**–**	–

11 Subsidiaries (continued)

Name of entity	Place of incorporation and type of legal entity	Principal activities and place of operation	Paid in capital	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2023	2022	**2023**	2022
				%	%	**%**	%
Indirectly controlled by the Company pursuant to the employee incentive plan (c) –							
KangRich Investments Limited ("**KangRich**")	BVI	Employee stock ownership plans special purpose vehicle ("**ESOP SPV**")	–	**–**	–	**–**	–
Heli Investments Co., Ltd. ("**Heli**")	BVI	ESOP SPV	–	**–**	–	**–**	–
Beijing Kangji Management Consulting Partnership (Limited Partnership)	PRC Limited Partnership	ESOP SPV	–	**–**	–	**–**	–
Tianjin Kangqian Enterprise Management Center (Limited Partnership) ("**Tianjin Kangqian**")	PRC Limited Partnership	ESOP SPV	–	**–**	–	**–**	–
Tianjin Kangcheng Enterprise Management Center (Limited Partnership) ("**Tianjin Kangcheng**")	PRC Limited Partnership	ESOP SPV	–	**–**	–	**–**	–
Tianjin Kangjin Enterprise Management Center (Limited Partnership) ("**Tianjin Kangjin**")	PRC Limited Partnership	ESOP SPV	–	**–**	–	**–**	–
Tianjin Kangxiu Enterprise Management Center (Limited Partnership) ("**Tianjin Kangxiu**")	PRC Limited Partnership	ESOP SPV	–	**–**	–	**–**	–
Tianjin Kangfa Enterprise Management Center (Limited Partnership) ("**Tianjin Kangfa**")	PRC Limited Partnership	ESOP SPV	–	**–**	–	**–**	–
XiRich Investments Limited ("**XiRich**")	BVI	ESOP SPV	–	**–**	–	**–**	–

(a) On January 2, 2022, the Group transferred 68.55% equity interest in Aerotel Medical Systems (1998) Limited to Aerotel Ltd. As at the date of transfer, Aerotel Medical Systems (1998) Limited had a net liabilities of RMB11.6 million, and the Group paid USD219,999 as the consideration to Aerotel Ltd. After this transaction, Aerotel Ltd. will bear all debts and any legal liability of Aerotel Medical Systems (1998) Limited that have occurred and are likely to occur in future. (Note 38)

(b) As at December 31, 2023, these subsidiaries were in the process of being deregistered or had been deregistered.

(c) In June 2016, 5,440,000 shares issued to employees under the restricted share units scheme ("**2016 RSUs Scheme**"). The Company has power to govern the relevant activities of the KangRich, Heli, Tianjin Kangqian, Tianjin Kangcheng, Tianjin Kangjin, Tianjin Kangxiu, Tianjin Kangfa and XiRich, and can derive benefits from the contributions of the eligible employees who are awarded with the shares under the 2016 RSUs Scheme. Therefore, those ESOP SPVs were consolidated until December 2023. On 29 December 2023, the resolution of the board of directors ("**BOD**") cancelled the Company's power to govern the relevant activities of those ESOP SPVs, therefore they were not consolidated since then. The detailed information is disclosed in Note 30.

(d) As at December 31, 2023, these subsidiaries were not audited by PricewaterhouseCoopers. The aggregate net losses of subsidiaries no audited by PricewaterhouseCoopers amounted to approximately 1.1% of the Group's total losses.

12 Investments accounted for using the equity method

	2023 RMB'000	2022 RMB'000
At beginning of the year	**191,918**	196,680
Share of loss from investments in associates	**(4,925)**	(4,762)
At end of the year	**186,993**	191,918

(a) Set out below are the associates of the Group as at 31 December 2023. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business/ country of incorporation	% of ownership interest 2023 %	2022 %	Nature of relationship	Measurement method	Carrying amount 2023 RMB'000	2022 RMB'000
Shanghai Lanxi Health Service Co., Ltd. ("**Shanghai Lanxi**") (i)	PRC	**16.92**	16.92	Associate	Equity method	**–**	599
Dalian Xikang Yunshe Kang Travel Investment Management Co., Ltd. ("**Dalian Yunshe**") (ii)	PRC	**11.83**	11.83	Associate	Equity method	**88,528**	92,560
Neusoft Management Consulting (Shanghai) Co., Ltd. ("**Neusoft Management**")	PRC	**49.00**	49.00	Associate	Equity method	**98,465**	98,759
Total equity account investments						**186,993**	191,918

(i) In accordance with the Shareholders Agreement of Shanghai Lanxi, the Group is entitled to nominate 1 director to Shanghai Lanxi's BOD which consisted of a total of 5 directors. The other 4 directors are the representatives as nominated by the other investors of Shanghai Lanxi.

(ii) In accordance with the Shareholders Agreement of Dalian Yunshe, the Group is entitled to nominate 1 director to Dalian Yunshe's BOD which consisted of a total of 7 directors. The other 6 directors are the representatives as nominated by the other investors of Dalian Yunshe.

Dalian Xikang Yunshe Development Co., Ltd. changed the name to Dalian Xikang Yunshe Kang Travel Investment Management Co., Ltd. in December 2023.

The associates are all unlisted companies, and there is no quoted price available.

Although above associates have been in loss performance during the year ended 2023 and 2022, they are at development and expansion stage in operating health related business with potential growth. The directors of the Company did not identify any impairment indicator.

12 Investments accounted for using the equity method (continued)

(b) Individually immaterial associates

The associates of the Group are individually immaterial that are accounted for using the equity method.

	2023 RMB'000	2022 RMB'000
Aggregate carrying amount of individually immaterial associates	**186,993**	191,918
Aggregate amounts of the group's share of:		
– Profit or loss from continuing operations	**(4,925)**	(4,762)
– Post-tax profit or loss from discontinued operations	**–**	–
– Other comprehensive income	**–**	–
– Total comprehensive income	**(4,925)**	(4,762)

13 Income tax expense

(a) Income tax expense

	2023 RMB'000	2022 RMB'000
Current income tax expense (i)	**6,328**	3,059
Deferred income tax expense (ii)	**928**	1,893
	7,256	4,952

The income tax expense or credit is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

13 Income tax expense (continued)

(a) Income tax expense (continued)

(ii) Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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 Act 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, 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 year ended 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 Relevant Period, based on the existing legislation, interpretations and practices in respect thereof.

On 15 November 2022, 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 year ended 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% of their research and development expenditures incurred as tax deductible expenses when determining their assessable profits for that year.

13 Income tax expense (continued)

(b) Numerical reconciliation of income tax expense

The tax on the Group's loss before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to losses of the consolidated entities as follows:

	2023 **RMB'000**	2022 RMB'000
Loss before income tax	**(147,636)**	(238,308)
Tax credits calculated at statutory tax rate of 25% (2022 – 25%)	**(36,909)**	(59,577)
Expenses not deductible for taxation purposes	**21,597**	52,605
Super deduction of research and development expenses	**(7,690)**	(8,453)
Income not subject to tax	**(1,601)**	(6,986)
Tax losses and temporary differences not recognized as deferred tax assets	**39,302**	45,854
Utilization of previously unrecognized tax losses	**(6,947)**	(17,188)
Effect of preferential tax rates	**(502)**	(350)
Effect of different tax rate	**6**	(953)
Income tax expense	**7,256**	4,952

(c) The expiry dates of the unused tax losses as of the respective balance sheet dates are listed as below.

	2023 **RMB'000**	2022 RMB'000
Year ended 31 December 2023	**–**	116,076
Year ended 31 December 2024	**111,464**	147,605
Year ended 31 December 2025	**43,922**	46,435
Year ended 31 December 2026	**55,659**	77,296
Year ended 31 December 2027	**50,298**	55,009
Year ended 31 December 2028	**102,553**	–
Year ended 31 December 2029	**–**	–
Year ended 31 December 2030	**61,408**	96,355
Year ended 31 December 2031	**67,972**	67,972
Year ended 31 December 2032	**86,713**	86,713
Year ended 31 December 2033	**104,766**	–
	684,755	693,461

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 (exclude treasury share) in issue during the year.

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

	2023	2022
Loss attributable to owners of the Company for the year (RMB'000)	**(154,652)**	(241,967)
Weighted average number of ordinary shares in issue ('000)	**678,635**	621,198
Basic loss per share (RMB)	**(0.23)**	(0.39)

(b) Diluted loss per share

Diluted loss per share for the years ended 31 December 2023 and 2022 were the same as the basic earnings per share as the Group incurred losses for the years, the dilutive potential ordinary share (such as RSUs and options) were not included in the calculation of diluted loss per share because they are anti-dilutive.

15 Property, plant and equipment

	Electronic equipment RMB'000	Office furniture and others RMB'000	Assets under construction RMB'000	Leasehold improvement RMB'000	Total RMB'000
Year ended 31 December 2022					
Opening net book amount	29,354	184	–	4,330	33,868
Additions	6,866	6	831	274	7,977
Transfers	–	–	(831)	831	–
Disposal	(797)	(66)	–	(55)	(918)
Depreciation	(9,655)	(20)	–	(2,463)	(12,138)
Closing net book value	25,768	104	–	2,917	28,789
At 31 December 2022					
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
Year ended 31 December 2023					
Opening net book amount	**25,768**	**104**	**–**	**2,917**	**28,789**
Additions	**15,282**	**–**	**824**	**173**	**16,279**
Transfers	**–**	**–**	**(75)**	**75**	**–**
Disposal	**(6,130)**	**(18)**	**–**	**(16)**	**(6,164)**
Depreciation	**(8,025)**	**(12)**	**–**	**(1,965)**	**(10,002)**
Closing net book value	**26,895**	**74**	**749**	**1,184**	**28,902**
At 31 December 2023					
Cost	**125,459**	**1,125**	**749**	**128,733**	**256,066**
Accumulated depreciation	**(98,564)**	**(1,051)**	**–**	**(127,549)**	**(227,164)**
Net book value	**26,895**	**74**	**749**	**1,184**	**28,902**

15 Property, plant and equipment (continued)

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses (if any). Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements as follows:

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each year.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

16 Leases

(a) Amounts recognized in the consolidated statement of financial position

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Right-of-use assets (i)		
Buildings	**81,939**	52,271
Lease liabilities		
Current	**27,708**	26,510
Non-current	**62,072**	35,114
	89,780	61,624

16 Leases (continued)

(a) Amounts recognized in the consolidated statement of financial position (continued)

(i) The movement in right-of-use assets in the consolidated statement of financial position are as follows:

	2023 **RMB'000**	2022 RMB'000
Cost		
At beginning of the year	**142,412**	147,800
Additions	**59,333**	29,232
Lease expiration	**(35,849)**	(28,844)
Termination of lease contracts	**(40,203)**	(5,776)
At end of the year	**125,693**	142,412
Accumulated depreciation		
At beginning of the year	**(90,141)**	(100,702)
Depreciation charge for the year	**(22,965)**	(21,096)
Lease expiration	**35,849**	28,844
Termination of lease contracts	**33,503**	2,813
At end of the year	**(43,754)**	(90,141)
Net book amount		
At end of the year	**81,939**	52,271

(b) Amounts recognized in the consolidated statements of comprehensive income

	Notes	**2023** **RMB'000**	2022 RMB'000
Depreciation charge of right-of-use assets	8	**22,965**	21,096
Interest expense (included in finance cost)	10	**3,447**	2,301
Expense relating to short-term leases (included in administrative expenses)		**6,792**	5,293

16 Leases (continued)

(c) Amounts recognized in the consolidated statement of cashflow

	2023	2022
	RMB'000	RMB'000
The cash outflow for leases as operating activities	**(6,792)**	(4,603)
The cash outflow for leases as financing activities	**(27,025)**	(28,000)

The Group leases buildings as lessee. Rental contracts are typically made for fixed periods of 2 to 10 years.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. 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.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

16 Leases (continued)

(c) Amounts recognized in the consolidated statement of cashflow (continued)

If a readily observable amortizing loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

In 2023, lease liabilities were discounted at incremental borrowing rates of the Group ranging from 4.50% to 5.225% (2022: 4.75% to 5.225%).

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

Other accounting policies relevant to leases is disclosed in Note 46.15.

17 Prepayments

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Non-Current		
– Prepayments for long-term assets	**14**	718
Current		
– Advance payment to suppliers for inventories and services	**4,906**	1,251
– Prepayments for short-term leases, heating and property service	**377**	1,615
– Prepayments for listing expenses	**–**	8,438
– Other	**806**	755
	6,089	12,059

18 Long-term trade receivables

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Long-term trade receivables from contracts with customers		
– Third parties	**20,228**	77,182
– Less: allowance for impairment of long-term trade receivables	**(3,886)**	(2,328)
– Less: other current asset (Note 25)	**(6,269)**	(55,545)
	10,073	19,309

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 3 years.

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

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
– Up to 3 months	**–**	22,324
– 3 months to 1 year	**663**	14,481
– 1-2 years	**9,315**	40,377
– 2-3 years	**10,250**	–
– Less: allowance for impairment of long-term trade receivables	**(3,886)**	(2,328)
– Less: other current asset	**(6,269)**	(55,545)
Total	**10,073**	19,309

(b) Amortized cost of long-term trade receivables

Long-term trade receivables are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method.

18 Long-term trade receivables (continued)

(c) Impairment and risk exposure

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance based on historical experience of the Group and comparable companies for the long-term trade receivables.

The loss allowance are determined as follows:

	As at 31 December 2023	As at 31 December 2022
Customers without overdue payment		
Expected loss rate	**2.1%**	1.8%
Gross carrying amount – long-term trade receivables (RMB'000)	**10,250**	70,804
Loss allowance (RMB'000)	**(212)**	(1,255)
Customers with overdue payment		
Expected loss rate	**36.8%**	16.8%
Gross carrying amount – long-term trade receivables (RMB'000)	**9,978**	6,378
Loss allowance (RMB'000)	**(3,674)**	(1,073)

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

	2023 RMB'000	2022 RMB'000
– At beginning of the year	**(2,328)**	(5,318)
– (Provision for)/reversal of impairment of long-term trade receivables	**(1,029)**	3,264
– Other changes	**(529)**	(274)
At end of the year	**(3,886)**	(2,328)

19 Financial instruments by category

	Notes	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Financial assets			
Financial assets at amortized cost			
– Trade receivables	21	**151,809**	151,143
– Long-term trade receivables	18,25	**16,342**	74,854
– Other receivables	20	**47,737**	31,766
– Cash and bank balances	24	**678,468**	351,764
		894,356	609,527
Financial assets at fair value			
– Wealth management products	23	**144,205**	–
		1,038,561	609,527

	Notes	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Financial liabilities			
Financial assets at amortized cost			
– Borrowings	34	**509,985**	509,700
– Trade payables	31	**238,652**	234,110
– Long-term trade payables		**–**	1,900
– Other payables and accruals excluding non-financial liabilities		**34,902**	118,216
– Lease liabilities	16	**89,780**	61,624
– Financial liability for redeemable rights	29	**–**	356,228
		873,319	1,281,778

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

20 Other receivables

Other receivables include the following debt investments:

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Equity transfer receivables	**30,130**	30,130
Deposits (a)	**35,130**	15,148
Advance to staff	**943**	1,576
Others	**6,295**	3,797
	72,498	50,651
Less: allowance for impairment of other receivables (b)	**(24,761)**	(18,885)
	47,737	31,766

(a) Deposits primarily consist of deposits for rental and business development projects.

20 Other receivables (continued)

(b) Impairment and risk exposure

Note 3.1 sets out information about the impairment of financial assets and the Group's exposure to credit risk.

Management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experiences.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- external credit rating (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counter party's ability to meet its obligation;
- actual or expected significant changes in the operating results of the counter party;
- significant increases in credit risk on other financial instruments of the same counter party;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements; and
- significant changes in the expected performance and behavior of the counter party, including changes in payment status of debtor in the Group and changes in operating results of the counter party.

Other receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where other receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due.

20 Other receivables (continued)

(b) Impairment and risk exposure (continued)

The loss allowance for other receivables are determined as follows:

	Performing RMB'000	Under-performing RMB'000	Non-performing RMB'000	Total RMB'000
Loss allowance at 1 January 2023	**4,887**	**9,598**	**4,400**	**18,885**
Provision for loss	**3,637**	**2,294**	**–**	**5,931**
Write-offs	**(55)**	**–**	**–**	**(55)**
Loss allowance as at 31 December 2023	**8,469**	**11,892**	**4,400**	**24,761**

	Performing RMB'000	Under-performing RMB'000	Non-performing RMB'000	Total RMB'000
Loss allowance at 1 January 2022	7,435	–	1,481	8,916
(Reversal of)/provision for loss	(2,229)	9,598	2,919	10,288
Write-offs	(160)	–	–	(160)
Other changes	(159)	–	–	(159)
Loss allowance as at 31 December 2022	4,887	9,598	4,400	18,885

The gross carrying amounts of other receivables is as follow:

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Performing	**40,468**	18,621
Underperforming	**27,630**	27,630
Non-performing	**4,400**	4,400
Total gross other receivables	**72,498**	50,651
Less: Loss allowance	**(24,761)**	(18,885)
Other receivables net-off	**47,737**	31,766

21 Trade receivables

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Trade receivables from contracts with customers		
– Third parties	**236,869**	236,810
– Related parties	**9,369**	10,972
Less: allowance for impairment of trade receivables	**(94,429)**	(96,639)
	151,809	151,143

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 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
– Up to 3 months	**58,027**	91,131
– 3 months to 1 year	**58,040**	37,510
– 1-2 years	**60,084**	53,334
– 2-3 years	**25,599**	20,793
– 3-4 years	**5,272**	20,999
– 4-5 years	**15,237**	2,156
– Over 5 years	**23,979**	21,859
	246,238	247,782
Less: allowance for impairment of trade receivables	**(94,429)**	(96,639)
Total	**151,809**	151,143

21 Trade receivables (continued)

(a) Classification as trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within one year and therefore all classified as current. Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. Details about the Group's impairment policies and calculation of the loss allowance are provided in Note 3(b).

(b) Fair values of trade receivables

Due to the short-term nature of the current receivables, their carrying amounts are considered to be approximately the same as their fair values.

(c) Impairment and risk exposure

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Expected credit loss allowance for trade receivables reflects the best estimates made by management. Management assesses expected credit loss of trade receivables individually, or in groups with similar nature and risk characteristics. The expected credit loss rates of each group are determined based on the historical credit loss rates and are adjusted to reflect current and forward looking information on economic indicators and scenarios.

This resulted in an increase of the loss allowance by RMB0.2 million for trade receivables. Note 3.1(b) provides for details about the calculation of the allowance.

21 Trade receivables (continued)

(c) Impairment and risk exposure (continued)

The loss allowance for trade receivables as at 31 December 2023 and 2022 are determined as follows:

(i)(a) The loss allowance of individually impaired trade receivables is determined as follows:

	Trade Receivables	Expected credit loss rate	Loss allowance	Reason
As at 31 December 2023				
Trade receivables	**39,941**	**59%**	**(23,559)**	**The likelihood of recovery**
As at 31 December 2022				
Trade receivables	46,451	41%	(19,075)	The likelihood of recovery

(i)(b) The loss allowance of trade receivables related to internet medical services and health management services is determined as follows:

	Current	Within 9 months Past due	10 months to 21 months Past due	More than 22 months Past due	Total
At 31 December 2023					
Expected loss rate	**2.2%**	**3.4%**	**27.6%**	**100.0%**	**5.2%**
Gross carrying amount – trade receivables	**25,788**	**13,931**	**892**	**881**	**41,492**
Loss allowance	**(580)**	**(467)**	**(246)**	**(881)**	**(2,174)**
At 31 December 2022					
Expected loss rate	2.4%	3.1%	29.5%	100.0%	5.7%
Gross carrying amount – trade receivables	29,878	8,052	4,074	234	42,238
Loss allowance	(711)	(246)	(1,200)	(234)	(2,391)

21 Trade receivables (continued)

(c) Impairment and risk exposure (continued)

(i)(c) The loss allowance of trade receivables related to cloud hospital platform services and smart healthcare products is determined as follows:

	Current	Within 1 year Past due	1 year to 2 years Past due	2 years to 3 years Past due	More than 3 years Past due	Total
At 31 December 2023						
Expected loss rate	**13.7%**	**36.5%**	**67.7%**	**96.1%**	**100.0%**	**41.7%**
Gross carrying amount – trade receivables	**68,653**	**48,460**	**18,328**	**4,659**	**24,705**	**164,805**
Loss allowance	**(9,387)**	**(17,708)**	**(12,417)**	**(4,479)**	**(24,705)**	**(68,696)**
At 31 December 2022						
Expected loss rate	16.8%	54.2%	87.3%	97.5%	100.0%	47.3%
Gross carrying amount – trade receivables	83,790	24,183	20,636	20,952	9,532	159,093
Loss allowance	(14,092)	(13,102)	(18,009)	(20,438)	(9,532)	(75,173)

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

	2023 RMB'000	2022 RMB'000
At beginning of the year	**(96,639)**	(69,879)
Provision for impairment of trade receivables	**(200)**	(28,072)
Trade receivables loss	**2,410**	969
Exchange differences	**–**	4
Other changes	**–**	339
At end of the year	**(94,429)**	(96,639)

22 Inventories

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Raw materials	**11,670**	12,604
Finished goods – at cost	**30,360**	9,818
	42,030	22,422
Less: allowance for impairment of inventories	**(3,934)**	(3,969)
	38,096	18,453

Cost of inventory is determined using the first -in, first-out (FIFO) method. Costs of purchased inventory are determined after deducting rebates and discounts.

Inventories recognized as cost of sales and services during the years ended 31 December 2023 amounted to approximately RMB225.3 million (2022: RMB400.58 million).

Inventories are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

23 Financial assets at fair value through profit or loss

(a) Classification of financial assets at fair value through profit or loss

The Group classifies the following financial assets at fair value through profit or loss (FVPL):

- debt investments that do not qualify for measurement at amortised cost

Financial assets mandatorily measured at FVPL include the following:

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Current assets		
Investment in wealth management products	**144,205**	–

The movements of wealth management products are as follows:

	2023 RMB'000	2022 RMB'000
At beginning of the year	**–**	–
Purchase	**141,680**	–
Change in fair value	**1,977**	–
Exchange differences	**548**	–
At end of the year	**144,205**	–

23 Financial assets at fair value through profit or loss (continued)

(b) Amounts recognised in profit or loss

During the year, the following losses were recognised in profit or loss:

	2023	2022
	RMB'000	RMB'000
Fair value gains on investments in wealth management products (Note 7)	**1,977**	–

(c) Risk exposure and fair value measurements

Information about the Group's exposure to financial risk is provided in Note 3.1. For information about the methods and assumptions used in determining fair value see Note 3.3.

24 Cash and cash equivalents

	As at 31 December 2023	As at 31 December 2022
	RMB'000	RMB'000
Cash and bank balances	**678,468**	351,764
less: restricted deposits (ii)	**(1,674)**	(1,016)
	676,794	350,748
Cash and cash equivalents	**678,468**	351,764

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

	As at 31 December 2023	As at 31 December 2022
	RMB'000	RMB'000
Cash at bank		
– USD	**468,287**	30,568
– HKD	**117**	35
– RMB	**210,064**	321,161
Total	**678,468**	351,764

24 Cash and cash equivalents (continued)

(i) Classification as cash equivalents

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours' notice with no loss of interest. Other accounting policies on cash and cash equivalents is disclosed in note 46.8.

(ii) Restricted deposits

The restricted deposits disclosed above are mainly held for bidding, and are subject to regulatory restrictions. Therefore those deposits are not available for general use by the Group.

25 Other current assets

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Deductible input VAT	**236**	84
Long-term trade receivables within one year (Note 18)	**6,269**	55,545
Interest	**–**	201
	6,505	55,830

26 Share capital and share premium

	Number of ordinary shares	Nominal value of ordinary shares RMB'000	Share premium RMB'000
Issued:			
At 1 January 2022	142,625,261	940	1,928,654
Addition/decrease	–	–	–
At 31 December 2022	142,625,261	940	1,928,654
Share split (ii)	**570,501,044**	**–**	**–**
Issuance of shares upon IPO (iii)	**133,805,500**	**193**	**559,812**
Termination of liability for redeemable rights (Note 29)	**–**	**–**	**71,912**
Capital reduction from shareholders (i)	**(5,055,000)**	**(8)**	**(16,947)**
At 31 December 2023	**841,876,805**	**1,125**	**2,543,431**

(i) 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 was reversed US$1,011.

(ii) Pursuant to the shareholders' resolution dated 11 September 2023, each of the existing issued and unissued shares of the Company with a par value US$0.001 each was sub-divided into 5 shares of par value of US$0.0002 each.

(iii) On 28 September 2023, upon the Listing on the Main Board of the HKSE, the Company issued 133,805,500 new ordinary shares at par value of USD0.0002 per share for cash consideration of HKD4.76 each, and raised gross proceeds of approximately HKD636.9 million (equivalents to approximately RMB567.6 million). The nominal value of the share capital was approximately USD26,761 (equivalent to approximately RMB193,082) and share premium arising from the issuance was approximately RMB559.8 million, after netting off listing expenses.

27 Treasury shares

	2023	2022
	RMB'000	RMB'000
At beginning of the year	**368,913**	368,913
Equity transaction with eligible employees (i)	**(63,743)**	–
Termination of liability for redeemable rights (ii)	**(305,170)**	–
At end of the year	**–**	368,913

(i) The Company has a repurchase obligation under 2016 RSUs scheme as disclosed in Note 30, and such shares are treated as treasury shares.

(ii) Redeemable ordinary shares issued on 27 December 2019 and 22 January 2020 of 12,945,758 shares are treated as treasury shares, and the liability related to the redeemable rights was disclosed in Note 29.

Above treasury shares and related liabilities were automatically cancelled upon Listing.

28 Other reserves

	Currency translation differences	**Others**	**Total**
	RMB'000	**RMB'000**	**RMB'000**
At 1 January 2022	39,343	181,099	220,442
Share-based compensation (Note 30)	–	78,984	78,984
Currency translation differences	(14,448)	–	(14,448)
At 31 December 2022	24,895	260,083	284,978
At 1 January 2023	**24,895**	**260,083**	**284,978**
Share-based compensation (Note 30)	**–**	**29,801**	**29,801**
Currency translation differences	**(13,953)**	**–**	**(13,953)**
Equity transaction with eligible employees	**–**	**40,039**	**40,039**
At 31 December 2023	**10,942**	**329,923**	**340,865**

28 Other reserves (continued)

(i) Share-based payments

The share-based payments reserve is used to recognize:

- the grant date fair value of options issued to employees but not exercised

- the grant date fair value of restricted shares issued to employees

(ii) Foreign currency translation

Exchange differences arising on translation of the foreign controlled entity are recognized in other comprehensive income as described in Note 46.4 and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

29 Financial liability for redeemable rights

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Non-current portion	**–**	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 upon occurrence of certain future events, such redeemable rights will be automatically cancelled upon Listing.

The potential cash payments related to the redeemable right are accounted for as financial liabilities. The liabilities are initially recognized at the present value of the redemption amount with a corresponding charge directly to equity. The financial liabilities shall be subsequently measured at amortized cost.

On 28 September 2023, as a result of the Company's successful listing on the Main Board of the HKSE, the redeemable rights were converted into ordinary shares.

30 Share-based payments

(a) Restricted shares treated as compound instrument (2017 plan, 2018 plan, and 2021 plan A)

The Company's 2016 RSUs Scheme was approved by the BOD on August 2016. Under the 2016 RSUs Scheme, the RSUs were granted to eligible employees in 2017, 2018 and 2021. The Subscription price of the restricted shares is USD1.47 per ordinary share.

Under the plan, the restricted shares will be fully vested if eligible employees complete certain non-market performance condition, and continued work in the Group upon Listing. If the eligible employees resigned within-three year after the grant day and the Group has not been listed, the Group shall refund the investment from the eligible employees. If the eligible employees resign after three-year service before Listing of the Company, the Group shall repurchase restricted stock at USD2.94. As such the Group has a repurchase obligation before Listing.

The difference between the grant date present value of the repurchase price at USD2.94 and the Subscription price at USD1.47 paid by the eligible employees is treated as cash-settled share-based payment and is recognized over the three-year service period after the grant date. The financing cost in connection with the present value of the repurchase price was recorded as interest expenses payables to eligible employees accordingly.

Set out below are summarises of RSUs granted under the 2016 RSUs Scheme:

Grant Date	**Number of RSUs granted**	**Number of RSUs as at 31 December 2023**	Number of RSUs as at 31 December 2022
1 January 2017	1,935,000	**1,126,500**	1,243,500
1 January 2018	2,782,500	**1,641,000**	1,797,000
1 January 2021	1,164,500	**1,081,500**	1,151,500

30 Share-based payments (continued)

(a) Restricted shares treated as compound instrument (2017 plan, 2018 plan, and 2021 plan A) (continued)

The fair value of the restricted shares has been valued by an independent qualified valuer using Black-Scholes model. Key assumptions are set as below:

	2017 plan	2018 plan	2021 plan A
Risk-free interest rate	1.71%	1.61%	1.09%
Expected volatility	52.65%	50.04%	51.1%
Discount rate	21%	20%	17%

Above employee plan are carried out through certain special vehicles listed in Note 11, which hold the ordinary shares for the Company's employees under the equity-settled RSUs Scheme and are controlled and consolidated by the Group by deriving benefits from the contributions of the eligible employees who are awarded with the shares under the 2016 RSUs Scheme until 2023 the 2016 RSUs Scheme were fulfilled completely upon Listing. On 29 December 2023, the resolution of the BOD cancelled the Company's power to govern the relevant activities of those ESOP SPVs, therefore they were not consolidated since then.

(b) Share options (2020 plan, 2021 plan B, and 2021 plan C)

The Employee Option Plan is designed to provide long-term incentives for certain employees ("**Grantees**"). Under the Employee Option 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 certain years from the vesting commencement date, subject to Grantees continuing to be an employee of the Group.

Set out below are summaries of options granted:

	2023		2022	
	Exercise price per share	**Number of options**	Exercise price per share	Number of options
As at 1 January	**USD2.94**	**14,017,500**	USD2.94	16,303,500
Forfeited due to resignation during the year	**USD2.94**	**(1,590,200)**	USD2.94	(2,286,000)
As at 31 December	**USD2.94**	**12,427,300**	USD2.94	14,017,500
Vested and exercisable at 31 December	**USD2.94**	**–**	USD2.94	–

The options granted under the Employee Option Plan are valid for 10 years since the first Grant Date, and if the Grantees resign or are dismissed after the Listing, the vested and effective part of the unexercised option can be exercised within 12 months after the resignation.

No options expired during the years covered by the above tables.

30 Share-based payments (continued)

(b) Share options (2020 plan, 2021 plan B, and 2021 plan C) (continued)

Share Options outstanding at the end of the year have the following expiry date and exercise prices:

Grant Date	Expiry date	Exercise price	**Share options 31 December 2023**	Share options 31 December 2022
1 January 2020	31 December 2029	USD2.94	**3,122,500**	3,465,400
1 January 2021	31 December 2029	USD2.94	**8,425,200**	9,361,700
1 July 2021	31 December 2029	USD2.94	**879,600**	1,190,400
Total			**12,427,300**	14,017,500

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

	2020 plan	**2021 plan B**	**2021 plan C**
Risk-free interest rate	2.06%	1.09%	1.5%
Expected volatility	40.00%	51.11%	53.4%
Discount rate	18%	17%	15%

30 Share-based payments (continued)

(c) Share options ("2023 plan")

On 1 April 2023, 3,442,000 share options were granted to certain employees ("**2023 Grantees**") of the Group at a consideration of USD2.94 per share. Under the employee incentive plan, 2023 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.

Set out below are summaries of options granted:

	2023		2022	
	Exercise price per share	**Number of options**	Exercise price per share	Number of options
As at 1 January	**USD2.94**	**–**	–	–
Granted	**USD2.94**	**3,442,000**	–	–
Forfeited due to resignation during the year	**USD2.94**	**(201,000)**	–	–
As at 31 December	**USD2.94**	**3,241,000**	–	–
Vested and exercisable at 31 December	**USD2.94**	**–**	–	–

No options expired during the years covered by the above tables.

30 Share-based payments (continued)

(c) Share options ("2023 plan") (continued)

Share Options outstanding at the end of the year have the following expiry date and exercise prices:

Grant Date	Expiry date	Exercise price	**Share options 31 December 2023**	Share options 31 December 2022
1 April 2023	31 December 2029	USD2.94	**3,241,000**	–

The options granted under the Employee Option Plan are valid for 10 years since the first Grant Date, and if the Grantees resign or are dismissed after the Listing, the vested and effective part of the unexercised option can be exercised within 12 months after the resignation.

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%

(d) Numbers of RSUs and options as disclosed above reflected the shares before the completion of the share subdivision.

(e) Expenses arising from share-based payment transactions

	2023 RMB'000	2022 RMB'000
RSUs	**(1,671)**	6,944
2020 Plan	**(5,032)**	8,013
2021 Plan B	**12,308**	53,893
2021 Plan C	**(2,372)**	10,326
2023 Plan	**26,589**	–
	29,822	79,176

31 Trade payables

Aging analysis of the trade payables are as follows:

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
– Up to 3 months	**91,783**	144,580
– 3 to 6 months	**40,006**	10,613
– 6 months to 1 year	**44,136**	26,838
– 1 to 2 years	**45,896**	40,463
– 2 to 3 years	**15,408**	9,354
– 3 to 4 years	**916**	1,391
– 4 to 5 years	**97**	354
– over 5 years	**410**	517
	238,652	234,110

Trade payables represent liabilities for goods and services provided to the Group which are unpaid. The amounts are unsecured and are usually paid within 180 days of recognition. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

The carrying amounts of trade payables are considered to be approximated to their fair values, due to their short-term nature.

32 Other payables and accruals

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Current		
Payroll and welfare payables	**33,045**	36,600
Payables for purchase of property, plant, and equipment	**7,238**	2,067
Tax payables	**869**	627
Payment to eligible employees (Note 30(a)(b)(c))	**–**	96,943
Short-term leases payables	**3,672**	2,112
Accrual expenses	**12,519**	7,022
Listing expenses	**6,592**	6,494
Others	**4,881**	3,578
	68,816	155,443

Other payables are presented as current liabilities unless payment is not due within 12 months after the end of year. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

The carrying amount of other payables is considered to be the same as their fair values, due to their short-term nature.

33 Deferred income

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Government grants		
Income-related grants (a)	**4,420**	6,680
To be realized within 12 months	**2,200**	4,460
To be realized after more than 12 months	**2,220**	2,220
	4,420	6,680

(a) The income-related grants are mainly subsidies received from the government for compensating the Group's research and development activities with regards to certain projects. The amount of government grants that credited to the consolidated statements of comprehensive loss is disclosed in Note 6.

34 Borrowings

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Unsecured	**509,985**	509,700
Current	**240,135**	280
Non-current	**269,850**	509,420

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of year.

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the costs and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

The fair values are not materially different to their carrying amounts, since either:

- the interest payable on those borrowings is close to current market rates, or

- the borrowings are of a short-term nature.

The fair values of non-current borrowings are based on discounted cash flows using a current borrowing rate. They are classified as level 3 fair values in the fair value hierarchy (see Note 3.3) due to the use of observable inputs, including own credit risk.

Bank borrowings mature until 2025 and bear average coupons of 4.87% for the years ended 31 December 2023 (2022: 4.98%).

34 Borrowings (continued)

The Group's borrowings were repayable as follows:

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Within 1 year	**240,135**	280
Between 1 and 2 years	**269,850**	239,570
Between 2 and 5 years	**–**	269,850
	509,985	509,700

Details of the group's exposure to risks arising from current and non-current borrowings are set out in Note 3.1.

35 Deferred income tax assets and liabilities

(a) The analysis of deferred income tax assets and deferred income tax liabilities (prior to any offset pursuant to net-off provisions) is as follows:

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Deferred income tax assets:		
– Deferred income tax assets to be recovered after more than 12 months	**21,348**	14,003
– Deferred income tax assets to be recovered within 12 months	**–**	–
	21,348	14,003
Deferred income tax liabilities:		
– Deferred income tax liabilities to be settled after more than 12 months	**(21,354)**	(13,081)
– Deferred income tax liabilities to be settled within 12 months	**–**	–
	(21,354)	(13,081)
	(6)	922
Offseting		
Deferred income tax assets after offseting	**596**	1,189
Deferred income tax liabilities after offseting	**(602)**	(267)
Deferred income tax assets-net	**(6)**	922

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

35 Deferred income tax assets and liabilities (continued)

(b) The net movement on the deferred income tax account is as follows:

	2023 RMB'000	2022 RMB'000
At beginning of the year	**922**	2,815
Charged to income tax expense (Note 13)	**(928)**	(1,893)
At end of the year	**(6)**	922

(c) The gross movements in deferred income tax assets and deferred income tax liabilities during the years 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 1 January 2022	131	23	1,861	11,533	1,055	(13)	(11,775)	2,815
(Charged)/credited to profit or loss	(11)	(23)	(1,861)	1,397	(102)	–	(1,293)	(1,893)
As at 31 December 2022	120	–	–	12,930	953	(13)	(13,068)	922
(Charged)/credited to profit or loss	**748**	**–**	**–**	**7,550**	**(953)**	**(856)**	**(7,417)**	**(928)**
As at 31 December 2023	**868**	**–**	**–**	**20,480**	**–**	**(869)**	**(20,485)**	**(6)**

36 Cash flow information

(a) Cash used in operations

	2023 RMB'000	2022 RMB'000
Loss before income tax:	**(147,636)**	(238,308)
Adjustments for:		
– Depreciation and amortization	**33,703**	34,020
– Net gains on disposal of subsidiaries and associates	**–**	(8,532)
– Share-based compensation	**29,822**	79,176
– Other gains interest on wealth management products	**(1,977)**	–
– Net losses/(gains) on disposal of long-term assets	**428**	(2,009)
– Share of losses of associates	**4,925**	4,762
– Finance costs – net	**33,063**	38,069
– Foreign exchange losses	**2,647**	12,733
Change in working capital:		
– Inventories	**(18,624)**	(19)
– Provisions	**6,538**	35,866
– Other operating assets	**46,671**	(87,126)
– Other operating liabilities	**(9,630)**	55,826
Cash used in operations	**(20,070)**	(75,542)

36 Cash flow information (continued)

(b) Net debt

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Cash and cash equivalents	**676,794**	350,748
Borrowings	**(509,985)**	(509,700)
Lease liabilities	**(89,780)**	(61,624)
Financial liability for redeemable rights	**–**	(356,228)
Net asset/(debt)	**77,029**	(576,804)
Cash and liquid investments	**676,794**	350,748
Gross debt	**(599,765)**	(927,552)
Net asset/(debt)	**77,029**	(576,804)

36 Cash flow information (continued)

(c) Reconciliation of liabilities arising from financing activities

	Liabilities from financing activities			
	Borrowings RMB'000	Leases RMB'000	Financial instruments with redeemable rights RMB'000	Total RMB'000
As at 1 January 2022	(390,050)	(65,169)	(309,914)	(765,133)
Proceeds from bank borrowings	(270,000)	–	–	(270,000)
Repayments of bank borrowings	150,170	–	–	150,170
Repayments of interest	23,038	–	–	23,038
Disposal of investments in subsidiaries	180	–	–	180
Payments of lease liabilities	–	28,000	–	28,000
New leases	–	(29,232)	–	(29,232)
Interest accrued	(23,038)	(2,301)	(17,162)	(42,501)
Foreign exchange adjustments	–	–	(29,152)	(29,152)
Rent reduction	–	1,018	–	1,018
Termination of lease contracts	–	6,060	–	6,060
As at 31 December 2022	(509,700)	(61,624)	(356,228)	(927,552)
As at 1 January 2023	**(509,700)**	**(61,624)**	**(356,228)**	**(927,552)**
Repayments of bank borrowings	**280**	**–**	**–**	**280**
Repayments of interest	**25,159**	**–**	**–**	**25,159**
Payments of lease liabilities	**–**	**26,879**	**–**	**26,879**
New leases	**–**	**(59,315)**	**–**	**(59,315)**
Interest accrued	**(25,724)**	**(3,447)**	**(9,677)**	**(38,848)**
Foreign exchange adjustments	**–**	**–**	**(11,177)**	**(11,177)**
Termination of lease contracts	**–**	**7,727**	**–**	**7,727**
Termination of liability for redeemable rights	**–**	**–**	**377,082**	**377,082**
As at 31 December 2023	**(509,985)**	**(89,780)**	**–**	**(599,765)**

37 Commitments

(a) Lease commitments

The Group's future aggregate minimum lease payments due under short-term leases (which are exempted from recognizing the related right-of-use assets and lease liabilities) are as follows:

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Within 1 year	**15**	3

38 Disposal/liquidation of subsidiaries

The Group liquidated three insignificant subsidiaries, including Heilongjiang Neusoft XiKang Technology Co., Ltd., Chongqing Jinxi Health Management Co., Ltd. and Chongqing Jinxi Traditional Chinese and Western Medicine Clinic Co., Ltd. in 2023 (Note 11).

On January 2, 2022, the Group transferred 68.55% equity interest in Aerotel Medical Systems (1998) Limited to Aerotel Ltd. As at the date of transfer, Aerotel Medical Systems (1998) Limited had a net liability of RMB11.6 million, and the Group paid USD219,999 as the consideration to Aerotel Ltd. After this transaction, Aerotel Ltd. will bear all debts and any legal liability of Aerotel Medical Systems (1998) Limited that have occurred and are likely to occur in future.

38 Disposal/liquidation of subsidiaries (continued)

The consideration received and the net assets of the disposed subsidiaries at the date of disposal and the net assets of liquidation subsidiaries were as follows:

	2023 **RMB'000**	2022 RMB'000
Property, plant and equipment	–	127
Right-of-use assets	–	–
Intangible assets	–	–
Inventory	–	1,606
Trade receivables	–	902
Other receivables and prepayments	–	424
Cash and cash equivalents	–	42
Short-term borrowing	–	(180)
Trade payables	–	(721)
Contract liabilities	–	–
Lease liabilities	–	–
Other payables and accruals	–	(12,127)
Net assets	–	(9,927)
Non-controlling interests	–	–
	–	(9,927)
(Loss)/gain on disposal of subsidiaries	–	8,532
Consideration	–	(1,395)

Net inflow of cash and cash equivalents in respect of disposal/liquidation of subsidiaries:

	2023 **RMB'000**	2022 RMB'000
Cash considerations received/(paid) during the year	–	(1,395)
Less: Cash and cash equivalents disposed	–	(42)
Net cash inflow on disposal/liquidation of a subsidiaries	–	(1,437)
Return of investments to non-controlling interests upon liquidation of subsidiaries	–	–
Net proceeds/(payments) from disposal of subsidiaries	–	(1,437)

39 Statement of financial position of the Company

	Notes	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Assets			
Non-current assets			
Investments in subsidiaries		**2,172,618**	2,111,977
Other receivables		**156,249**	220,026
Total non-current assets		**2,328,867**	2,332,003
Current assets			
Financial assets at fair value through profit or loss	23	**144,205**	–
Other receivables		**12,466**	12,258
Prepayments		**3,952**	8,438
Cash and cash equivalents		**467,115**	29,285
Total current assets		**627,738**	49,981
Total assets		**2,956,605**	2,381,984
Shareholders' equity			
Share capital		**1,125**	940
Share premium		**2,546,847**	1,932,070
Treasury shares		**–**	(305,170)
Other reserves		**403,017**	320,142
(Accumulated losses)/retained earnings		**(3,639)**	31,821
Total shareholders' equity		**2,947,350**	1,979,803

	Notes	**As at 31 December 2023 RMB'000**	As at 31 December 2022 RMB'000
LIABILITIES			
Non-current liabilities			
Financial liability for redeemable rights	29	**–**	356,228
Total non-current liabilities		**–**	356,228
Current liabilities			
Other payables and accruals		**9,255**	45,953
Total current liabilities		**9,255**	45,953
Total liabilities		**9,255**	402,181
Total shareholders' equity and liabilities		**2,956,605**	2,381,984

The statement of financial position of the Company was approved by the Board of Directors on 20 March 2024 and was signed on its behalf:

Name of director

Name of director

40 Statements of changes in equity of the Company

	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Other reserves RMB'000	Retained earnings/ (accumulated deficits) RMB'000	Total RMB'000
Balance at 1 January 2022	940	1,932,070	(305,170)	224,757	64,723	1,917,320
Comprehensive loss						
Loss for the year	–	–	–	–	(32,902)	(32,902)
Currency translation differences	–	–	–	16,209	–	16,209
Transactions with owners						
Share-based compensation	–	–	–	79,176	–	79,176
Balance at 31 December 2022	940	1,932,070	(305,170)	320,142	31,821	1,979,803
Balance at 1 January 2023	**940**	**1,932,070**	**(305,170)**	**320,142**	**31,821**	**1,979,803**
Comprehensive income						
Loss for the year	**–**	**–**	**–**	**–**	**(35,460)**	**(35,460)**
Currency translation differences	**–**	**–**	**–**	**13,035**	**–**	**13,035**
Transactions with owners						
Capital reduction from shareholders	**(8)**	**(16,947)**	**–**	**–**	**–**	**(16,955)**
Share-based compensation	**–**	**–**	**–**	**29,801**	**–**	**29,801**
Equity transaction with eligible employees	**–**	**–**	**–**	**40,039**	**–**	**40,039**
Contributions of IPO, net of underwriting commissions and other issuance costs	**193**	**559,812**	**–**	**–**	**–**	**560,005**
Termination of liability for redeemable rights	**–**	**71,912**	**305,170**	**–**	**–**	**377,082**
Balance at 31 December 2023	**1,125**	**2,546,847**	**–**	**403,017**	**(3,639)**	**2,947,350**

41 Related party transactions

The significant transactions carried out between the Group and its related parties 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 based on 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.

(a) Names and relationships with related parties

Name of related party	Nature of relationship
Neusoft Group Co., Ltd. ("**Neusoft Corporation**")	The largest shareholder
Dalian Neusoft Holdings Co., Ltd. ("**Neusoft Holdings**")	Shareholder
PICC Property and Casualty Company Limited. ("**PICC P&C**")	Shareholder
Neusoft Medical System Co. Ltd.	A company significant influenced by Neusoft Corporation
NEUSOFT JAPAN CO.LTD	Subsidiary of Neusoft Corporation
Neusoft Group (Dalian) Co. Ltd	Subsidiary of Neusoft Corporation
Shenyang Neusoft System Integration Technology Co. Ltd	Subsidiary of Neusoft Corporation
Xian Neusoft System Integration Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Group (Shanghai) Co. Ltd	Subsidiary of Neusoft Corporation
Dandong Smart City Operation Co., Ltd	Subsidiary of Neusoft Corporation
Shenzhen Neusoft Software Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Group (Beijing) Co. Ltd	Subsidiary of Neusoft Corporation
Shandong Neusoft System Integration Co. Ltd	Subsidiary of Neusoft Corporation
Hunan Neusoft Software Co. Ltd	Subsidiary of Neusoft Corporation
Chengdu Neusoft System Integration Co. Ltd	Subsidiary of Neusoft Corporation
Wuhan Neusoft System Integration Co. Ltd	Subsidiary of Neusoft Corporation
Shenyang Daily Digital Advertising Communication Co. Ltd	Subsidiary of Neusoft Corporation
Hebei Neusoft Software Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Group (Guangzhou) Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Cloud Technology Co. Ltd	Subsidiary of Neusoft Corporation
Shenyang Neusoft Property Management Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Group Nanjing Co. Ltd	Subsidiary of Neusoft Corporation
Shenyang Neusoft Traffic Information Technology Co. Ltd	Subsidiary of Neusoft Corporation

41 Related party transactions (continued)

(a) Names and relationships with related parties (continued)

Name of related party	Nature of relationship
Neusoft Group (Changchun) Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Group (Yichang) Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Group (Nanning) Co. Ltd	Subsidiary of Neusoft Corporation
Shenyang Neusoft Intelligent Medical Technology Research Institute Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Cloud Technology (Shenyang) Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Hanfeng Medical Technology Co., Ltd	Subsidiary of Neusoft Corporation
Living Space (Shenyang) Data Technology Service Co., Ltd	Subsidiary of Neusoft Corporation
Neusoft Medical Industrial Park Development Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Group (Shandong) Information Technology Co. Ltd	Subsidiary of Neusoft Corporation
Guangzhou Neusoft Technology Business Incubator Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Group (Hohhot) Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Group (Lanzhou) Co. Ltd	Subsidiary of Neusoft Corporation
Yichang Neusoft Ruiyun Education Technology Co. Ltd	Subsidiary of Neusoft Corporation
Living Space (Shanghai) Data Technology Service Co., Ltd	Subsidiary of Neusoft Corporation
Liaoning Boying Technology 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
Hangzhou Neusoft Software Co., Ltd.	Subsidiary of Neusoft Corporation
Neusoft Group (Nanchang) Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Group (Yantai) Co., Ltd.	Subsidiary of Neusoft Corporation
Dalian Qixian Zhiyuan Technology Research Institute Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Group Chongqing Co. Ltd	Subsidiary of Neusoft Corporation
Hebei Shugang Technology Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Group (Xuzhou) Co., Ltd.	Subsidiary of Neusoft Corporation
Hanfeng Health Medical Big Data Research Institute (Liaoning) Co., Ltd	Subsidiary of Neusoft Corporation
Hubei Neusoft Ruiyun Technology Co., Ltd	Subsidiary of Neusoft Corporation
Neusoft Group (Ningbo) Co., Ltd.	Subsidiary of Neusoft Corporation
Neusoft Digital Intelligence Health Information Technology Co., Ltd	Subsidiary of Neusoft Corporation
Neusoft Group (Heilongjiang) Co., Ltd.	Subsidiary of Neusoft Corporation
Guangdong Neusoft University	Subsidiary of Neusoft Holdings

41 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
Dalian Neusoft Holding Ruikang Medical Management Co., Ltd.	Subsidiary of Neusoft Holdings
Chengdu Neusoft University	Subsidiary of Neusoft Holdings
Chengdu Neusoft Information Technology Development 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
Benxi Guanshan Lake Xikang Yunshe 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 Software Talent Training Center	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
Shanghai Yixun Dechi Education Technology Co., Ltd.	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
Shenyang Sirui Information Technology Co., Ltd	Subsidiary of Neusoft Holdings
Dalian Sirui 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
Dalian Duaidi Human Resources Service Co., Ltd	Subsidiary of Neusoft Holdings
Tianjin Sirui Information Technology Co., Ltd	Subsidiary of Neusoft Holdings
PICC Life Insurance Co., Ltd.	Subsidiary of PICC P&C
Hua Xia Bank Co., Limited	Subsidiary of PICC P&C
PICC Health Insurance Co., Ltd.	Subsidiary of PICC P&C
PICC Asset Management Co. Ltd	Subsidiary of PICC P&C
Neusoft Wittmann Biological Technology (Nanjing) Co., Ltd	Subsidiary of Neusoft Medical

41 Related party transactions (continued)

(a) Names and relationships with related parties (continued)

Name of related party	Nature of relationship
Neusoft Wittmann Biological Technology (Shenyang) Co. Ltd	Subsidiary of Neusoft Medical
Shenyang Neusoft Medical Imaging Diagnosis Center 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
Neusoft Medical Technology Co. Ltd	Subsidiary of Neusoft Medical
Beijing Neusoft Medical Equipment Co. Ltd	Subsidiary of Neusoft Medical
Shanghai Neusoft Medical Technology 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
Dalian Cangsu Intelligent Medical Technology Co., Ltd	Subsidiary of Neusoft Medical
Shenyang Intelligent Nuclear Medical Technology Co., Ltd	Subsidiary of Neusoft Medical
Shanghai Neusoft Medical Equipment Co. Ltd	Subsidiary of Neusoft Medical
Shenyang Advanced Medical Equipment Technology Incubation Center Co. Ltd	Subsidiary of Neusoft Medical
Chongqing Jinke Kejian Real Estate Co. Ltd	Subsidiary of Associates
Hangzhou Lanxi Health Management Co., Ltd.	Subsidiary of Associates
Hangzhou Lanxi Chengyuan Medical Outpatient Department Co. Ltd	Subsidiary of Associates
Hangzhou Lanxi Meiling Medical Outpatient Department Co., Ltd.	Subsidiary of Associates
Liaoning Jinhai Real Estate Development Group Co., Ltd. (hereinafter referred to as Jinhai Group)	Parent of Associates
Dandong Jindi Yingda Real Estate Development Co., Ltd	Subsidiary of Jinhai Group
Dandong Jinhai Building Business Service Co., Ltd	Subsidiary of Jinhai Group
Jinke Property Group Co., Ltd.	Parent of Associates
Neusoft Management Consulting (Shanghai) Co., Ltd.	Associates
Shenyang Neusoft System Integration Engineering Co. Ltd	Subsidiary of the directors of the Company
Shenyang Ruiqian Business Consulting Co., Ltd	Subsidiary of the directors of the Company

41 Related party transactions (continued)

(b) Significant transactions with related parties

(i) Purchases medical consumable and smart healthcare products

	2023 RMB'000	2022 RMB'000
Neusoft Corporation and its subsidiaries	**2,118**	907
Neusoft Medical and its subsidiaries	**2,263**	1,519
	4,381	2,426

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

	2023 RMB'000	2022 RMB'000
Neusoft Corporation and its subsidiaries	**5,690**	7,671
Neusoft Medical and its subsidiaries	**3,096**	2,091
Neusoft Holdings and its subsidiaries	**–**	277
	8,786	10,039

(iii) Purchases of fixed assets

	2023 RMB'000	2022 RMB'000
Neusoft Medical and its subsidiaries	**9,096**	890

(iv) Purchase of right-of-use assets

	2023 RMB'000	2022 RMB'000
Neusoft Corporation and its subsidiaries	**7,608**	–
Associates, its parents and its subsidiaries	**16,718**	–
	24,326	–

41 Related party transactions (continued)

(b) Significant transactions with related parties (continued)

(v) Sales of cloud hospital platform service

	2023	2022
	RMB'000	RMB'000
Neusoft Corporation and its subsidiaries	**4,001**	2,306
Associates, its parents and its subsidiaries	**14**	42
	4,015	2,348

(vi) Sales of internet medical services

	2023	2022
	RMB'000	RMB'000
Neusoft Medical and its subsidiaries	**9,061**	5,311

(vii) Sales of health management services

	2023	2022
	RMB'000	RMB'000
Neusoft Corporation and its subsidiaries	**4,351**	5,009
Neusoft Holdings and its subsidiaries	**1,044**	701
PICC P&C and its subsidiaries	**215**	136
Associates, its parents and its subsidiaries	**77**	429
Neusoft Medical and its subsidiaries	**706**	635
Subsidiary of the directors of the Company	**22**	–
	6,415	6,910

41 Related party transactions (continued)

(b) Significant transactions with related parties (continued)

(viii) Sales of smart healthcare services

	2023	2022
	RMB'000	RMB'000
Neusoft Holdings and its subsidiaries	**118**	–
Neusoft Corporation and its subsidiaries	**1**	1,842
Subsidiary of the directors of the Company	**3**	–
	122	1,842

(ix) Lease expenses and property service

	2023	2022
	RMB'000	RMB'000
Neusoft Corporation and its subsidiaries	**1,082**	1,215
Associates, its parents and its subsidiaries	**607**	790
	1,689	2,005

(x) Sales of fixed assets

	2023	2022
	RMB'000	RMB'000
Neusoft Medical and its subsidiaries	**218**	–

41 Related party transactions (continued)

(c) Year end balances with related parties

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Amount due from related party – trade receivables		
Neusoft Corporation and its subsidiaries	**8,518**	8,774
Neusoft Holdings and its subsidiaries	**551**	470
Associates, its parents and its subsidiaries	**60**	369
Neusoft Medical and its subsidiaries	**240**	1,359
	9,369	10,972
Amount due from related party – contract assets		
Neusoft Corporation and its subsidiaries	**909**	294
Amount due from related party – other receivables		
Associates, its parents and its subsidiaries	**10**	10
Neusoft Corporation and its subsidiaries	**806**	1,101
Neusoft Medical and its subsidiaries	**75**	259
	891	1,370
Amount due from related party – prepayments		
Neusoft Corporation and its subsidiaries	**84**	84
Neusoft Medical and its subsidiaries	**19**	41
	103	125
Amount due to related party – trade payables		
Neusoft Corporation and its subsidiaries	**18,306**	13,738
Neusoft Medical and its subsidiaries	**960**	1,331
	19,266	15,069

41 Related party transactions (continued)

(c) Year end balances with related parties (continued)

	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000
Amount due to related party – other payables		
Neusoft Corporation and its subsidiaries	**111**	828
Associates, its parents and its subsidiaries	**565**	1,973
Neusoft Medical and its subsidiaries	**6,894**	41
	7,570	2,842
Amount due to related party – contract liabilities		
Associates, its parents and its subsidiaries	**–**	159
Neusoft Corporation and its subsidiaries	**105**	45
PICC P&C and its subsidiaries	**78**	106
Neusoft Holdings and its subsidiaries	**2**	2
Neusoft Medical and its subsidiaries	**68**	25
	253	337
Amount due to related party – right-of-use assets		
Associates, its parents and its subsidiaries	**15,046**	1,703
Neusoft Corporation and its subsidiaries	**8,476**	7,810
Neusoft Medical and its subsidiaries	**182**	399
	23,704	9,912
Amount due to related party – lease liabilities		
Associates, its parents and its subsidiaries	**18,009**	4,048
Neusoft Corporation and its subsidiaries	**8,871**	8,090
Neusoft Medical and its subsidiaries	**270**	434
	27,150	12,572

41 Related party transactions (continued)

(d) Key management personnel compensation

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

	2023	2022
	RMB'000	RMB'000
Wages, salaries and bonuses	**4,541**	6,855
Pension costs – defined contribution plans	**186**	377
Other social security costs	**105**	219
Housing benefits	**95**	196
Share-based compensation	**18,890**	30,595
	23,817	38,242

The short-term benefits disclosed above include RMB2.25 million (2022: RMB3.16 million) of bonuses payable under a short-term incentive scheme which were unpaid as at year end and are included in other payables. The share-based payments provided to key management personnel consist of options which is equity-settled (Note 30).

42 Benefits and interests of directors

(a) Directors' emoluments

Directors' emoluments are set out as follows:

	Notes	Wages, salaries and bonuses RMB'000	Pension costs – defined contribution plans RMB'000	Social security costs RMB'000	Housing benefits RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
For the year ended 31 December 2023							
Chairman							
Liu Jiren	(i)	–	–	–	–	–	–
Executive director							
Zong Wenhong	(iv)	2,480	34	13	10	8,472	11,009
Non-executive director							
Lu Zhaoxia	(ii)	–	–	–	–	–	–
Wang Nan	(iii)	–	–	–	–	–	–
Pu Chengchuan	(vii)	–	–	–	–	–	–
Chen Lianyong	(vi)	–	–	–	–	–	–
Independent non-executive directors							
Chen Yan	(viii)	42	–	–	–	–	42
Qi Guoxian	(ix)	5	–	–	–	–	5
Yin Guisheng	(x)	42	–	–	–	–	42
Fang Weiyi	(xi)	37	–	–	–	–	37
		2,606	34	13	10	8,472	11,135

42 Benefits and interests of directors (continued)

(a) Directors' emoluments (continued)

	Notes	Wages, salaries and bonuses RMB'000	Pension costs – defined contribution plans RMB'000	Social security costs RMB'000	Housing benefits RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
For the year ended 31 December 2022							
Chairman							
Liu Jiren	(i)	–	–	–	–	–	–
Executive director							
Zong Wenhong	(iv)	2,350	92	45	39	9,654	12,180
Non-executive director							
Lu Zhaoxia	(ii)	–	–	–	–	–	–
Wang Nan	(iii)	–	–	–	–	–	–
Yuan Bing	(v)	–	–	–	–	–	–
Pu Chengchuan	(vii)	–	–	–	–	–	–
Chen Lianyong	(vi)	–	–	–	–	–	–
Independent non-executive directors							
Chen Yan	(viii)	–	–	–	–	–	–
Qi Guoxian	(ix)	–	–	–	–	–	–
Yin Guisheng	(x)	–	–	–	–	–	–
Fang Weiyi	(xi)	–	–	–	–	–	–
		2,350	92	45	39	9,654	12,180

42 Benefits and interests of directors (continued)

(a) Directors' emoluments (continued)

(i) Mr. Liu Jiren was appointed as a director with effect from 15 July 2011. He is also the chairman of the Group.

(ii) Ms. Lu Zhaoxia was appointed as a director with effect from 15 July 2011.

(iii) Ms. Wang Nan was appointed as a director with effect from 18 November 2015.

(iv) Ms. Zong Wenhong was appointed as a director with effect from 27 December 2019. She is also the executive director of the Group.

(v) Mr. Yuan Bing was appointed as a director with effect from 28 October 2019 and resigned on 30 December 2022.

(vi) Mr. Chen Lianyong was appointed as a director with effect from 27 December 2019.

(vii) Mr. Pu Chengchuan was appointed as a director with effect from 30 December 2022.

(viii) Ms. Chen Yan was appointed as an independent non-executive director with effect from 11 September 2023.

(ix) Mr. Qi Guoxian was appointed as an independent non-executive director with effect from 18 December 2023.

(x) Mr. Yin Guisheng was appointed as an independent non-executive director with effect from 11 September 2023.

(xi) Mr. Fang Weiyi was appointed as an independent non-executive director with effect from 11 September 2023 and resigned on 18 December 2023.

(xii) Non-executive directors of the Company do not get remuneration from the Company.

(b) Directors' retirement and termination benefits

No retirement or termination benefits have been paid to the Company's directors during the year ended 2023 and 2022.

(c) Consideration provided to third parties for making available directors' services

No consideration was provided to third parties for making available directors' services during the year ended 2023 and 2022.

(d) Information about loans, quasi-loans and other dealings in favor of directors, bodies corporate controlled by or entities connected with directors

There were no loans, quasi-loans and other dealings in favor of directors, bodies corporate controlled by and entities connected with such directors during the year ended 2023 and 2022.

(e) Directors' material interests in transactions, arrangements, or contracts

No other significant transactions, arrangements, and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 2023 and 2022.

43 Dividends

No dividend has been paid or declared by the Company during each of the years ended 31 December 2023 and 2022.

44 Contingencies

The Group did not have any material contingent liabilities as of 31 December 2023 and 2022.

45 Subsequent events

The Group does not have any significant subsequent events after 31 December 2023 and up to the date of this report.

46 Summary of other potentially material accounting policies

This note provides a list of other potential material accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

46.1 Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including VIE companies and the companies indirectly controlled by the Group pursuant to the employee incentive plans) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 46.2).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown in the consolidated statements of comprehensive income, consolidated balance sheets, and consolidated statements of changes in equity respectively.

46 Summary of other potentially material accounting policies (continued)

46.1 Principles of consolidation and equity accounting (continued)

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iii) below), after initially being recognised at cost.

(iii) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 46.6.

46 Summary of other potentially material accounting policies (continued)

46.1 Principles of consolidation and equity accounting (continued)

(iv) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRS.

If the ownership interest in an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

46 Summary of other potentially material accounting policies (continued)

46.2 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

46 Summary of other potentially material accounting policies (continued)

46.2 Business combinations (continued)

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree at the acquisition date is remeasured to fair value at the acquisition date; any gain or loss arising from such remeasurement is recognised in profit or loss.

The Group uses the concentration test, a simplified assessment to identify whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. For the concentrate test:

- gross assets acquired shall exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities;

- the fair value of the gross assets acquired shall include any consideration transferred in excess of the fair value of net identifiable assets acquired;

- a single identifiable asset shall include any asset or group of assets that would be recognized and measured as a single identifiable asset in a business combination;

- if a tangible asset is attached to, and cannot be physically removed and used separately from, another tangible asset, those assets shall be considered a single identifiable asset;

when assessing whether assets are similar, an entity shall consider the nature of each single identifiable asset and the risks associated with managing and creating outputs from the assets.

46.3 Segment reporting

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

46 Summary of other potentially material accounting policies (continued)

46.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("**the functional currency**"). The function currency of the Company is United States Dollar ("**USD**"). The Company's primary subsidiaries were incorporated in the PRC and Hong Kong, and these subsidiaries considered RMB and HKD as their functional currencies respectively. As the major operations of the Group are within the PRC, the Group determined to present the consolidated financial statements in RMB.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in equity if they are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

46 Summary of other potentially material accounting policies (continued)

46.4 Foreign currency translation (continued)

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for balance sheets presented are translated at the closing rate at the date of that balance sheets;
- income and expenses for statements of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences is re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or joint ventures that do not result in the group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

46 Summary of other potentially material accounting policies (continued)

46.5 Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

46.6 Financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("**OCI**"), or through profit or loss), and

- those to be measured at amortised cost.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

46 Summary of other potentially material accounting policies (continued)

46.6 Financial assets (continued)

(c) Measurement (continued)

Debt instruments

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in profit or loss and presented within other gains/(losses) in the statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

46 Summary of other potentially material accounting policies (continued)

46.6 Financial assets (continued)

(d) Impairment

The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, contract assets and long-term trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 21, Note 5 and Note 18 for further details.

46.7 Intangible assets

(i) Software

Software is initially recorded at historical cost. They have the finite useful lives and is subsequently carried at cost less accumulated amortization and impairment losses (if any).

Intangible assets are amortised over their estimated useful lives (generally 10 years based on management's expectation on the technological lives of the computer software), using the straight-line method which reflects the pattern in which the intangible asset's future economic benefits are expected to be consumed.

(ii) Patents

Separately acquired patents are shown at historical cost. Patents have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. Patents are amortized over their estimated useful lives (generally 10 years) using the straight-line method, which represent the time periods that the Group expects these assets will generate economic benefits to internet medical services and health management services.

46 Summary of other potentially material accounting policies (continued)

46.7 Intangible assets (continued)

(iii) Research and development

Research expenditure and development expenditure that do not meet below criteria are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognized as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- the ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development project and use or sell the software; and
- the expenditure attributable to the software during its development can be reliably measured.

There are no events or changes in circumstances which indicates that the carrying amount may not be recoverable, and the impairment test has not been performed.

46.8 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

46 Summary of other potentially material accounting policies (continued)

46.9 Share capital and shares held for employee share scheme

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

Shares held by the Company's RSUs plan are disclosed as treasury shares and deducted from contributed equity.

46.10 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the costs and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

46 Summary of other potentially material accounting policies (continued)

46.11 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

46.12 Share-based payments

(a) Equity-settled share-based payment transaction

The Group operates share incentive plan, under which it receives services from employees as consideration for equity instruments (RSUs and options) of the Company. The fair value of the services received in exchange for the grant of the equity instruments (RSUs and options) is recognized as an expense on the consolidated income statement with a corresponding increase in equity.

In terms of RSUs and options awarded to employees, the total amount to be expensed is determined by reference to the fair value of equity instruments (RSUs and options) granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

Service and non-marketing performance conditions are included in calculation of the number of options that are expected to vest. The total amount expensed is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

46 Summary of other potentially material accounting policies (continued)

46.12 Share-based payments (continued)

(a) Equity-settled share-based payment transaction (continued)

At the end of each year, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statements of comprehensive income, with a corresponding adjustment to equity.

In some circumstances, employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new ordinary shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium. Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognised for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognised over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognised over the remainder of the original vesting period.

(b) Cash-settled RSUs

Under the RSUs scheme of the Company, the Group commits to refund all of the cash received from the employees who were granted the RSUs but would be resigned within three years after the grant day. The Group recorded the full amount of cash received as liabilities at the grant day.

46 Summary of other potentially material accounting policies (continued)

46.13 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

46.14 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

46 Summary of other potentially material accounting policies (continued)

46.15 Leases

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Entity-specific details about the Group's leasing policy are provided in note 16.

46 Summary of other potentially material accounting policies (continued)

46.16 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

46.17 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Note 6 provides further information on how the Group accounts for government grants.

Five-year Financial Highlights

	As of December 31,				
	2023	2022	2021	2020	2019
	RMB in thousands				
Revenue	**537,715**	687,415	614,302	503,008	399,637
Gross profit	**164,609**	168,450	170,229	134,108	88,501
Loss before income tax	**(147,636)**	(238,308)	(292,847)	(203,021)	(218,131)
Income tax expense	**(7,256)**	(4,952)	(1,896)	4,252	(63)
Loss for the year	**(154,892)**	(243,260)	(294,743)	(198,769)	(218,194)
Attributable to:					
Owners of the Company	**(154,652)**	(241,967)	(296,537)	(196,431)	(209,658)
Non-controlling interests	**(240)**	(1,293)	1,794	(2,338)	(8,536)

	As of December 31,				
	2023	2022	2021	2020	2019
	RMB in thousands				
Assets					
Non-current assets	**311,701**	298,041	320,509	343,120	228,008
Current assets	**1,086,310**	636,404	626,338	611,521	606,272
Total assets	**1,398,011**	934,445	946,847	954,641	834,280
Equity					
Attributable to owner's equity of the Company	**428,144**	(451,976)	(274,545)	(132,991)	(134,730)
Non-controlling interests	**5,589**	5,808	6,909	2,585	13,339
Total equity	**433,733**	(446,168)	(267,636)	(130,406)	(121,391)
Liabilities					
Non-current liabilities	**351,430**	920,560	754,602	659,430	520,156
Current liabilities	**612,848**	460,053	459,881	425,617	435,515
Total liabilities	**964,278**	1,380,613	1,214,483	1,085,047	955,671
Total equity and liabilities	**1,398,011**	934,445	946,847	954,641	834,280

Definitions

In this annual 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
"Memorandum and Articles of Association"	the memorandum and articles of association of our Company, conditionally adopted on September 27, 2023 with effect from the Listing Date, as amended from time to time
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board" or "Board of Directors"	the board of Directors of our Company
"business day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open to the public for normal banking business
"BVI"	the British Virgin Islands
"Chengdu Xikang"	Chengdu Neusoft Xikang Health Management Service Co., Ltd. (成都東軟熙康健康管理服務有限公司)
"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", "the Company", "we", "us" or "our"	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
"Consolidated Affiliated Entity(ies)"	entities controlled by the Company through the Contractual Arrangements and considered to be our subsidiaries, namely the Onshore Holdcos and their respective subsidiaries. For details of these entities, see "Contractual Arrangements" in the Prospectus
"Contractual Arrangements"	the Xikang Information Contractual Arrangements and the Xikang Medical Contractual Arrangements, being the series of contractual arrangements entered into between Xikang WFOE, Onshore Holdcos and the Registered Shareholders, details of which are described in "Contractual Arrangements" in the Prospectus
"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
"Global Offering"	the Hong Kong public offering and the international offering as described in the Prospectus
"Group", "our Group" or "the Group"	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 the BVI on July 8, 2015, and an employee shareholding platform and a Shareholder of our Company
"Kingset Ventures"	Kingset Ventures Limited, one of the Pre-IPO Investors of our Company, 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, on 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

Definitions

"Listing Rules" or "Hong Kong 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
"Ningbo Cloud Hospital"	Ningbo Cloud Hospital Co., Ltd. (寧波雲醫院有限公司), a company incorporated under the laws of the PRC on June 26, 2015, and a wholly-owned subsidiary of Ningbo Xikang
"Ningbo Xikang"	Ningbo (Neusoft Xikang) Smart Healthcare Research Institute Co., Ltd. (寧波(東軟熙康)智慧健康研究院有限公司), a company incorporated on July 25, 2014, and a wholly-owned subsidiary of Xikang Medical Management
"Onshore Holdcos"	collectively, Xikang Medical and Xikang Information, the financial results of which have been consolidated and accounted for as subsidiaries of our Company by virtue of the Contractual Arrangements
"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 the 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 "DIRECTORS' REPORT – SHARE OPTION SCHEMES – 2. Post-IPO SOS" in this annual report

"PRC" or "China"	the People's Republic of China, which for the purposes of this document only and unless the context requires otherwise, excludes Hong Kong, Macau and Taiwan
"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 "DIRECTORS' REPORT – SHARE OPTION SCHEMES – 1. Pre-IPO SOS" in this annual 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
"Registered Shareholders"	the registered shareholders of the Onshore Holdcos, namely Ms. Zong Wenhong, the Company's executive Director and chief executive officer and Ms. Wang Shuli, the Company's vice president and chief financial officer
"Reporting Period"	the year ended December 31, 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
"Shaanxi Xikang"	Shaanxi Xikang Health Management Co., Ltd. (陝西熙康健康管理有限公司)
"Shanghai Clinic"	Shanghai Xikang Clinic Co., Ltd. (上海熙康門診部有限公司), a company incorporated under the laws of the PRC on September 24, 2015, and a wholly-owned subsidiary of Shanghai Xikang
"Shanghai Xikang"	Shanghai Xikang Healthcare Management Co., Ltd. (上海熙康健康管理有限公司), a company incorporated under the laws of the PRC on January 11, 2013, and a wholly-owned subsidiary of Xikang Medical Management
"Share(s)"	ordinary shares in the share capital of our Company with a par 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

Definitions

"Shenyang Cloud Hospital"	Shenyang Xikang Cloud Hospital Co., Ltd. (瀋陽熙康雲醫院有限公司)
"Smartwave"	Smartwave Holdings Inc. (斯邁威控股有限公司), a company incorporated under the laws of BVI on March 15, 2011, and a Shareholder of our Company wholly-owned by Neusoft Holdings
"subsidiary(ies)"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"Syn Invest"	Syn Invest Co. Ltd, one of the Pre-IPO Investors of our Company, a company established in the BVI
"United States", "U.S." or "US"	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
"Xikang Information"	Beijing Neusoft Xikang Information Technology Co., Ltd. (北京東軟熙康信息技術有限公司), a limited liability company incorporated under the laws of the PRC on March 27, 2015, and is one of the Company's Onshore Holdcos and Consolidated Affiliated Entities
"Xikang Information Contractual Arrangements"	the series of contractual arrangements entered into between Xikang WFOE, Xikang Information and the Registered Shareholders, details of which are described in "Contractual Arrangements" in the Prospectus
"Xikang International"	Neusoft Xikang International Limited, a company incorporated under the laws of Hong Kong on April 2, 2001, and a wholly-owned subsidiary of our Company
"Xikang Medical"	Beijing Neusoft Xikang Medical Technology Co., Ltd. (北京東軟熙康醫療科技有限公司), a company incorporated under the laws of the PRC on December 26, 2017, and is one of the Company's Onshore Holdcos and Consolidated Affiliated Entities
"Xikang Medical Management"	Shenyang Neusoft Xikang Medical Enterprise Management Co., Ltd. (瀋陽東軟熙康醫療企業管理有限公司), a company incorporated under the laws of the PRC on January 24, 2018, and is owned as to 70% by Xikang WFOE and 30% by Xikang Medical
"Xikang WFOE"	Neusoft Xikang Healthcare Technology Co., Ltd. (東軟熙康健康科技有限公司), a company incorporated under the laws of the PRC on August 12, 2011, and a wholly-owned subsidiary of Xikang International