
BUSINESS

Overview

We are a leading medical group specialized in medical imaging in China. According to Frost & Sullivan, the PRC third-party medical imaging center market is still at the ramp-up stage with a relatively late start in comparison with that in developed countries, and it accounted for approximately 1.1% of the PRC medical imaging service market in 2023. In 2023, we ranked first among all PRC third-party medical imaging center operators in terms of the number of medical imaging centers in the network, number of units of equipment, number of registrations by practicing radiologists who are registered with us as the primary workplace, average daily screening volume and fees paid by patients; and in terms of revenue generated from imaging center services in 2023, we ranked second among all PRC third-party medical imaging center operators, according to Frost & Sullivan. See “Industry Overview — Competitive Landscape.” We mainly compete in the PRC third-party medical imaging center market, a fast-growing segment whose market size grew at a CAGR of 29.0% from 2018 to 2023 and is expected to grow with a CAGR of 33.5% from 2023 to 2026, far exceeding that of 12.9% and 14.3% of the PRC medical imaging service market during the same periods, respectively. We are also the only operator and manager of a medical imaging platform that provides diversified imaging services and value to the entire medical imaging industry chain in China, as the other four players among top five players (in terms of fees paid by patients) in the PRC third-party medical imaging center market do not concurrently provide solutions and services comparable to our imaging solution services and Rimag Cloud services, according to the same source.

We generate revenue mainly through the following medical imaging services and solutions:

- ***Imaging Center Services.*** We offer imaging examination and diagnostic services to patients and other healthcare consumers via our flagship imaging centers, such as MRI, CT, PET, X-ray, ultrasound, mammography. In addition, we provide medical institutions with services such as medical imaging service, equipment selection and configuration, infrastructure renovation services and operational management services based on their needs through our regional collaborative imaging centers, specialized medical consortium imaging centers and operational management imaging centers, and charge the medical institutions a service fee based on the content of the services provided.
- ***Imaging Solution Services.*** We commenced the provision of imaging solution services to customers in 2019. Our imaging solution services mainly help medical institution customers, such as hospitals, select and acquire appropriate imaging equipment that meets their development needs, and a series of accompanying modular solutions to maximize the utility value of imaging equipment. We are entitled to receive payment based on the medical imaging equipment and/or our modular services and solutions for

BUSINESS

factors including the market prices of imaging equipment we help select for customers, the content and number of service modules chosen by our customers, our costs in providing the relevant solutions and length of service term.

- ***Rimag Cloud Services.*** We have continually invested in and developed our Rimag Cloud platform to bolster the development of our imaging center services business, informatization management and data-driven operations. In 2018, as our products and services continued to mature, we commercialized our Rimag Cloud services and offered such services under our Rimag brand to the PRC medical imaging industry. We authorize customers to use our Rimag Cloud platform or some of its modules, and provide follow-up data storage, data analysis and other services and we charge customers service fees based on storage volume and number of usage instances, or fixed annual fees, among other things. Customers can also choose one-time purchases of software according to their resources and capacity, and we charge customers a one-time fee per software sale.

During the Track Record Period, we have generated the majority of our revenue from provision of imaging center services. We have taken an approach to establish and operate a medical imaging center network and explore service models under the hierarchical diagnosis and treatment system in China with the aim to promote the extension of quality medical resources to the primary healthcare system and balance the distribution of such resources in line with aforementioned favorable policies and industry trends since our inception in 2014. See “ — Competitive Landscape.” Covering 17 provinces, autonomous regions and municipalities and spanning first- and second-tier cities to 59 county-level divisions, our medical imaging center network consisted of 97 imaging centers, including: (i) nine flagship imaging centers; (ii) 24 regional collaborative imaging centers; (iii) 50 specialized medical consortium imaging centers; and (iv) 14 operational management imaging centers as of December 31, 2023. We uphold the concept of “clinically targeted imaging services” throughout the establishment, management and operation of our medical imaging center network with advanced imaging equipment, quality professional team, standard operating procedure (“SOP”) system and personnel training system to ensure quality and consistent delivery of services.

Through operating imaging centers owned by us and providing operational management services to other imaging centers, we have accumulated and maintained solid service capabilities in medical imaging. After rapid business expansion, we have realized the scale advantage in operating imaging centers and established a leading position in the PRC third-party medical imaging center industry. Benefiting from the increasing demand from patients for medical imaging examination and diagnosis and favorable government policies, the PRC third-party medical imaging center market has been steadily developing in recent years and is expected to further expand. According to Frost & Sullivan, the size of this market by revenue grew from RMB0.8

BUSINESS

billion in 2018 to RMB2.9 billion in 2023, at a CAGR of 29.0%, despite the impact of the COVID-19 pandemic during the Track Record Period and is expected to reach RMB18.6 billion in 2030, growing at a CAGR of 30.7% from 2023 to 2030. We believe we are well positioned to capture the market potentials based on our leading position in the PRC third-party medical imaging center industry.

We experienced significant growth in revenue and gross profit during the Track Record Period. Our total revenue increased by 32.5% from RMB592.0 million in 2021 to RMB784.4 million in 2022 and further increased by 18.4% to RMB928.9 million in 2023, representing a CAGR of 25.3% from 2021 to 2023. Our gross profit increased by 35.3% from RMB175.2 million in 2021 to RMB237.0 million in 2022 and further increased by 40.4% to RMB332.6 million in 2023, representing a CAGR of 37.8% from 2021 to 2023.

We set out below an overview of our major business lines:

Introduction of business lines	Commercial rationale
<p>I. Imaging Center Services</p> <p><i>A. Flagship Imaging Centers (旗艦型影像中心)</i></p> <p>We usually set up imaging centers as independent legal entities with Medical Institution Practice Licenses in places where medical institutions are concentrated in first- and second-tier cities or provincial capitals/municipalities of China. These imaging centers have advanced imaging equipment, experienced professional teams, and a pleasant medical environment. They serve as exemplary centers for showcasing our medical services, expert competence, academic research, and corporate brand in the relevant regions and across the nation.</p>	<p>Our imaging center service business model is designed to address the various pain points they face:</p> <ul style="list-style-type: none"> we provide diversified imaging examination and diagnostic services as large hospitals are usually overcrowded and small-to-medium sized hospitals sometimes lack imaging equipment. We believe such an arrangement enables us to take advantage of the different market demands for imaging services, as driven by the varied needs from patients and other healthcare consumers with relatively higher household purchasing power;

BUSINESS

Introduction of business lines	Commercial rationale
<p><i>B. Regional Collaborative Imaging Centers (區域共享型影像中心)</i></p> <p>Our regional collaborative imaging centers are mainly located in the third-tier cities or below of China. Relying on one or more public/private medical institutions in the relevant regions, we build imaging centers as independent legal entities with Medical Institution Practice Licenses and in accordance with the Basic Standards for Medical Imaging Diagnostic Centers (Trial) issued by the NHFPC in 2016. These imaging centers integrate professional imaging resources within the relevant regions through distributed placement of imaging equipment, multi-site practice or recruitment of practitioners, so as to realize the sharing of data, equipment and professionals. Medical institutions in such regions can purchase medical imaging examination and diagnostic services, among other things, from these imaging centers.</p>	<ul style="list-style-type: none"> for city- and county-level hospitals facing pain points of lack of imaging equipment and deficient professional capabilities, we establish regional collaborative imaging centers equipped with advanced imaging equipment via cooperation with medical institutions in the region. The establishment of such imaging centers is expected to improve the capacity to offer professional imaging services in such regions, thereby allowing medical institutions in such regions to enjoy better quality medical imaging services while reducing relevant costs;
<p><i>C. Specialized Medical Consortium Imaging Centers (專科醫聯體型影像中心)</i></p> <p>We form specialty imaging medical consortiums consisting of our medical imaging centers with practicing licenses of medical institutions and one or more medical institutions, as approved by local governments. Within such medical consortiums, we provide medical institutions with equipment deployment, infrastructure renovation, and diversified medical imaging operational management services, including professional skill improvement, operational management consulting, and informatization construction, among other things.</p>	<ul style="list-style-type: none"> for city- and county-level medical institutions facing pain points such as the inability to purchase imaging equipment and lack of skilled talents, we jointly establish specialized medical consortium imaging centers based on the pre-existing imaging departments of the relevant medical institutions, to facilitate the development of primary healthcare and better allocation of medical resources; and

BUSINESS

Introduction of business lines

D. Operational Management Imaging Centers (運營管理型影像中心)

We provide diversified operational management services to one or more medical institutions, including professional skill improvement, operational management consulting, and informatization construction, among other things, through our medical imaging service companies or imaging centers with practicing licenses of medical institutions. Such imaging centers are not involved with equipment deployment or infrastructure renovation services.

Commercial rationale

- for city- and county-level medical institutions with sufficient imaging equipment but lacking skilled radiologists, radiologic technologists and nurses, or professional operational management capabilities, we provide diversified services targeted at improvement of professional capabilities and operational management.

II. Imaging Solution Services

We offer our imaging solution services to hospital customers that are in need of imaging equipment. We assist them in selecting and acquiring imaging equipment that suits their development needs, while offering accompanying modular solutions to maximize the utilization value of the imaging equipment, to ensure they can properly and effectively use the procured imaging equipment. Our imaging solution services mainly encompass equipment selection and configuration, infrastructure renovation, training services, repair and maintenance and Rimag Cloud platform services.

Our strong capabilities in operating and managing imaging centers in China has given us an advantage in accumulating professional proficiency and enhancing our operation management capabilities. We transform such capabilities into modular solutions, and offer them to help other medical institutions enhance their professional capabilities in equipment utilization. As we serve more customers, we have gradually developed the foregoing standardized solutions that are scalable and which can be customized to facilitate the operations of medical institutions.

The customers of our imaging solution services can also be converted into customers of our operational management imaging center business through additional customer development.

BUSINESS

Introduction of business lines	Commercial rationale
<p>III. Rimag Cloud Services</p> <p>We offer information services throughout the whole process of medical imaging based on our Rimag Cloud platform, which mainly include medical imaging workflow modules (such as remote diagnosis/consultation for complex cases, cloud storage and cloud film module, cloud radiology information system (RIS) services, cloud Picture Archive and Communication System (PACS) services, and imaging AI integration platform module) and operational management modules (such as refined operational management system and quality control system). We authorize medical institutions to use the Rimag Cloud services, and offer subsequent services, including operational maintenance and data analysis. Medical institutions can also purchase one or more modular services as needed.</p>	<p>Based on our understanding of the medical imaging services industry and rich knowledge and deep insights into the pain points of the entire service process, we have developed the Rimag Cloud platform to solve the major pain points of the various participants of the healthcare system:</p> <ul style="list-style-type: none"> • for patients: our cloud storage and cloud film module can provide patients with digital film for convenient access to images and reports; patients can also easily match with abundant medical resources on our platform. • for clinicians: clinicians can accurately select suitable examination programs and obtain accurate diagnosis reports; • for radiologic technologists: how to make the best use of imaging equipment and promptly complete scanning with assured quality; • for radiologists: our imaging AI integration platform provides multiple AI tools with consolidated strengths to help radiologists to issue diagnosis reports with higher accuracy, thereby enabling them to increase their efficiencies and capabilities; and • for hospital managers: Rimag Cloud Service provides visualized management tools for hospital management, as well as efficient and scientific management approaches for hospitals.

BUSINESS

Our Strengths

We believe the following competitive strengths have contributed to our success and distinguished us from our competitors:

China’s largest medical group specialized in medical imaging services, well-positioned in the rapidly evolving medical imaging industry in China to achieve fast growth

We were the largest medical group specialized in medical imaging in China, in terms of the number of imaging centers in the network, number of units of equipment, number of registrations by practicing radiologists who are registered with us as the primary workplace, average daily screening volume and fees paid by patients in 2023, according to Frost & Sullivan. In particular, as of December 31, 2023 among all PRC third-party medical imaging center operators:

- Our medical imaging center network covered the largest number of imaging centers in China, totaling 97 imaging centers in 17 provinces, autonomous regions and municipalities, and our imaging solution services served over 80 medical institutions;
- We were equipped with and managed the largest number of units of advanced imaging equipment in China at our flagship imaging centers and regional collaborative imaging centers, including PET, superconducting MRI and multi-slice spiral CT scanners, totaling more than 220 units;
- We had a total of over 230 registrations by practicing radiologists who are registered with us as the primary workplace registered with us as the primary workplace; and
- The imaging centers operated by us conducted on average approximately 20,000 examinations per day in 2023, which was the highest in China.

In addition, in 2023, we ranked first among all PRC third-party medical imaging center operators in terms of fees paid by patients, according to the same source.

The value of medical imaging services is becoming increasingly prominent in medical practice as medical imaging technology continues to advance. Despite its rapid growth, the number of units of large medical imaging equipment such as MRI and CT scanners per capita and spending on medical imaging per capita in China are noticeably lower than in developed countries. According to Frost & Sullivan, the PRC third-party medical imaging center market is still at the ramp-up stage with a relatively late start in comparison with that in developed countries, and it accounted for approximately 1.1% of the PRC medical imaging service market in 2023.

BUSINESS

Furthermore, high-quality medical imaging resources in China are predominantly concentrated in large-scale public hospitals, whereas the development of the primary healthcare system is lagging behind. In particular, there are insufficient radiologists and equipment in the primary healthcare system to meet the increasing imaging needs of patients. The penetration rate and market size of PRC third-party medical imaging centers are expected to further increase with favorable policies and regulations, including the hierarchical diagnosis and treatment initiative, encouraging private medical care, allowing multi-site practice of doctors, issuance of licenses for third-party medical imaging centers and lifting of licensing restraints for deploying large imaging equipment, coupled with the general public’s increasing awareness of health management and in-depth physical check-ups. According to Frost & Sullivan, the penetration rate of third-party medical imaging centers is expected to reach 2.8% in 2030, and the size of this market is expected to reach RMB18.6 billion, growing at a CAGR of 30.7% from 2023 to 2030. As an industry leader, we are well-positioned to leverage the favorable policies and economies of scale to capture the sizable growth potential in the medical imaging services market in China with a proven track record of rapid business development behind our successful business model.

Efficient and standardized development and operational management systems that enable the rapid replication and expansion of imaging centers and revenue growth

We have adopted a top-down vertical management model to operate our imaging centers from our headquarters, to ensure the supervision and alignment of our execution of overall strategy and business plan as well as our implementation of intra-group policies and procedures. On this basis, we have devised a consistent imaging center development and operation approach, enabling us to achieve rapid replication of imaging centers and fast growth in revenue.

We have set up a strategic development system for imaging centers. We have a standardized management system that monitors the development progress of imaging center investment with respect to project initiation, assessment, commercial negotiations, site construction, and acquisition of relevant qualifications. After in-depth and multi-dimensional evaluations, we strategically establish projects at locations with undervalued potential. We minimize the costs of construction and equipment through large-scale procurement to ensure the return on investment in the imaging centers. The majority of regional collaborative imaging centers are expected to record a positive monthly net profit for the first time to reach the break-even point within the first year after opening.

BUSINESS

We have established a multidimensional operational and management SOP system, covering key aspects of operating and managing imaging centers throughout various project stages before and after the commencement of operations, with support from the systems mentioned below to ensure the enhancement of the service capabilities and operational results at each imaging center:

- ***Quality control system.*** We have adopted an online and onsite dual-level quality control system. Online quality control consists of a cloud quality control system developed in-house by our medical imaging specialists, which randomly selects at least 1% of imaging scans and diagnostic reports on a double-blind basis for evaluation and scoring. This can effectively monitor the professional capabilities and work ethnics of the medical teams of each imaging center, and help promptly address weaknesses once discovered. Onsite quality control refers to periodic onsite inspections conducted by designated teams of specialists who visit each imaging center to evaluate the work performance and medical safety aspects of medical teams, and provide feedback and recommendations. This dual-level quality control system ensures quality consistency of medical services, controls medical risks and improves the overall professional capabilities of our medical teams.
- ***Training system.*** We regularly offer various forms of specialized training for diverse roles, in respect of diagnostic imaging, imaging technology and nursing, among other things. Our training programs are designed to enhance radiologists’ specialized proficiency to better serve clinicians following the latest trend in China and overseas moving away from classifying imaging specialties by type of equipment (such as X-ray, CT and MR) towards classifying by part of the human body (such as head and neck, chest, abdomen and pelvis). We also have a dedicated mentor team which consists of experienced operational management personnel and medical specialists who are stationed at our imaging centers on a long-term basis to provide on-site guidance and facilitate the rapid advancement of the operational capabilities and professional proficiency of the imaging centers.
- ***Radiologist consultant team.*** We have engaged a team of leading experts from various specialties in the Chinese medical imaging field as our radiologist consultants. These experts provide academic guidance, participate in our training and coaching programs, and engage in consultations for challenging medical cases. Accordingly, we are able to share their expertise and enhance our brand influence, foster patient trust and attract more patients. Our radiologist consultant team consists of experts from reputable hospitals with remarkable academic reputations in the relevant specialties in China across 15 different fields covering cardiovascular, neurological, musculoskeletal,

BUSINESS

digestive and other specialties. Members of our radiologist consultant team have rich experience, and were at least attending physicians, 86.6% of whom were associate chief physicians or higher, as of December 31, 2023.

The number of medical imaging centers operated by us increased from 78 as of December 31, 2021 to 97 as of December 31, 2023, representing a CAGR of 11.5%. The revenue of our imaging center services also increased from RMB442.3 million in 2021 to RMB638.1 million in 2023, representing a CAGR of 20.1%.

Highly effective business model supported by our operational concept of “clinically targeted imaging services (影像服務臨床)” through maximizing the role and value of medical imaging in modern medical care

We are dedicated to continuously improving our expertise in medical imaging and promoting its use in medical practice. Unlike in European countries and the United States where medical imaging is highly valued in clinical practice, in China, the radiology department has long been labeled as “auxiliary.” The selection and application of medical imaging procedures are often determined based on the needs of clinicians, which are largely limited by the clinicians’ inadequate knowledge of the cutting-edge medical imaging technologies. Therefore, the potential of advanced imaging equipment may not be fully unleashed, while radiologists often lack knowledge about clinical specialties, which affects the comprehensiveness of their imaging diagnostic reports. Over time, the lack of interaction between clinicians and radiologists has become increasingly severe.

To address such pain point, we put forward the operational concept of “clinically targeted imaging services,” based on which we have formed a highly effective business model to maximize the value of medical imaging and better serve clinicians.

In particular, we strive to enhance the interactions between radiologists and clinicians in addition to continually leveraging cutting-edge imaging technologies. We regularly organize discussions with radiologists and clinicians in forms such as academic conferences, doctor salon meetings, and multi-disciplinary consultations at each imaging center, to facilitate the mutual understanding of radiologists’ and clinicians’ respective needs. This helps promote the application of new medical imaging technologies in clinical practice, and also enables radiologists to provide more accurate and comprehensive imaging diagnostic reports for clinicians.

BUSINESS

Meanwhile, we also track the workflow data of clinicians’ selection of imaging examination procedures through a refined operational management system. By analyzing the relevant data, we evaluate the clinicians’ grasp of imaging technologies and provide them with regular guidance. We believe that this approach can effectively improve the accuracy and adequacy of clinicians’ selection of imaging examination methods based on their needs for disease diagnosis and treatment and enhance our imaging centers’ capabilities to better serve clinicians by addressing their needs more precisely.

Based on the foregoing operational concept of “clinically targeted imaging services,” we have developed an effective and competitive business model that has improved the capabilities and operational performance of our imaging centers. For example, at our flagship imaging centers, the available types of examination items of CT and MR expanded from 249 and 235, respectively, in 2021 to 256 and 244, respectively, in 2023, in line with the improvement in our professional proficiency. This has substantially enriched our service portfolio to satisfy more customers’ needs. During the Track Record Period, we had experienced notable increases in revenue from our imaging center services.

First-mover advantage in participating in setting industry standards for medical imaging services as well as technology and data service capabilities as a result of continual R&D investment

Leveraging our strong technological capabilities, insights into the medical imaging industry and accumulation of knowledge in the process of operating imaging centers, we have become capable of setting standards relating to the construction, operation and management, ability assessment, and informatization of imaging centers, among other things. We also proactively participate in the formulation and promotion of several standards in the medical imaging services industry.

We believe that continual R&D investment sets the foundation for us to build strong technology capabilities. In 2021, 2022 and 2023, our research and development expenses were RMB11.9 million, RMB11.5 million and RMB12.8 million, respectively, representing 2.0%, 1.5% and 1.4% of our revenue, respectively. We have a highly experienced R&D team. As of December 31, 2023, the R&D team of our Rimag Cloud platform comprised 28 employees, with approximately 53.6% of the employees having a bachelor’s degree or higher, and more than 50.0% with over ten years of work experience in the relevant fields. Our R&D team has rich knowledge in data analytics, AI, informatization, data middle platform, data security, as well as deep insights into the medical imaging service industry.

BUSINESS

Leveraging the technology capabilities that we have accumulated, we are able to introduce a variety of products that serve the key participants in the medical imaging service value chain, such as the abovementioned refined operational management system as driven by the operating data of imaging centers, cloud-based workstations integrated with AI platforms for radiologists, and quality control platforms allowing real-time monitoring by managers. In particular, our integrated AI platform is capable of offering aiding tools to radiologists for diagnosis, effectively increasing their accuracy and efficiency in analyzing medical images. Our rich product portfolio enables us to expand our customers base and operate more imaging centers via chain operation. These imaging centers can connect to the cloud through our cloud service platform, laying the groundwork for imaging data collection. Moreover, we have set up a imaging data standardization system to ensure the quality of imaging data. Such massive and quality imaging data are the basis for the development of AI computing and AI algorithms. As of the Latest Practicable Date, we had entered into strategic cooperation agreements with five AI product providers.

Our rich data accumulated in the medical imaging field provide us with data insights that enable us to offer customers products and services that precisely satisfy their needs from health management to disease diagnosis and treatment. Based on the foregoing, we cooperate with participants along the industry value chain of imaging services, and in consideration of diversified needs from end users, including patients and healthcare consumers, we further utilize these accumulated multi-dimensional data to conduct more R&D activities such as automatic operation analysis focusing on the daily activities of imaging centers. We can also verify and optimize the performance of such analysis in the various settings of medical services, to further improve the efficiency of our services, thereby forming a virtuous circle.

Experienced management team and strong shareholder support

Our senior management team consists of members with rich management experience, from professional backgrounds across all aspects of our business, including clinical, medical services and informatization. The abilities and experience of our team members complement each other and provide all-round support for our development.

Our chairman of the Board, Dr. XU Ke, is a recognized professional with profound knowledge and rich experience in the medical imaging industry. He served as chief executive of the Radiology Branch of the Chinese Medical Association (14th Term) (中華醫學會放射學分會第十四屆主任委員), as president of the First Hospital of China Medical University.

BUSINESS

Our CEO, Mr. CHEN Zhaoyang, is a professional manager with over 19 years of experience in the healthcare sector and a deep understanding of and insights into the third-party imaging center business. He previously served as general manager of Ping An International Financial Leasing Co., Ltd. (平安國際融資租賃有限公司). Mr. Chen graduated from the Health Science Center of Peking University, and has a thorough knowledge of the medical industry. For further details of our Directors and members of senior management, see “Directors, Supervisors and Senior Management.”

Meanwhile, since our establishment, we have been backed by renowned investors, including Beijing GS, Baishan Investment, CICC Yingrun, PICC Beijing, JD Yingzheng and OrbiMed. In addition to their support financially, we benefit from their rich experience in the healthcare sector to drive our business expansion and formulate our development strategies. See “History and Corporate Structure.”

Our Strategies

Our goal is to become the foremost medical group with a focus on imaging in China and worldwide. We aim to establish a dominant medical imaging solution service platform that can efficiently integrate resources across the industry value chain and promote a thriving entrepreneurial business network. To achieve this, we plan to implement the following strategies:

Further expand our medical imaging center network and enrich the offerings of our imaging solution services to strengthen our industry-leading position

We intend to strategically prioritize our resource integration and investments in regions with relatively uneven distribution of medical resources. In particular, we plan to establish or acquire regional collaborative imaging centers in regions where we have existing support from government policies and business partners and the potential of which has not yet been fully exploited, such as Jiangxi, Hubei, Fujian, and Henan provinces.

We plan to engage in further market development through expanding our service penetration to medical institutions in suburban and rural areas peripheral to where we have existing operations, such as village-and town-level medical institutions, and eventually achieve full regional coverage.

Meanwhile, based on our existing layout of the flagship imaging centers, we plan to establish or acquire more flagship imaging centers in high-tier cities with large populations, high levels of consumer spending, and highly differentiated demands.

BUSINESS

We also aim to provide diversified medical imaging services, and strategically select regions with great potential for development. We intend to provide imaging solution services and Rimag Cloud services to potential customers to realize the rapid expansion of our business. In addition, we plan to grasp market opportunities with such customers and convert them to business partners of operational management imaging centers.

We estimated the total investments for expanding our medical imaging center network to be approximately HK\$280.0 million. We expect to fund such expansion plans with cash generated from operations, funds raised in financing activities, and a portion of the net [REDACTED] received from the [REDACTED]. In particular, we plan to use approximately [REDACTED]% of the net [REDACTED] from the [REDACTED], or approximately HK\$[REDACTED] million, for expanding our medical imaging center network. See “Future Plans and Use of [REDACTED].”

Additionally, in the long run, we plan to enter overseas markets and establish or acquire imaging centers in certain countries that are undervalued and have medical needs and favorable policies.

We plan to use approximately [REDACTED]% of the net [REDACTED] from the [REDACTED], or approximately HK\$[REDACTED] million, for extending our business to overseas countries and regions. See “Future Plans and Use of [REDACTED].” As of the Latest Practicable Date, we have not identified any potential investment or acquisition target or entered into any definite investment or acquisition agreement.

BUSINESS

Continually invest in R&D to reinforce our Rimag Cloud service capabilities and further support the rapid and effective business expansion of our medical imaging centers and imaging solution services

As an essential tool that supports our operation and management of imaging centers and imaging solution services, the Rimag Cloud platform is also expected to be one of our future revenue growth drivers. We intend to continually invest in R&D, either through strengthening our in-house capabilities or cooperation with third parties. We expect to recruit personnel with rich experience in fields such as data analytics and information systems so as to develop platform products for the key participants in the medical imaging services industry, enrich our current cloud-based product portfolio, and continuously expand our service capabilities and offerings. In particular, we intend to increase our investment in the following aspects:

- We plan to continuously enhance our capabilities in data standardization. We intend to keep standardizing our existing medical imaging data to increase their value. Through data accumulation, we expect to form our data-driven competitiveness, for purposes of laying the foundation for subsequent workflow standardization, big data analysis and application, and cooperation with medical imaging AI service providers.
- We plan to continually invest in management systems facilitating the operation of imaging centers, such as smart SOP systems, refined operational management systems, and whole process quality control systems.
- We intend to continually invest in application platforms such as health management service platforms and remote consultation platforms that serve to enhance customer experience, broaden service settings, and diversify profit scenarios and models by leveraging leading technology advancements such as those in AI and deep learning.
- We plan to collaborate with third parties to formulate knowledge pool and knowledge graphs relating to medical imaging and clinical diseases. Moreover, through the continual development of our AI tools based on natural language processing and knowledge graphs, we plan to extend the application of AI technology to patient consultation, diagnostic imaging, quality control, business data analysis and other processes. For example, we intend to utilize AI technology to provide patients with smart consultation, medical guidance and report interpretation services.

We believe that the above-mentioned investments in R&D will help to strengthen our capabilities in operating and managing imaging centers and providing imaging solution services. This can further enhance our overall profitability, expand our business, and increase our brand influence.

BUSINESS

Strengthen Rimag Imaging Academy, build an effective long-term talent cultivation system, and continue to nurture and attract skilled medical imaging and managerial talents

We expect to continually reinforce talent cultivation at our Rimag Imaging Academy and set up and maintain a talent cultivation system. By providing training and recruiting talented individuals, we aim to strengthen our team’s capabilities to support our expanding business. We plan to continuously focus on the following aspects:

- We plan to continue investing in and upgrading our existing Radiology Management Business Administration (RMBA) training system, cultivating more versatile professionals with both medical background and business managerial skills. We believe that these trained imaging center management personnel will become the cornerstone of our business development;
- We expect to create a talent development path that integrates operations and market development, selecting individuals with experience in operating imaging centers to engage in market development work. We believe that this approach will be more conducive to the development of value-based investments; and
- We intend to continue collaborating with universities to jointly build medical imaging bootcamps, and set up specialized talent cultivation programs, thereby providing a long-term and stable talent pool for our business development.

By continual nurturing of various types of talents, setting up clear promotion career paths and competitive incentive mechanisms to clarify their career development path and motivate them, and strengthening employees’ sense of belonging, we aim to provide strong support to the rapid expansion of imaging centers, professional quality assurance, and improvement in operational capabilities and operational performance.

Enhance strategic cooperation with industry upstream and downstream stakeholders to continuously enhance our capabilities to integrate the medical imaging industry and coordinate an business network

We plan to intensify our strategic partnerships with upstream and downstream companies, including equipment providers, equipment maintenance companies, medical imaging AI service providers, and industry associations, so as to enhance our capabilities to coordinate an business network and integrate resources along the industry value chain. This is expected to further help us improve operational capabilities and efficiency, and solidify our industry position.

BUSINESS

Equipment providers. We plan to deepen our collaboration with equipment providers to utilize our experience and knowledge in equipment usage, convert it into our intellectual property, and cooperate with manufacturers to produce customized equipment.

Equipment maintenance companies. Based on our imaging center business across the country, and the large amount of equipment covering wide geographical regions varied by type and brand, we plan to form strategic cooperations with equipment maintenance companies, to formulate a maintenance system that can match our medical imaging center network and continually reduce our costs.

Medical imaging AI service providers. We plan to attract more medical imaging AI service providers to integrate their products into our AI integration platform, thereby enriching our AI offerings and enhancing our service capabilities. Furthermore, we plan to use our professional resources to collaborate with AI service providers to incorporate AI algorithms into doctors’ daily medical practice to meet their demands while also helping such algorithms to learn and evolve by themselves.

Industry associations. We intend to strengthen our multidimensional professional capabilities by partnering with industry associations in fields including talent development, medical imaging professional capacity assessment, operation and management systems, and medical imaging data standards.

We are also actively monitoring acquisition or investment opportunities related to medical imaging services to continuously expand our service coverage, improve our service capabilities, and broaden our service scope.

We are interested in the following opportunities:

- Investing in or incubating health management companies to build a medical imaging service platform for commercial clients and individual customers, enriching our products and services and expanding our business outreach.
- Investing in or incubating companies that complement our existing business in areas of cloud services, AI, and big data applications.
- Investing in or incubating companies with advanced technology or R&D capabilities in medical imaging software, hardware or service development for commercialization.

BUSINESS

We plan to use approximately [REDACTED]% of the net [REDACTED] from the [REDACTED], or approximately HK\$[REDACTED] million, for pursuing strategic cooperation and mergers and acquisitions in the medical imaging field and seeking strategic partnerships and investment opportunities along the medical imaging service industry chain. See “Future Plans and Use of [REDACTED].” As of the Latest Practicable Date, we have not identified any potential investment or acquisition target or entered into any definite investment or acquisition agreement.

Our Business Network and Its Participants

We have gained solid experience and competitive advantages in the PRC third-party medical imaging center industry. With our operational, management and investment capabilities in medical imaging as a pillar of strength, we have been able to form a business network to meet the demands of different clients offering imaging center services, imaging solution services and Rimag Cloud services. In particular, under our imaging center services, we have established medical imaging centers across the PRC to address the different hospitals and medical institutions’ varying demands for medical imaging diagnosis and operational management services. Leveraging our experiences and capabilities accumulated from operation of and investment in such medical imaging centers for almost a decade, we have developed a series of imaging solution services, ranging from equipment configuration, talent cultivation, management system and quality control, which enable us to provide customized and menu-based one-stop imaging solution services to hospitals, enabling them to maximize the value of purchased medical imaging equipment and increase efficacy and efficiency in their equipment utilization. Meanwhile, we have developed cloud-based solutions, Rimag Cloud services, to further support online and offline integrated management and operation of medical imaging services, which is both implemented internally to further strengthen our imaging center service capabilities and commercialized as an informatization solution for our hospital partners.

Since our inception in 2014, we have been proactively following the Chinese government’s goals of establishing a hierarchical diagnosis and treatment system, promoting the extension of quality medical resources to the primary healthcare system and balancing the distribution of such resources. In line with favorable policies and industry trends, we took an approach by exploring operating and servicing models for imaging centers. In particular, we uphold the concept of “clinically targeted imaging services,” and have equipped ourselves with advanced imaging equipment, attracted a quality professional team, and established a SOP system and a personnel training system, in our medical imaging center network. Through operating imaging centers owned by us and providing operational management services to other imaging centers, we have accumulated and maintained solid service capabilities in medical imaging. After rapid business expansion, we have realized the scale advantage in operating imaging centers and established a leading position in the PRC third-party medical imaging center industry.

BUSINESS

As we develop and operate our own imaging centers, we have continuously strengthened various capabilities and accumulated quality professional resources, including the establishment and operation of flagship imaging centers in key cities and regional collaborative imaging centers in collaboration with local medical institutions, and integrate such capabilities and resources to provide operational management services to specialized medical consortium imaging centers and operational management imaging centers. Accordingly, we have gradually formed two co-existing business models, namely the establishment and operation of our own imaging centers, and the provision of operation and management services to other medical institutions. Such diversified business models not only help to expand our business, but also provide more opportunities for verifying and optimizing our service capabilities in relation to medical imaging. Since 2019, we have commercialized and modularized the aforementioned capabilities and resources and offered them to medical institutions in need in the form of imaging solution services.

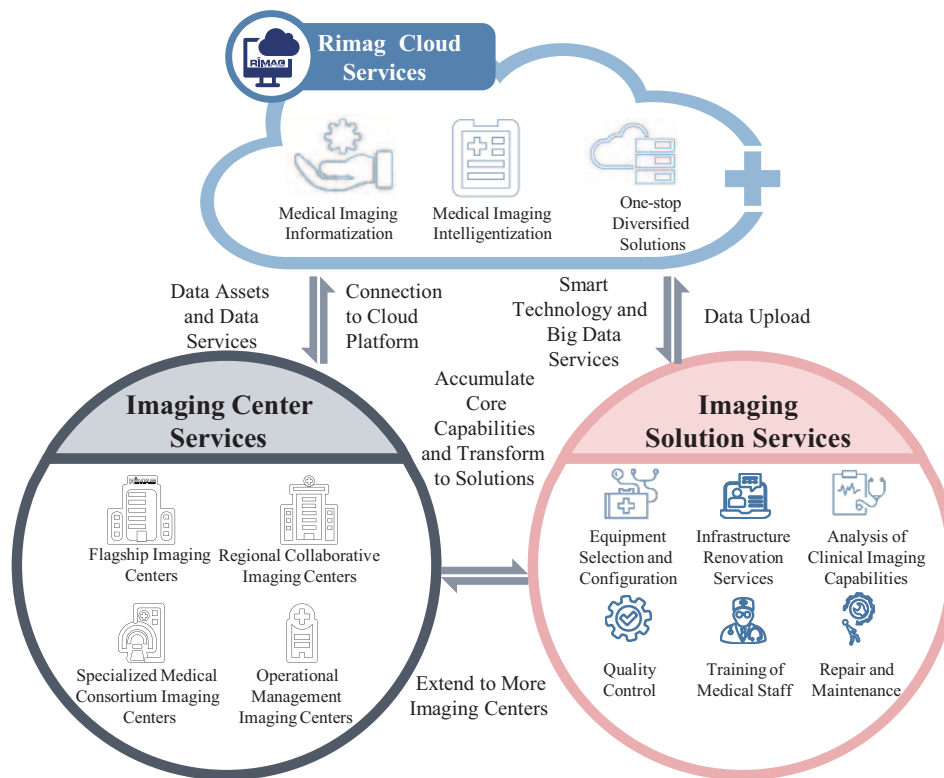
In order to better serve the operation of our sizeable chain of imaging centers, improve management capabilities and working efficiency, promote the sharing and interconnectivity of professional resources such as imaging equipment and doctors, and better enhance our various capabilities to external medical institutions, we have also developed the Rimag Cloud platform that focuses on medical imaging services. Through in-house R&D and integration, in addition to serving the imaging centers we operate, we provide informatization products or services to other medical institutions, so as to improve the informatization level and efficiency of their medical imaging services.

As of December 31, 2021, 2022 and 2023, we had established and managed 78, 86 and 97 imaging centers in the PRC, respectively. As our medical imaging center network continues to expand, we have accumulated a large amount of imaging data. In order to make effective use of such data, we improve data quality and transform them to big data assets through data standardization means such as data cleansing and analysis. This has built a solid foundation for us to carry out potential cooperation with upstream and downstream players along the industry value chain and participate in the reshaping of the industry value chain.

We have created a vibrant and integrated one-stop business network centered around our imaging center services, imaging solution services and Rimag Cloud services. Our business network connects, and provides value to, the different participants in such business network, including medical institutions, patients and other healthcare consumers, radiologists and other medical professionals, imaging equipment providers, AI service providers and other participants such as universities.

BUSINESS

The following diagram illustrates the interaction among the participants within our business network:



Our business network has unique value propositions to each of the participants:

- Patients and other healthcare consumers.** Patients and other healthcare consumers are able to enjoy quality imaging services we offer at our imaging centers that are more convenient and precise, with higher standards, in a comfortable and pleasant environment. They can also conveniently make appointments, and view and manage their medical imaging records at any time on our cloud service platform through portals including mobile phones, tablets and PCs, and use them for remote consultations and specialists’ analysis within our online medical network, or consultations at offline medical institutions. This enables patients and other healthcare consumers to receive good imaging services while enjoying an enhanced experience, and to easily access post-check consultation services at reasonable costs and in a convenient manner in a wide range of fields.
- Medical institutions.** We collaborate with medical institutions to allow them to leverage our professional imaging expertise and services. We serve medical institutions by offering their customers medical imaging services, to alleviate the disadvantages in

BUSINESS

service capabilities of medical institutions to provide quality medical imaging services. In addition, our imaging solution services assist hospitals in sourcing suitable imaging equipment and maximizing the utility value of such equipment, thereby enhancing their overall imaging capabilities and operational efficiency. Our Rimag Cloud services also offer positive assistance to hospitals to enhance their information infrastructure.

- **Radiologists and other medical professionals.** We offer efficient practice tools, professional training programs, quality control assistance, and research and academic support, among other things, to radiologists and other medical professionals (such as radiologic technologists and nurses), to help improve their working efficiency and capabilities, while providing such professionals with opportunities to gain professional experience, insights and cutting-edge knowledge. In addition, by adhering to our operational concept of “clinically targeted imaging services,” we bring clinicians and radiologists together for communications and discussions in multiple forms to help understand each other’s needs. This helps address the insufficient interaction between clinicians who lack expertise in cutting-edge imaging technology, and radiologists who have limited understanding of clinical requirements and expectations, thereby enhancing their interdisciplinary medical knowledge and skills.
- **Imaging equipment providers.** Leveraging our large-scale consolidated procurement advantage and influence in the industry, we have become strategic cooperative partners with a number of imaging equipment providers (who are our suppliers) (such as GE HealthCare, and Siemens Healthineers, among others), from which we procure suitable imaging equipment for our imaging centers or business partners by assessing both the performance and price of such equipment. We also collaborate with imaging equipment providers to optimize the functionalities of their imaging equipment and accordingly meet their downstream customers’ customized needs, by integrating with software and hardware tools that we have developed in-house or through joint efforts. As the largest medical imaging service platform operator in China, we are able to offer these imaging equipment providers customized solutions to apply to more scenarios for their products than our competitors.
- **AI service providers.** We work with our medical imaging AI service providers to provide AI-enabled imaging analytic and diagnostic assistance tools to radiologists to improve their diagnostic accuracy and working efficiency. Meanwhile, medical imaging AI service providers can enjoy richer application scenarios and testing opportunities for their AI products for further enhancing such products’ performance and increasing their brand influence in the healthcare industry.

BUSINESS

- **Other participants.** Other participants in our business network include universities and research institutions and insurers. For example, we work with universities to nurture talents specialized in imaging and improve their research capabilities.

Our Business Model

We generated revenue primarily from the following business lines during the Track Record Period:

- **Imaging center services.** We provide imaging center services via (i) flagship imaging centers, (ii) regional collaborative imaging centers, (iii) specialized medical consortium imaging centers, and (iv) operational management imaging centers.
 - At our flagship imaging centers, we either provide imaging examination and diagnostic services directly to individual patients and other healthcare consumers such as physical examination and health screening customers and directly receive fees from them according to our pricing for the applicable services, or provide such services to hospitals and other medical institutions as well as corporations (including health management companies) to serve their customers, and generate service fees from them according to our contracts.
 - At our regional collaborative imaging centers, we provide imaging examination and diagnostic services, among other things, to hospitals within a certain region. Patients can go to our regional collaborative imaging centers for imaging examination and diagnostic services either through orders by clinicians at hospital partners or directly. This business model integrates medical imaging resources within the region, and realizes the sharing of data, equipment and professionals, so as to more efficiently serve the medical institutions and patients within such region. We receive service fees from hospitals with reference to fees paid by patients according to our contracts with hospitals.
 - For specialized medical consortium imaging centers, capitalizing on our industry expertise and resources, we provide equipment deployment, infrastructure renovation, and integrated operational management services including professional skill improvement, and operational management consulting to imaging centers within the formed medical consortium, and receive service fees from hospital customers either at an operational performance-based rate, or a combination of fixed payments and operational performance-based service fees.

BUSINESS

- For operational management imaging centers, we provide operational management services to medical institutions that are already furnished with relevant equipment but lack capability to operate and manage imaging centers, and receive service fees from them either at an operational performance-based rate, or a combination of fixed payments and operational performance-based service fees.
- **Imaging solution services.** We transform our core capabilities accumulated through years of operating imaging centers into modular solutions, and offer them to help other medical institutions enhance their operations, service capabilities and professional expertise in relation to medical imaging. Our modular solutions mainly include equipment selection, infrastructure renovation, training, and repair and maintenance, and also cover certain modular services relating to Rimag Cloud services. We primarily receive fees from medical institutions to which we provide imaging solution services based on the service contents.
- **Rimag Cloud services.** To effectively buttress the operation of our nationwide network of imaging centers, and to foster business development, information management and data-driven operations, we have built a Rimag Cloud platform and accumulated valuable data assets and data service capabilities. As our products and services continued to mature, we introduced the Rimag cloud platform to the market and began to commercialize it, mainly by offering the relevant products and services to medical institutions in return for corresponding software sales income and service fees.

The following table sets forth a breakdown of our revenue by business line for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	Amount	%	Amount	%	Amount	%
<i>(RMB in thousand, except for percentages)</i>						
Imaging center services	442,312	74.7	497,743	63.4	638,074	68.7
Imaging solution services	139,252	23.5	269,589	34.4	278,372	30.0
Rimag Cloud services	10,449	1.8	17,112	2.2	12,468	1.3
Total	592,013	100.0	784,444	100.0	928,914	100.0

BUSINESS

The table below sets forth a breakdown of our revenue contribution by provincial-level division based on the location of business registration of our operating entities:

	Year ended December 31,					
	2021		2022		2023	
	Amount	%	Amount	%	Amount	%
	<i>(RMB in thousand, except for percentages)</i>					
Jiangxi	299,127	50.5	380,898	48.6	516,422	55.6
Beijing	114,540	19.3	180,180	23.0	107,193	11.5
Heilongjiang	41,897	7.1	74,735	9.5	126,435	13.6
Hubei	22,116	3.7	30,333	3.9	33,463	3.6
Liaoning	19,874	3.4	17,195	2.2	27,326	2.9
Shaanxi	19,317	3.3	21,864	2.8	27,571	3.0
Henan	9,778	1.7	18,870	2.4	21,625	2.3
Others ⁽¹⁾	65,364	11.0	60,369	7.6	68,879	7.5
Total	592,013	100.0	784,444	100.0	928,914	100.00

Note :

(1) Others include Sichuan, Fujian, Yunnan, Zhejiang, Jiangsu, Shandong, Jilin, Guangdong, Hunan.

Impact of COVID-19 Pandemic

The outbreaks of COVID-19 since the end of 2019 materially and adversely affected the global economy. Countries and regions across the world implemented measures to contain its spread and adjusted such measures in response to the changing landscape of the COVID-19 pandemic. During the pandemic, all of our imaging centers experienced fluctuation in the volume of examinations. Some of our flagship imaging centers closed or suspended operations because of the cautious approach taken by the public and relevant restriction measures adopted in response to the COVID-19 pandemic. As a result, our flagship imaging centers incurred gross loss of RMB3.4 million and RMB9.7 million in 2021 and 2022, respectively, being the only business line that incurred gross loss in the same years.

BUSINESS

The table below sets forth the volume of examinations at our flagship imaging centers in each six-month period of the Track Record Period:

	Form January 1 to June 30	From July 1 to December 31
	<i>(in thousand)</i>	
2021	52.0	111.3
2022	71.4	119.4
2023	121.0	127.9

The table below sets forth the number of flagship imaging centers that closed or suspended operations and the duration of such closure or suspension:

	Year ended December 31,		
	2021	2022	2023
One to 15 days	2	2	N/A
16 to 30 days	N/A	1	N/A
31 to 73 days	N/A	2	N/A
Closed ⁽¹⁾	N/A	1	N/A
Total	2	6	N/A

Note:

- (1) We disposed of Wuhan Rimag in September 2022. See “— Imaging Center Services — Overview — Our Imaging Center Scale Movements and Performance.”

The other types of our imaging centers were also affected by the COVID-19 pandemic to some extent and the volume of examinations at those centers was lower than we expected. However, since these imaging centers generally operate with public medical institutions and their operations were not materially and adversely affected by the COVID-19 pandemic, their financial condition showed a stable and mild growing trend in general.

With the gradual phasing-out of the COVID-19 pandemic in early 2023, the relevant pandemic restrictions had been lifted on a nationwide basis in the PRC. Furthermore, the World Health Organization declared on May 5, 2023 that COVID-19 no longer constitutes a public health emergency of international concern.

BUSINESS

The financial condition and business operations of our imaging centers had gradually returned to normal since the first quarter of 2023. Revenue generated from our imaging center services increased by 28.2% from RMB497.7 million in 2022 to RMB638.1 million in 2023. In particular, the revenue from flagship imaging centers increased from RMB103.0 million in 2022 to RMB133.5 million in 2023, and we recorded the gross profit of RMB15.1 million for flagship imaging centers in 2023. The volume of examinations at our flagship imaging centers increased significantly from approximately 190.8 thousand in 2022 to approximately 248.8 thousand in 2023 in light of the phasing-out of the COVID-19 pandemic.

Our imaging solution services were also affected by the COVID-19 pandemic to some extent. There were certain delays in relation to deliveries of imaging solution services and corresponding payments in 2021. For example, the delivery of one imaging solution project was delayed for 20 months, which generated revenue of RMB23.9 million (or 17.2% of our total revenue from imaging solution services in 2021), and the delivery of another imaging solution project was delayed for 12 months, which generated revenue of RMB24.8 million (or 17.8% of our total revenue from imaging solution services in 2021), both of which were expected to be completed within 2021 pursuant to the contracts but were delayed due to the global supply shortage. We generally recognize revenue under imaging solution services when we transfer control of services or products, and correspondingly, our revenue recognitions were delayed. Nevertheless, our revenue generated from imaging solution services increased significantly by 93.6% to RMB269.6 million in 2022 as compared to 2021, primarily due to (i) an increase in the market demand for our imaging solution services as well as our marketing efforts for this business line, resulting in an increase in the number of the imaging solution projects we served, and (ii) the global supply shortage of medical equipment in 2021, which was alleviated in 2022. Furthermore, our revenue generated from imaging solution services further increased by 3.3 % to RMB278.4 million in 2023 as compared to 2022.

Based on the above, our Directors are of the view that while the financial condition and business operations of our flagship imaging centers were adversely affected by the COVID-19 pandemic in 2021 and 2022, our overall financial condition and business operations in 2023 were not materially and adversely affected by the COVID-19 pandemic.

There remains risks that any natural disasters, health epidemics and other outbreaks may materially and adversely affect the operation of our Group in the future. See “Risk Factors — Risks Relating to Our Business and Industry — We face risks related to natural disasters, health epidemics and other outbreaks, which could significantly disrupt our operations.” We shall continue to monitor any potential natural disasters, health epidemics and other outbreaks and assess our strategies accordingly to maintain normal business operations.

BUSINESS

Business Sustainability

Certain statements in this sub-section, including in particular the expected financial performance in the future described below, constitute forward-looking statements. These forward-looking statements are not guarantees of future financial performance and our actual results could differ materially from those expressed or implied by these forward-looking statements as a result of many factors, including, but not limited to, those described under “Forward-Looking Statements” and “Risk Factors,” respectively. Investors are strongly urged not to place undue reliance on any of the statements set forth below.

To pave the way for long-term success in the fast-growing market, we have been focusing on growing our customer base and improving market penetration by enhancing our service capabilities, expanding our business network and building up our brand image, enriching service offerings and promoting service innovation to satisfy evolving customer needs. Our revenue increased from RMB592.0 million in 2021 by 32.5% to RMB784.4 million in 2022, and further increased by 18.4% to RMB928.9 million in 2023. Although, in 2021 and 2022, we recorded loss for the year of RMB382.0 million and RMB15.1 million, respectively, we have recorded net profit of RMB36.6 million in 2023 attributable to the significant growth in revenue, and we expect to continue recording net profit in the future for the following reasons.

We have experienced robust business growth during the Track Record Period.

Our revenue increased by 32.5% from RMB592.0 million in 2021 to RMB784.4 million in 2022 and further increased by 18.4% to RMB928.9 million in 2023, representing a CAGR of 25.3% from 2021 to 2023. Such growth was attributable from the growth of both our imaging center services and imaging solution services. Moreover, our revenue generated from imaging center services increased stably by 12.5% from RMB442.3 million in 2021 to RMB497.7 million in 2022 and further increased by 28.2% to RMB638.1 million in 2023, and our revenue generated from imaging solution services also showed a growing trend from RMB139.3 million in 2021 to RMB278.4 million in 2023. We successfully managed to become profit-making in 2023, mainly because (i) we have generally achieved organic business growth at all types of imaging centers, (ii) leveraging our effective expansion strategies, we newly opened a number of imaging centers that contributed to our increasing patient visits in 2023, and (iii) our operations at the imaging centers have generally resumed to the normal level in light of the gradual phasing-out of the COVID-19 pandemic since early 2023 and the volume of examinations increased significantly in 2023.

BUSINESS

Our net loss in 2021 and 2022 was mainly attributable to share-based payments expenses, interest expenses of financial instruments issued to investors and expenses in relation to the proposed [REDACTED].

Despite our continuous growth in revenue, we recorded net loss for the year in 2021 and 2022 of RMB382.0 million and RMB15.1 million, respectively, mainly due to share-based payments expenses, interest expenses of financial instruments issued to investors and expenses in relation to the proposed [REDACTED]. In particular: (i) we recorded gross profit of RMB175.2 million, RMB237.0 million in 2021 and 2022, respectively; (ii) the selling expenses, administrative expenses, research and development expenses and net finance costs, in the aggregate of RMB538.7 million and RMB237.5 million in 2021 and 2022, respectively, were the main items contributing to our loss; and (iii) in 2021 and 2022, the aggregate of share-based payments expenses, interest expenses of financial instruments issued to investors and expenses in relation to the proposed [REDACTED] we incurred were RMB311.1 million and RMB9.6 million, respectively, representing 57.8% and 4.0% of the aggregate of the selling expenses, administrative expenses, research and development expenses and net finance costs. If excluding the impact of these items, our loss for year would decrease by 81.5% and 63.8%, respectively, to RMB70.8 million and RMB5.5 million in 2021 and 2022, respectively. After excluding the impact of these items, our adjusted EBITDA (non-IFRS measure) increased year by year from RMB148.5 million in 2021 to RMB212.7 million in 2022, and our adjusted net loss (non-IFRS measure) decreased significantly from RMB70.8 million in 2021 to RMB5.5 million in 2022.

Our business was impacted to a certain extent by COVID-19 in 2021 and 2022.

The financial condition and business operations of our flagship imaging centers were adversely affected by the COVID-19 pandemic in 2021 and 2022. Since the majority of our flagship imaging centers were initially opened during 2018 to 2021 and still at ramp-up stage of development with less mature operational models and less stable profits, they were more adversely affected by the COVID-19 pandemic as compared to the other types of imaging centers. In addition, we disposed of Wuhan Rimag in 2022 in Hubei province due to changes in our operational strategies in adaption to the local market condition. See “— Impact of COVID-19 Pandemic” and “— Imaging Center Services — Overview.”

We expect to achieve scale of economies and improve our gross profit margin and obtain favorable resources for financing.

In 2021, 2022 and 2023, we had an overall gross profit margin of 29.6%, 30.2% and 35.8%, respectively. Such improvement was primarily attributable to increases in the gross margins of imaging center services, which was further attributable to: (i) our growth in revenue, which was driven by enhanced service capabilities (in terms of enriched range of medical imaging training

BUSINESS

programs, diversified medical imaging diagnostic services, improved efficiency in issuing diagnosis reports by process optimization and strengthened collaboration with other medical departments to engage in interdisciplinary challenging case discussions), accumulated operation experiences and increased brand recognition; (ii) the economies of scale we have achieved as our business continues to grow. Our fixed costs are becoming an increasingly smaller portion of our total costs for operating imaging centers, as the volume of examinations continues to grow; and (iii) our cost control efficiency that we have achieved primarily by replacing traditional films with digital films and adopting centralized procurement of raw materials. During the Track Record Period, the total amount of our selling expense, research and development expenses, and administrative expenses decreased as a percentage of our revenue from 80.7% in 2021 to 28.0% in 2023.

During the Track Record Period and up to the Latest Practicable Date, we had maintained a good relationship with financial institutions and were able to obtain bank and other borrowings as necessary. We will further enhance our relationship with financial institutions, helping us obtain sufficient and prompt bank and other borrowings with more favorable interest rates to fund our business growth, consistently improving our working capital sufficiency.

We have recorded record net profit in 2023 and expect to continually grow our business.

We experienced significant growth in revenue and gross profit in 2023 and recorded net profit of RMB36.6 million in the same year, primarily because (i) we have generally achieved economies of scale for our imaging center business due to our brand awareness, competitiveness achieved and chainstore-oriented development, (ii) with our continual marketing efforts and the gradual phasing-out of the COVID-19 pandemic since early 2023, the patient visits and examination volume have significantly increased at our imaging centers and (iii) our fixed costs for operating the imaging centers remain relatively stable. As of December 31, 2023, our imaging center network consisted of nine flagship imaging centers, 24 regional collaborative imaging centers, 50 specialized medical consortium imaging centers and 14 operational management imaging centers, of which 5, 24, 43 and 12 had achieved initial breakeven and nil, 11, 27 and 9 had achieved cash investment payback, respectively, and there were 12, 19 and 23 loss-making imaging centers (with gross loss) in 2021, 2022 and 2023, respectively. See “— Imaging Center Services — Initial breakeven period and cash investment payback period of our imaging centers” and “— Imaging Center Services Overview.” We expect to achieve further increases in revenue, gross profit and gross profit margin in the future. We expect that our revenue will increase in the near future, primarily due to the expected revenue increase in our imaging center services. Our gross profit is expected to increase in the near future, mainly driven by the revenue growth of our imaging center services as the result of the improvement of economies of scale. We expect that our

BUSINESS

profitability will further improve along with our business expansion as a result of the economies of scale. Since our fixed costs per imaging center remain relatively constant, any additional revenue generated after reaching the break-even point is expected to lead to a higher level of profitability.

Imaging Center Services

Overview

Our imaging center services include: (i) imaging examination and diagnostic services offered at our own imaging centers, among other things; and (ii) operational management services offered to imaging centers of our business partners.

We provide the foregoing services through four types of imaging centers, namely: (i) flagship imaging centers; (ii) regional collaborative imaging centers; (iii) specialized medical consortium imaging centers; and (iv) operational management imaging centers.

Flagship imaging centers are the forefront and kernel for nurturing our professional capabilities, conducting technical R&D, and carrying out academic activities. They are also an outlet for showcasing our brand image and service capabilities, and our platform to attract and train quality talents. Through such imaging centers, we also provide diversified services to meet diverse needs from customer groups and raise our brand awareness. Regional collaborative imaging centers are the backbone to our business. Our longstanding participation in the regional markets of medical imaging services has enabled us to accumulate firsthand experience from providing services to address customer needs, achieve steady growth in performance, and solidify our position in the regional markets of medical imaging services leveraging cumulative advantages. In particular, we provide imaging examination and diagnostic services through our flagship and regional collaborative imaging centers (i) to hospitals and other medical institutions as well as corporations including health management companies to serve their customers, or (ii) directly to individual patients and other healthcare consumers. We offer a wide range of imaging service packages as well as standard imaging service options that customers can choose from, covering a majority of clinical specialties, especially important specialties such as cardiology, oncology, pulmonology, orthopedics, and neurology. The imaging examination and diagnostic services typically include magnetic resonance imaging (MRI), computed tomography (CT), positron emission tomography (PET), mammography, ultrasound, diagnostic radiology (X-ray), fluoroscopy and other related procedures. Our flagship imaging centers and regional collaborative imaging centers offer multi-modality imaging services.

BUSINESS

Meanwhile, we capitalize on our industry resources, professional expertise and informatization capabilities to provide operational management services to specialized medical consortium imaging centers and operational management imaging centers, for purposes of improving their managerial efficiency and professional capabilities.

The following table sets forth some additional details of the imaging centers in our network:

Type of imaging centers	Introduction
Flagship imaging centers	We usually set up imaging centers as independent legal entities with Medical Institution Practice Licenses in places where medical institutions are concentrated in first- and second-tier cities or provincial capitals/municipalities of China. These imaging centers have advanced imaging equipment, experienced professional teams, and a pleasant medical environment. They serve as exemplary centers for showcasing our medical services, expert competence, academic research, and corporate brand in the relevant regions and across the nation.
Regional collaborative imaging centers. . .	Our regional collaborative imaging centers are mainly located in the third-tier cities or below of China. Relying on one or more public/private medical institutions in the relevant regions, we build imaging centers as independent legal entities with Medical Institution Practice Licenses and in accordance with the Basic Standards for Medical Imaging Diagnostic Centers (Trial) issued by the NHFPC in 2016. These imaging centers integrate professional imaging resources within the relevant regions through distributed placement of imaging equipment, multi-site practice or recruitment of practitioners, so as to realize the sharing of data, equipment and professionals. Medical institutions in such regions can purchase medical imaging examination and diagnostic services from these imaging centers.
Specialized medical consortium imaging centers	We form specialty imaging medical consortiums consisting of our medical imaging centers with practicing licenses of medical institutions and one or more medical institutions, as approved by local governments. Within such medical consortiums, we provide medical institutions with equipment deployment, infrastructure renovation, and diversified medical imaging operational management services, including professional skill improvement, operational management consulting, and informatization construction, among other things.

BUSINESS

Type of imaging centers

Introduction

Operational management imaging centers . We provide diversified operational management services to one or more medical institutions, including professional skill improvement, operational management consulting, and informatization construction, among other things, through our medical imaging service companies or imaging centers with practicing licenses of medical institutions. Such imaging centers are not involved with equipment deployment or infrastructure renovation services.

Our Imaging Center Scale Movements and Performance

As of December 31, 2023, we established and managed 97 imaging centers across China. The following table sets forth the number of imaging centers by type as of the dates indicated:

	As of December 31,		
	2021	2022	2023
Flagship imaging centers	8	7	9
Regional collaborative imaging centers	25	24	24
Specialized medical consortium imaging centers	38	42	50
Operational management imaging centers	7	13	14
Total	78	86	97

The table below sets out the total number of flagship imaging centers and their movements for the years indicated:

	Year ended December 31,		
	2021	2022	2023
Number of flagship imaging centers at the beginning of the year	6	8	7
Add: Number of newly established flagship imaging centers for the year	2	–	2
Less: Number of disposed flagship imaging centers for the year	–	(1)	–
Number of flagship imaging centers at the end of the year	8	7	9

Since the initial breakout of the COVID-19 pandemic in Wuhan, most of the hospitals in Wuhan had been gradually equipped with sufficient imaging equipment in responses to the emergency situation by then. As a result, leveraging their richer imaging equipment resources, the public and private medical institutions in Wuhan were able to handle most of the local demands

BUSINESS

for imaging examination and diagnostic services and the market for flagship imaging centers in Wuhan became limited. Meanwhile, we recognized an increasing demand for imaging centers other than flagship imaging centers in other cities and county-level divisions in Hubei province. In response to such market observation, we have strategically adjusted our network to save our investment and resources in the short term with the aim to deliver our services in more suitable forms and achieve market coverage more efficiently in the long term. In particular, we began focusing on developing other types of imaging centers in Hubei province, and disposed of Wuhan Rimag in September 2022. In 2021 and 2022, we commenced collaboration with medical institutions in Huanggang, Hubei province at in aggregate one regional collaborative imaging center, one specialized medical consortium imaging center, and three operational management imaging centers.

As a former flagship imaging center of our Group, Wuhan Rimag was established in 2019 mainly providing imaging examinations to individual patients and healthcare consumers in Wuhan, Hubei province. In 2021 and the nine months ended September 30, 2022 (prior to the September 2022 disposal), Wuhan Rimag was not subject to any material fines or administration penalties by competent governmental authorities in relation to any breach of applicable laws or regulations in the PRC that could have a material adverse effect on its business operations. Revenue generated by Wuhan Rimag was RMB8.4 million and RMB5.8 million, respectively, in 2021 and the nine months ended September 30, 2022; its gross loss was RMB12.8 million and RMB10.3 million, respectively, in 2021 and the nine months ended September 30, 2022; and the relevant gross loss margin was 152.7% and 176.1%, respectively, in 2021 and the nine months ended September 30, 2022. See “Financial Information — Description of Certain Components of Our Consolidated Statements of Financial Position — Financial assets at FVPL.”

The table below sets out the total number of regional collaborative imaging centers and their movements for the years indicated:

	Year ended December 31,		
	2021	2022	2023
Number of regional collaborative imaging centers at the beginning of the year	22	25	24
Add: Number of newly established regional collaborative imaging centers for the year	3	–	1
Less: Number of regional collaborative imaging centers with operations terminated or disposed for the year	–	(1) ⁽¹⁾	(1) ⁽²⁾
Number of regional collaborative imaging centers at the end of the year	25	24	24

BUSINESS

Note:

- (1) We terminated operations of one regional collaborative imaging center in 2022 due to termination of the relevant contract upon mutual agreement without any disputes arising.
- (2) We disposed of one regional collaborative imaging center in 2023 due to commercial consideration and no disputes arose from such disposal.

The table below sets out the total number of specialized medical consortium imaging centers and their movements for the years indicated:

	Year ended December 31,		
	2021	2022	2023
Number of specialized medical consortium imaging centers at the beginning of the year	38	38	42
Add: Number of newly served specialized medical consortium imaging centers for the year	2	5	9
Less: Number of specialized medical consortium imaging centers with services terminated for the year	(2) ⁽¹⁾	(1) ⁽²⁾	(1) ⁽³⁾
Number of specialized medical consortium imaging centers at the end of the year	38	42	50

Notes:

- (1) We terminated services with two specialized medical consortium imaging centers in 2021, among which one was due to termination of the relevant contract upon mutual agreement without any disputes arising and the other one (i) was changed to be served with imaging solution services and then (ii) became an operational management imaging center under new contracts.
- (2) We terminated services with one specialized medical consortium imaging center in 2022, which was changed to be served with imaging solution services under a new contract.
- (3) We terminated services with one specialized medical consortium imaging centers in 2023 due to termination of the relevant contract upon mutual agreement without any disputes arising.

BUSINESS

The table below sets out the total number of operational management imaging centers and their movements for the years indicated:

	Year ended December 31,		
	2021	2022	2023
Number of operational management imaging centers at the beginning of the year	3	7	13
Add: Number of newly served operational management imaging centers for the year.	4	7	3
Less: Number of operational management imaging centers with services terminated for the year.	–	(1) ⁽¹⁾	(2) ⁽¹⁾
Number of operational management imaging centers at the end of the year	7	13	14

Note:

- (1) We terminated services with one and two operational management imaging center in 2022 and 2023, respectively, due to termination of the relevant contract upon mutual agreement without any disputes arising.

In deciding whether to open a new medical imaging center at a specific location, we consider a multitude of criteria, including but not limited to: (i) the geographical position of the target area, its population density and whether the geographical location facilitates support and management from our headquarters; (ii) specific needs and expectations of local patients; (iii) potential collaborations with local suppliers, hospitals, and other medical institutions; (iv) the local competitive landscape, encompassing both existing and potential competitors; and (v) shifts in local policy and regulatory environments. In addition, we also factor in particular market and financial metrics, such as (i) the evaluation of initial investment requirements and projected operational costs for the new imaging center; (ii) patient traffic analysis and expected volume of examinations; and (iii) anticipated return on investment. For instance, we will assess whether we can recover the cost of our investment in the imaging center to be established within five years after it comes into operation.

When deliberating on the potential closure of one of our imaging centers, the factors we consider include, but are not limited to: (i) whether the revenue and patient flow satisfy our expectation; (ii) whether long-term market projections in the area favor our business growth; (iii) whether the anticipated return on investment will continue to be unavailable within a specified future period; and (iv) change in our healthcare institution customers’ business needs.

BUSINESS

We use gross profit/(loss) as one of the measures to review the performance of our imaging centers. The table below sets forth the number of loss-making imaging centers which were still in operation as of December 31, 2023 with gross loss by type for the years indicated:

	Year ended December 31,		
	2021	2022	2023
Flagship imaging centers	2	3	4
Collaborative imaging centers	5	4	4
Specialized medical consortium imaging centers	5	11	14
Operational management imaging centers	—	1	1

The loss-making of the imaging centers above were mainly because: (i) at the end of each period, certain of such imaging centers had not yet been operated for long enough to make profit; (ii) some of them were newly opened in the same year, and as such, their financial performance was not as good as the financial performance for the full year; and (iii) the COVID-19 pandemic adversely affected the ability of certain imaging centers to serve customers. See “— Our Business Model — Impact of COVID-19 Pandemic.” In 2023, the loss-making of flagship imaging centers was primarily because they were in ramp-up stage of development, and the loss-making of our regional collaborative imaging centers and specialized medical consortium imaging centers was primarily because the hospital partners with which they cooperated were under-performed.

As of December 31, 2023, our imaging centers cover 17 provinces and 59 county-level divisions in China. The following table sets forth the number of county-level divisions covered by our imaging centers in China by type as of the dates indicated:

	As of December 31,		
	2021	2022	2023
Flagship imaging centers	8	7	9
Regional collaborative imaging centers	22	21	21
Specialized medical consortium imaging centers	24	26	27
Operational management imaging centers	6	11	12

BUSINESS

The illustration below sets forth the locations of imaging centers in our network as of December 31, 2023:



To enhance the business collaboration among imaging centers of different types and varying geographical locations, expanding our service coverage via imaging centers or medical institutions based on enhanced collaboration mechanisms and shared medical resources, we commenced the establishment of our internet hospital in 2021 and obtained practice licenses for medical institutions (醫療機構執業許可證) for internet hospital in 2022. We plan to promote our internet hospital services based on the patients accumulated from our imaging center services. In 2021, 2022 and 2023, the revenue generated from our internet hospital, namely Chengdu Wenjiang Rimag Sunshine Internet Hospital Co., Ltd. (成都溫江一脈陽光互聯網醫院有限公司), was nil, nil and RMB3.8 million, respectively, recorded under our Rimag Cloud services business line and representing nil, nil and 0.4% of our total revenue in the same years. Such revenue was generated mainly from medical imaging workflow modules under our Rimag Cloud services. See “— Rimag Cloud Services.”

We use our internet hospital to cooperate with a few physical medical institutions to provide the Remote diagnosis and remote multi-disciplinary treatment service. Such services are offered to medical institutions based on imaging examination results uploaded by medical institutions to our internet hospital. Our medical imaging experts can review such imaging examination results and subsequently issue diagnostic reports. In instances of challenging cases, medical institutions can request multi-disciplinary treatment consultation services from our internet hospitals, which brings together our medical imaging experts and experts from other relevant departments to collaborate

BUSINESS

on consultation and recommendation of diagnosis and treatment plans for the reference of the medical institutions. Meanwhile, we are also planning to launch Chronic disease management services through our internet hospital to cover chronic diseases (such as hypertension and diabetes mellitus).

As a licensed medical institution, the operation of our internet hospital shall also comply with relevant regulations of medical institutions. See “Regulatory Overview — Regulations on the Management of Medical Institutions.” Set forth below are the key terms of our agreements with physical medical institutions:

- ***Material rights and obligations.*** Medical institutions are required to provide necessary venues, network environments, terminal equipment, and system docking protocols for the selected service program and we provide hardware equipment and software systems accordingly. We offer selected services (primarily remote diagnosis and remote multi-disciplinary treatment consultation services) as requested by the medical institution.
- ***Service fee.*** Generally, we charge a fixed service fee or service fees based on the number of services we performed during the duration of the contract with a fixed unit price, to medical institutions, which varies depending on the type of service program.
- ***Settlement.*** Medical institutions usually settle the service fee with us on a monthly basis.
- ***Duration.*** The duration of the service period is contingent upon the specific needs of medical institutions, and can range from a few months to several years.
- ***Termination.*** Generally, neither party have the unilateral right to terminate the agreement.

BUSINESS

The following table sets forth a breakdown of our revenue from imaging center services by type of imaging centers for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	Amount	%	Amount	%	Amount	%
<i>(RMB in thousand, except for percentages)</i>						
Flagship imaging centers	103,037	23.3	102,968	20.7	133,454	20.9
Regional collaborative imaging centers	249,792	56.5	270,326	54.3	355,379	55.7
Specialized medical consortium imaging centers	76,715	17.3	89,300	17.9	109,638	17.2
Operational management imaging centers	12,768	2.9	35,149	7.1	39,603	6.2
Total	442,312	100.0	497,743	100.0	638,074	100.0

Our Imaging Modalities and Operational Capacity

The principal diagnostic imaging modalities we use at our imaging centers are:

- *MRI-based examinations.* MRI refers to a technology that uses a strong magnetic field in conjunction with low energy electromagnetic waves that are processed by a computer to produce good soft tissue contrast, and multi-angle and multi-layered images of body tissue, and there is no radiation in this modality. MRI is not only able to produce anatomical images like other modalities such as CT, but can also provide biochemical and physiological information of tissues, among other things. This can help to locate and qualitatively diagnose lesions, including tumors, earlier and with improved accuracy. We offer examinations based on MRI technologies for different body parts such as spine, heart and head.
- *CT-based examinations.* CT refers to the technology that makes use of computer-processed combinations of many X-ray images taken from different angles to produce cross-sectional tomographic images of specific areas of a scanned object, allowing the user to see inside the object without cutting. In particular, CT angiography (“CTA”) uses an injection of contrast agents into blood vessels and CT scanning to help diagnose and evaluate blood vessel disease or related conditions, such as aneurysms or blockages. With the advancement of multi-slice spiral CT technology, the scanning speed and image resolutions have been significantly improved, which has greatly driven the widespread application of CTA imaging for cardiac coronary arteries and other parts. We offer examinations based on CT technologies for target body parts, such as head, neck, spine, and abdomen, and for target systems, such as the vascular system and urinary system.

BUSINESS

- *PET-based examinations.* PET refers to the technology of administration of a radiopharmaceutical agent with a positron-emitting isotope and the measurement of the distribution of that isotope to create images for diagnostic purposes. PET scans provide the capability to determine how metabolic activity impacts other aspects of physiology in the disease process by correlating the reading for the PET with other modalities such as CT (or PET/CT). PET technology has been found highly effective and appropriate in certain clinical circumstances for the detection and assessment of tumors throughout the body, the evaluation of some cardiac conditions and the assessment of epilepsy seizure sites. We offer examinations based on PET technology such as the whole body PET examination and the partial PET examination, which focuses on a certain part of the body.
- *Mammography.* Mammography is a specialized form of radiology using low dosage X-rays to visualize breast tissue and is a crucial screening tool for breast cancer. Mammography procedures and related services assist in the diagnosis of and treatment planning for breast cancer.
- *Ultrasound.* Ultrasound refers to the technology that uses sound waves and their echoes to visualize and locate internal organs. Ultrasound is especially useful in conventional physical examinations and pregnancy to avoid X-ray exposure. We offer examinations based on ultrasound for a variety of conditions affecting the organs and soft tissues of the body, such as the heart and blood vessels, digestive system, urinary system and reproductive system.
- *X-ray.* X-ray refers to the technology that uses roentgen rays to penetrate the body and record images of organs and structures on film. We offer examinations based on X-rays for target body parts, such as spine, lung, and limbs and for target body systems, such as the urinary system.
- *Fluoroscopy.* Fluoroscopy uses ionizing radiation combined with a video viewing system for real-time monitoring of organs. We offer examinations based on fluoroscopy for chest, abdomen and gastrointestinal tract, among other things.
- *ECG system.* ECG is a technology that uses an electrocardiograph to record the changes in electrical activity generated by the heart in each cardiac cycle through electrodes placed on the body surface. The ECG system can reflect the electrical activity of the normal heart of the human body, and can also help diagnose arrhythmia and alert to lesions such as myocardial ischemia.

BUSINESS

We assess and monitor the saturation level of our imaging centers based on operational metrics such as the average utilization rate of medical imaging equipment and waiting time situation for medical imaging modalities.

The average utilization rate of medical imaging equipment is defined as the percentage of the average number of actual examinations per working day per equipment during a fixed period to the maximum number⁽¹⁾ of examinations per working day achievable for the same equipment. The statistics on average number of actual examinations per working day per equipment were derived from historical figures on all existing imaging equipment as of December 31, 2023. The following table sets forth a breakdown of the average utilization rate of CT equipment and MRI equipment from our flagship imaging centers, regional collaborative imaging centers and specialized medical consortium imaging centers during the Track Record Period:

	Year ended December 31,		
	2021	2022	2023
	(%)		
Flagship imaging center			
CT.	34.2	46.1	55.2
MRI.	61.4	58.0	69.0
Regional collaborative imaging center			
CT.	60.2	61.5	83.7
MRI.	64.0	65.8	73.4
Specialized medical consortium imaging center			
CT.	55.6	52.9 ⁽²⁾	59.0
MRI.	52.5	54.7	64.3

Notes:

- (1) The maximum number of examinations per working day achievable for the same medical imaging equipment under each type of imaging center varies depending on the layout of the equipment, the operating level of radiologists and radiologic technologists, and the complexity of the imaging examinations. The maximum number of examinations per working day achievable for CT and MRI in our flagship imaging centers, regional collaborative imaging centers and specialized medical consortium imaging centers are 80, 140 and 100 respectively, and 40, 60 and 50, respectively.
- (2) The decrease in the average utilization rate of CT in specialized medical consortium imaging centers in 2022 was attributed to the significant increase in the number of CT equipment resulting from the expansion of our specialized medical consortium imaging center.

BUSINESS

Waiting time refers to the duration a patient needs to wait between the appointment and the examination. The waiting time situation for major medical imaging modalities at each type of our imaging centers as of December 31, 2023 in general was as follows:

- **flagship imaging center.** Nearly all major medical imaging examination modalities at each imaging center can be scheduled and performed on the same day.
- **regional collaborative imaging centers.** Most of medical imaging examination modalities at each imaging center can be scheduled and performed on the same day; only a few imaging centers require a waiting period from one day to two days for MR examinations after scheduling an appointment.
- **specialized medical consortium imaging centers.** Generally, most of major medical imaging examination modalities at each imaging center can be scheduled and performed on the same day; only a few imaging centers require a waiting period of one day for MR examinations after scheduling an appointment.
- **operational management imaging centers.** Substantially all major medical imaging examination modalities at most of imaging centers can be scheduled and performed on the same day.

Flagship Imaging Centers

We establish and operate our flagship imaging centers primarily in first- and second-tier cities of China such as Beijing, Shenyang, Changchun, Fuzhou, Zhengzhou, Changsha, and Nanchang. As of December 31, 2023, our flagship imaging centers cover nine cities in China. These imaging centers are equipped with advanced models of imaging equipment, the functionalities of which are cutting-edge in China and can satisfy routine and advanced imaging examination needs, such as PET scanners, 3.0T superconducting MRI scanners, and multi-slice spiral CT scanners of 64-slice or higher, and our flagship imaging centers are also supported by a team of experienced radiologists, approximately 40% of whom were senior radiology specialists.

Benefitting from our advantages in imaging equipment and professionals, we are able to offer a wide spectrum of quality imaging services to serve various customer groups. These flagship imaging centers also collaborate with universities and research institutions in R&D projects of medical imaging, and provide guidance to radiologists and other professional medical staff in our medical imaging center network in respect of professional skills, talent cultivation, standardized examination processes, and sharing of best practices in daily operations.

BUSINESS

Service Offerings

We have a diversified offering of imaging examination and diagnostic services at the flagship imaging centers to meet the varying needs of patients and other healthcare consumers, including MRI, CT, PET, X-ray, ultrasound, mammography, and other related modalities.

In particular, our flagship imaging centers provide various imaging service packages of high value that address the needs of individual healthcare consumers with greater health consciousness and financial strength, in addition to the standard imaging services regulated in accordance with the uniform medical insurance catalog of the PRC. These service packages are designed to detect abnormalities by body parts, and accompanied with detailed diagnostic reports by experienced doctors at our flagship imaging centers, including health risk assessment from an imaging perspective and corresponding advice for maintaining or optimizing a healthy lifestyle. For example, according to Frost & Sullivan, cardiovascular diseases and cancer have long been among the top causes of disease death and imaging plays a critical role in detection and risk assessment of such diseases. In response, we have designed a number of multi-modality cardiovascular imaging service packages and tumor imaging service packages, which cover main blood vessels and major organs of the human body and can effectively indicate corresponding potential risks. We also provide specialized advanced imaging examination services (such as epilepsy and Alzheimer’s disease) that require advanced imaging equipment and high technical capabilities. The price of imaging services at our flagship imaging centers usually ranges from hundreds of Renminbi to tens of thousands of Renminbi, in particular depending on the type of imaging equipment involved in examination, technical requirements, comprehensiveness of the imaging examination, detailedness of the diagnostic reports and complexity of the cases. See “— Pricing and Payment.” We strictly observe our data protection and privacy obligations in relation to the imaging data and other personal information of patients and other healthcare consumers at our flagship imaging centers. See “— Data Protection and Privacy.”

The customers of our flagship imaging centers are primarily individual customers, who seek to receive diagnostic imaging reports for specific body parts or conduct health screenings. Our imaging services offered to individual customers are either at their own expense or paid by the public medical insurance programs. Meanwhile, we serve institutional clients such as health management companies, physical examination centers, clinics and insurance companies, who directly purchase imaging services from us that they may lack the capacity to directly provide to their own customers. At our flagship imaging centers, patients and other healthcare consumers are generally required to pay their medical bills before receiving the services. Substantially all of them settle at their own expense, and a small number of them settle through public medical insurance programs. The prices of such purchases typically depend on the particular demand of the clients,

BUSINESS

the type of imaging services purchased, the service volumes to be provided, requirements on the quality of imaging services and competitors’ pricing terms. See “— Pricing and Payment.” As of December 31, 2021, 2022 and 2023, we served 56, 62 and 74 institutional clients, respectively.

The following tables set forth the key operating data of our flagship imaging centers for the years indicated:

	Year ended December 31,		
	2021	2022	2023
Revenue of flagship imaging centers (<i>RMB in thousand</i>)	103,037	102,968	133,454
Volume of examinations (<i>in thousand</i>)	163.4	190.8	248.8
Average revenue per examination (<i>RMB</i>)	630.6	539.7	536.4

The volume of examinations at our flagship imaging centers has increased year by year during the Track Record Period, mainly because (i) we established two more flagship imaging centers in Xiangtan and Wenzhou in 2023, and (ii) more flagship imaging centers opened were in ramp up stage of development. Meanwhile, the average revenue per examination decreased in 2022 compared to 2021, mainly due to an increase in the proportion of chest CT examinations in the total examination volume during the COVID-19 pandemic, as well as a particularly higher volume of chest CT examinations in 2022 than in 2021, where such examinations are routine examination procedures, with relatively low prices, thereby affecting the average revenue per examination. The average revenue per examination remained relatively stable in 2022 and 2023, mainly because the volumes of both (i) routine examinations (including chest CT examinations) with relatively low prices, and (ii) MRI and PET examinations with relatively high prices increased in 2023, as we gradually transitioned from the acute phase of COVID-19 since early 2023.

BUSINESS

List of Imaging Centers

The following table sets forth some details of our flagship imaging centers as of December 31, 2023:

	Imaging centers	Location	Commencement of operations	Saleable area (sq.m.)
1.	Liaoning Rimag Medical Imaging Center (遼寧一脈陽光醫學影像中心)	Shenyang, Liaoning province	July 2018	1,467.5
2.	Changchun Rimag Medical Imaging Center (長春一脈陽光醫學影像中心)	Changchun, Jilin province	August 2018	1,951.1
3.	Fuzhou Rimag Medical Imaging Center (福州一脈陽光醫學影像中心)	Fuzhou, Fujian province	January 2019	2,434.0
4.	Nanchang Rimag Medical Imaging Center (南昌一脈陽光醫學影像中心)	Nanchang, Jiangxi province	June 2019	1,331.5
5.	Beijing Rimag Medical Imaging Center (北京一脈陽光醫學影像中心)	Beijing	November 2019	4,268.1
6.	Zhengzhou Rimag Medical Imaging Center (鄭州一脈陽光醫學影像中心)	Zhengzhou, Henan province	January 2021	1,432.0
7.	Changsha Rimag Medical Imaging Center (長沙一脈陽光醫學影像中心)	Changsha, Hunan province	July 2021	1,457.0
8.	Xiangtan Rimag Medical Imaging Center (湘潭一脈陽光醫學影像診斷中心)	Xiangtan, Hunan province	April 2023	2,677.0
9.	Wenzhou Yiyang Medical Imaging Diagnosis Center (溫州頤影醫學影像診斷中心)	Wenzhou, Zhejiang Province	September 2023	2,580.5

We hold the relevant requisite licenses and permits for operating these flagship imaging centers. The radiologists and other medical staff at these centers are mostly our employees, while we also engage a number of experts for consultations for challenging medical cases pursuant to multi-site practicing filings. If any medical disputes arise from misdiagnosis or medical malpractice relating to our imaging examinations and diagnostic reports, we are responsible for resolving such disputes.

BUSINESS

The following tables set forth the quantity of the principal imaging equipment of our flagship imaging centers as of the dates indicated and the volume of examinations by principal imaging equipment of our flagship imaging centers for the years indicated:

	As of December 31,		
	2021	2022	2023
MRI	15	13	15
CT	12	10	12
PET	6	4	5
Total	33	27	32

	Year ended December 31,		
	2021	2022	2023
	<i>(in thousand)</i>		
MRI	72.1	79.5	96.7
CT	71.7	98.2	125.2
PET	5.2	4.3	5.4

Our flagship imaging centers are equipped with advanced imaging equipment, such as PET scanners. Of the 15 MRI scanners we had as of December 31, 2023, nine were 3.0T superconducting MRI scanners. Of the 12 CT scanners we had as of the same date, nine of them were 64-slice and above multi-slice spiral CT scanners.

Collaborations with Universities and Research Institutions

Capitalizing on the advanced imaging equipment and dedicated radiology professionals at our imaging centers, we collaborate with universities in a number of ways to jointly work on research projects in the medical imaging field, such as MRI research on brain functions and sports injuries. Meanwhile, we also provide medical imaging services to research institutions to assist with their research projects.

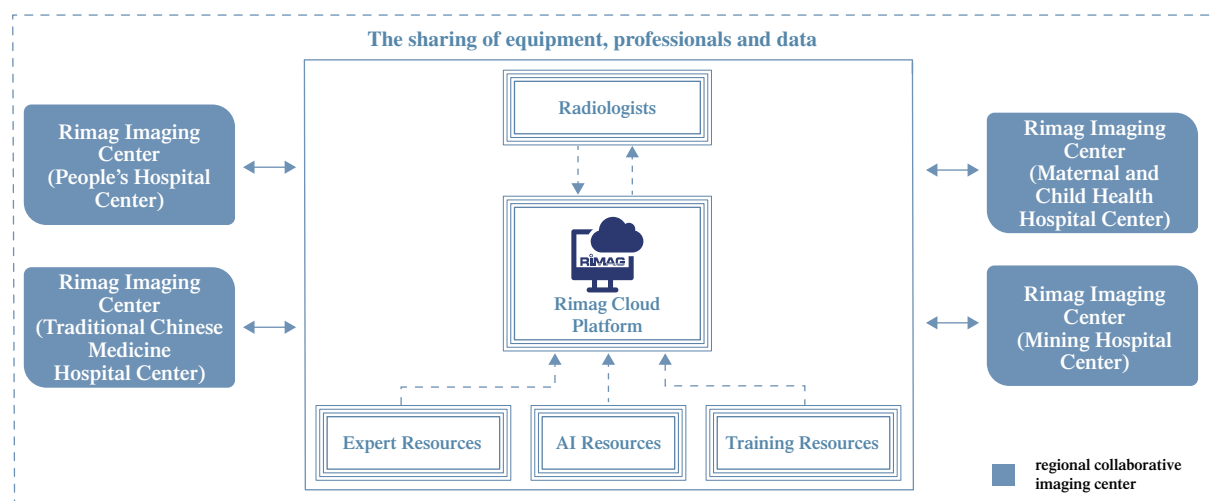
Moreover, these flagship imaging centers serve as crucial hubs for our improvement of operational management capabilities, talent cultivation, introduction of new technologies, and educational marketing campaigns. They also provide guidance to management and medical teams of other imaging centers within our medical imaging center network in respect of training programs, standardized examination processes, and sharing of best practices.

BUSINESS

Regional Collaborative Imaging Centers

In response to the national policy of the hierarchical diagnosis and treatment initiative, through strategic cooperation with hospital partners mainly in third-tier cities or below of China, we establish and operate our regional collaborative imaging centers as independent legal entities with Medical Institution Practice Licenses and in accordance with the Basic Standards for Medical Imaging Diagnostic Centers (Trial) issued by the NHFPC in 2016, so as to improve the supply and professional capabilities of overall imaging services within the relevant regions. These hospital partners usually lack their own radiology departments and rely on our imaging services to serve their customers. As of December 31, 2023, we operated 24 regional collaborative imaging centers, located in 21 county-level divisions of eight provinces, autonomous regions and municipalities of China. We terminated operations of one regional collaborative imaging center since December 31, 2022 and up to the Latest Practicable Date, due to our strategic adjustment to re-allocate our investment and resources to other regions with greater market potentials.

The following diagram illustrates the collaborative relationships among our regional collaborative imaging centers:



Patients who visit any hospital partner in the region and sign up for imaging examinations can have the imaging examinations performed at any of the Rimag imaging centers in such region. Radiologists within the region will review the imaging results together and issue diagnostic reports, which will be recognized by all hospital partners within the region. Accordingly, the sharing of equipment, professionals and data is realized within this region.

BUSINESS

Service Offerings

We offer multiple types of imaging examination and diagnostic services, among other things, at the regional collaborative imaging centers, including MRI, CT, PET, mammography, X-ray, ultrasound, fluoroscopy and other related modalities. Patients visit our regional collaborative imaging centers for imaging services mainly through orders by clinicians at our hospital partners. The imaging data and diagnostic reports of the patients will be ready within the time frame as agreed with the relevant hospital partners, subject to the severity and urgency of the cases, clinical needs and types of modalities, typically issued within 48 hours and mostly within 24 hours after the relevant examinations. They can be transmitted to the information systems of our hospital partners for clinicians to review and conduct subsequent consultations.

We enter into cooperation agreements with our hospital partners for purchases of our imaging services, which are typically public or private hospitals that lack the capabilities to provide such services. We establish our regional collaborative imaging centers typically within or in close proximity to such hospital partners. While integrating, operating and managing their existing imaging equipment resources, we source imaging equipment based on the specific needs for imaging services of that region, and retain the ownership of such imaging equipment. Patients that visit our hospital partners pay for the imaging services at the hospitals and then receive the relevant services at our imaging centers. The hospital partners settle the relevant fees with us based on the agreed payment cycles. See “— Pricing and Payment.”

The following tables set forth the key operating data of our regional collaborative imaging centers for the years indicated:

	Year ended December 31,		
	2021	2022	2023
Revenue of regional collaborative imaging centers			
(RMB in thousand)	249,792	270,326	355,379
Volume of examinations (in thousand)	3,364.6	3,425.5	4,224.8
Average revenue per examination (RMB)	74.2	78.9	84.1

The volume of examinations at our regional collaborative imaging centers increased during the Track Record Period, mainly due to the increase of the number of newly established imaging centers. The average revenue per examination of our regional collaborative imaging centers increased during the Track Record Period, mainly due to the increase in the proportion of chest CT examinations in the total examination volume in 2021 and 2022 amid the COVID-19 pandemic, which are routine examination procedures with relatively low prices, thereby affecting the average

BUSINESS

revenue per examination; meanwhile, as we gradually transitioned from the acute phase of COVID-19 since early 2023, the proportion of chest CT examinations in the total examination volume became normalized, resulting in a slight increase in the average revenue per examination in 2023.

List of Imaging Centers

The following table sets forth some details of our regional collaborative imaging centers as of December 31, 2023:

	Imaging center	Location	Hospital partner	Initial commencement of collaboration	Term of collaboration
1.	Fengyi Rimag Medical Imaging Center (分宜一脈陽光醫學影像中心)	Fenyi county, Xinyu, Jiangxi province	Fenyi County People’s Hospital, Jiangxi province (江西省分宜縣人民醫院)	June 2015	8 years
2.	Shicheng Rimag Medical Imaging Center (石城一脈陽光醫學影像中心)	Shicheng county, Ganzhou, Jiangxi province	Shicheng County People’s Hospital (石城縣人民醫院)	January 2017	10 years
3.	Leping Rimag Medical Imaging Center (樂平一脈陽光醫學影像中心)	Leping, Jingdezhen, Jiangxi province	Leping People’s Hospital (樂平市人民醫院)	January 2017	8 years and 3 months
4.	Xinyu Rimag Medical Imaging Center (Xinyu Maternal and Child Health Hospital) (新余一脈陽光醫學影像中心 — 新余市婦幼保健院)	Xinyu, Jiangxi province	Xinyu Maternal and Child Health Hospital (新余市婦幼保健院)	August 2017	10 years
5.	Xinyu Rimag Medical Imaging Center (Xinyu Traditional Chinese Medicine Hospital) (新余一脈陽光醫學影像中心 — 新余市中醫院)	Xinyu, Jiangxi province	Xinyu Traditional Chinese Medicine Hospital (新余市中醫院)	September 2017	10 years

BUSINESS

	Imaging center	Location	Hospital partner	Initial commencement of collaboration	Term of collaboration
6.	Xinyu Rimag Medical Imaging Center (Xinyu People’s Hospital) (新余一脈陽光醫學影像中心 — 新余市人民醫院)	Xinyu, Jiangxi province	Xinyu People’s Hospital (新余市人民醫院)	January 2018	10 years
7.	Fuzhou Rimag Medical Imaging Center (撫州一脈陽光醫學影像中心)	Fuzhou, Jiangxi province	The First People’s Hospital of Fuzhou, Jiangxi province (江西省撫州市第一人民醫院)	March 2018	8 years
8.	Xinyu Rimag Medical Imaging Center (Xinyu Mining Hospital) (新余一脈陽光醫學影像中心 — 新余礦業醫院)	Xinyu, Jiangxi province	Xinyu Mining Hospital (新余礦業醫院)	May 2018	7 years
9.	Enshi Rimag Medical Imaging Center (恩施一脈陽光醫學影像中心)	Enshi, Enshi Tujia and Miao autonomous prefecture, Hubei province	Enshi Hualong General Hospital Co., Ltd. (恩施華龍總醫院有限公司)	November 2018	15 years
10.	Zhaoqing Rimag Medical Imaging Center (肇慶一脈陽光醫學影像中心)	Zhaoqing, Guangdong province	People’s Hospital of Gaoyao District, Zhaoqing City (肇慶市高要區人民醫院)	December 2018	20 years
11.	Qiqihar Rimag Medical Imaging Center (齊齊哈爾一脈陽光醫學影像中心)	Qiqihar, Heilongjiang province	Qiqihar First Hospital (齊齊哈爾市第一醫院)	January 2019	10 years
12.	Liaocheng Rimag Medical Imaging Center (聊城一脈陽光醫學影像中心)	Liaocheng, Shandong province	Liaocheng Dongchangfu People’s Hospital (聊城市東昌府人民醫院)	May 2019	15 years
13.	Shennan Rimag Medical Imaging Center (沈南一脈陽光醫學影像中心)	Shenyang, Liaoning province	Shenyang Second Maternity and Infant Hospital (瀋陽市第二婦嬰醫院)	June 2019	10 years

BUSINESS

	Imaging center	Location	Hospital partner	Initial commencement of collaboration	Term of collaboration
14.	Nianzishan Rimag Medical Imaging Center (齊齊哈爾碾子山區一脈陽光醫學影像中心)	Qiqihar, Heilongjiang province	People’s Hospital of Nianzishan District, Qiqihar City (齊齊哈爾市碾子山區人民醫院)	June 2019	10 years
15.	Yichang Rimag Medical Imaging Center (宜昌一脈陽光醫學影像中心)	Yichang, Hubei province	Yichang Bangkang General Clinic Co., Ltd. (宜昌邦康綜合門診有限公司)	September 2019	5 years
16.	Wan’an Rimag Medical Imaging Center (萬安一脈陽光醫學影像中心)	Wan’an county, Ji’an, Jiangxi province	Wan’an County People’s Hospital (萬安縣人民醫院)	June 2015	10 years
17.	Fengcheng Rimag Medical Imaging Center (豐城一脈陽光醫學影像中心)	Fengcheng, Yichun, Jiangxi province	Fengcheng People’s Hospital (豐城市人民醫院)	October 2019	10 years
18.	Anfu Rimag Medical Imaging Center (安福一脈陽光醫學影像中心)	Anfu county, Ji’an, Jiangxi province	Anfu County Hospital of Traditional Chinese Medicine (安福縣中醫醫院)	October 2019	10 years
19.	Xixian New Area Rimag Medical Imaging Center (西咸新區一脈陽光醫學影像中心)	Xianyang, Shaanxi province	The Second Affiliated Hospital of Shaanxi University of Traditional Chinese Medicine (陝西中醫藥大學第二附屬醫院)	January 2020	9 years and 5 months
20.	Yingtian Rimag Medical Imaging Center (鷹潭一脈陽光醫學影像中心)	Yingtian, Jiangxi province	Yingtian People’s Hospital (鷹潭市人民醫院)	June 2020	10 years
21.	Fuliang Rimag Medical Imaging Center (浮梁一脈陽光醫學影像中心)	Fuliang county, Jingdezhen, Jiangxi province	Fuliang County People’s Hospital (浮梁縣人民醫院)	February 2021	10 years

BUSINESS

	Imaging center	Location	Hospital partner	Initial commencement of collaboration	Term of collaboration
22.	Shehong Jiashi Rimag Medical Imaging Center (射洪佳士一脈醫學影像中心)	Shehong, Suining, Sichuan province	Shehong Hospital of Traditional Chinese Medicine (射洪市中醫院)	June 2021	8 years
23.	Huanggang Zhiying Medical Imaging Diagnosis Center (黃岡智影醫學影像診斷中心)	Huanggang, Hubei province	35 hospitals of the primary healthcare system primarily in Huanggang	October 2021	Typically 2 to 4 years
24.	Suihua Rimag Medical Imaging Center (綏化一脈陽光醫學影像中心)	Suihua, Heilongjiang Province	Suihua First Hospital (綏化市第一醫院)	May, 2023	3 years

We usually enter into long-term contracts with hospitals to set up regional collaborative imaging centers. In particular, a majority of the long-term contracts specify our priority right to renew under the same terms and conditions. We believe that through years of cooperation with us, these hospitals can truly feel the positive changes that our cooperation has brought to their professional capabilities and operational results, and such continual changes can strengthen these hospital partners’ continuing demand for our services, thereby increasing the probability of successful renewal of our contracts with them upon expiry. For example, due to our rich professional resources and strong technical strength, we can continually keep abreast with and absorb the cutting-edge developments in medical imaging in a timely manner, and ensure the technological advancement of these imaging centers by incorporating such developments into our regional collaborative imaging centers, so that clinicians at our hospital partners can benefit from advanced imaging technologies. Our regional collaborative model helps to realize the maximum integration of medical imaging resources within regions, break down the barriers of personnel and equipment among medical institutions, and improve the utilization efficiency of medical resources. It ensures delivery of medical imaging services while reducing the costs of medical institutions and improving the convenience and experience of patients in medical treatment. Leveraging our accumulated expert resources and well-rounded training platform, we have established a long-term medical personnel training system that covers imaging professionals of different positions and qualifications, and can provide training in respect of professional capability, scientific research ability, and managerial capability, among other things, during the whole cycle of their medical practice, and continuously improve their knowledge structure and overall quality of the medical team.

BUSINESS

We hold the requisite licenses and permits for operating these regional collaborative imaging centers. The radiologists at these centers are either our employees, or doctors through multi-site practice that practice at our imaging centers pursuant to multi-site practicing filings in compliance with relevant laws, and we pay fees to them for services rendered. All other medical and managerial staff at our regional collaborative imaging centers are employed by us. These imaging centers may also utilize our remote imaging service platform or internet hospital for assistance for excessive workload. Our regional collaborative imaging centers are furnished with equipment to meet the demands of our hospital partners and patients.

The following tables set forth the quantity of the principal imaging equipment available at our regional collaborative imaging centers as of the dates indicated and the volume of examinations by principal imaging equipment of our regional collaborative imaging centers for the years indicated:

	As of December 31,		
	2021	2022	2023
MRI	28	30	30
CT	39	41	44
PET	1	1	1
Mammography	9	9	9
Ultrasound	55	58	59
X-ray	36	38	40
Fluoroscopy	9	9	10
Total	177	186	193

	Year ended December 31,		
	2021	2022	2023
	(in thousand)		
MRI	314.5	358.6	398.8
CT	1,202.7	1,356.7	1,610.6

Collaboration with Hospital Customers

Pursuant to our cooperation agreements with hospital customers, clinicians at hospital customers are responsible for selecting imaging examination items for patients according to their disease conditions, and we provide the corresponding imaging services in accordance with such imaging examination orders and are responsible for the diagnostic imaging reports issued by us. If we identify any necessary revision of the imaging examinations ordered, we are not able to modify such examinations without the relevant clinicians’ prior permission and updated imaging

BUSINESS

examination orders. If any medical disputes arise from misdiagnosis or medical malpractice relating to our imaging examinations and diagnostic reports, we are responsible for resolving such disputes. We have purchased professional medical liability insurance to cover our potential losses arising from medical claims in the imaging center services business. See “— Insurance.” As of December 31, 2023, approximately half of our regional collaborative imaging centers cooperated with Class III hospitals. The majority of cooperation agreements between us and our hospital customers are on an exclusive basis. Set forth below are the key terms of our agreements with hospital customers:

- **Patient referral.** Our hospital partners are responsible for issuing orders for medical imaging examinations at regional collaborative imaging centers for patients.
- **Material rights and obligations.** We are generally responsible for (i) providing office facilities and medical equipment for the imaging center, (ii) maintaining and repairing medical equipment, (iii) procuring medical consumables and supplies, (iv) paying salaries to employees hired for the imaging center and remunerating medical professionals who are practicing through multi-site practice, and (v) providing premises and renovation; our hospital partners are generally responsible for (i) charging medical examination and diagnostic fees from patients, and (ii) paying service fees to us.
- **Service fee.** The service fee is calculated based on the quantity of medical imaging examinations and the unit price for each examination modalities which generally hinges on the annual revenue our hospital partners generate from provision of the imaging examinations and diagnostic services at the relevant regional collaborative imaging center according to the predetermined tiered-pricing structure.
- **Settlement and credit term.** Generally, we submit the examination data and settlement information of previous month to our hospital partners for verification on a monthly basis. Generally, after both parties confirm the settlement information, we require the hospital partners proceed to pay us the service fees on a monthly basis and then we issue invoices to them.
- **Termination.** Generally, neither party have the unilateral right to terminate the agreement.

BUSINESS

Specialized Medical Consortium Imaging Centers

Leveraging our industry experience and professional capabilities, we cooperate with medical institutions such as hospitals and form specialty imaging medical consortiums as approved by local governments to provide services and advice on equipment deployment and infrastructure construction and renovation as well as other operational management services to imaging centers within such medical consortiums, i.e. specialized medical consortium imaging centers.

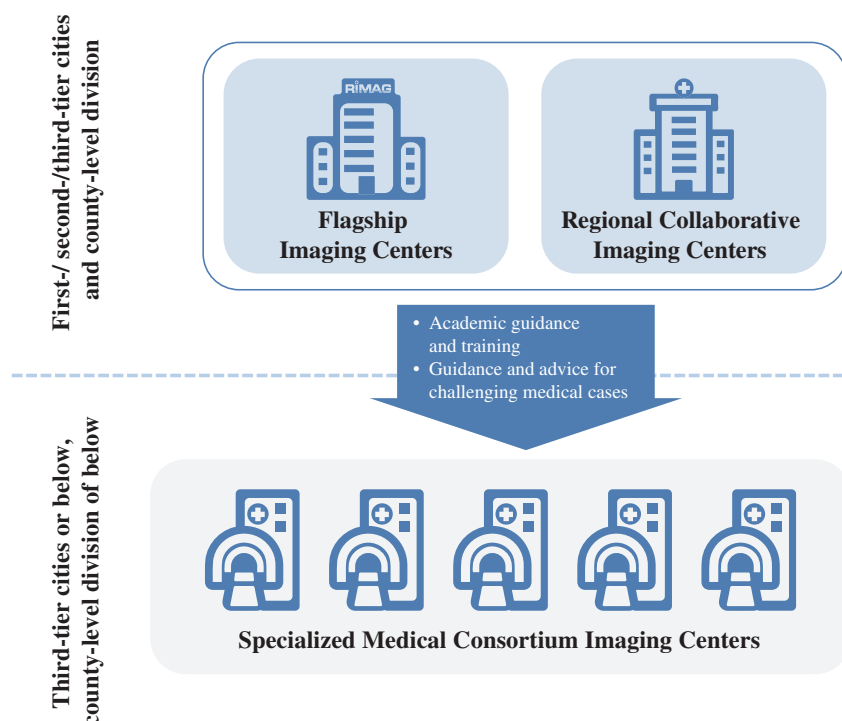
Our operational management services primarily include:

- advising on the establishment and implementation of standardized procedures and processes of imaging services;
- enabling tailored management services via our informatization management platform which supports quantified, visualized, and standard service quality assessment, thereby providing the basis for an informed management decision;
- advising on setting up proper compensation schemes and key performance indicator mechanisms for medical professionals;
- offering training to medical professionals in aspects including professional skills, research and academic support, and experience sharing;
- providing professional, prompt and quality equipment maintenance and repair services;
- offering digitized information system tools and related updates for implementation, such as radiology information system (RIS), Picture Archive and Communication System (PACS); and
- advising on the development of studies and research into the medical imaging specialty.

We manage these imaging centers through the foregoing to ensure the smooth operation of imaging equipment and improve their operational efficiency, technical competence and operational results. As of December 31, 2023, we served and managed 50 specialized medical consortium imaging centers in 27 county-level divisions in eight provinces, autonomous regions and municipalities of China. As of the Latest Practicable Date, we served and managed 53 specialized medical consortium imaging centers in 28 county-level divisions in eight provinces, autonomous regions and municipalities of China.

BUSINESS

The following diagram illustrates the collaborative relationships of the specialized medical consortium imaging centers and our other types of imaging centers within our network:



The business partners of the specialized medical consortium imaging centers are mainly medical institutions of the primary healthcare system located in third-tier cities or below. They generally lack medical equipment or sufficient experience or capabilities to improve the professional skills, managerial abilities and financial outcomes in terms of medical imaging.

In general, we deploy management teams to the specialized medical consortium imaging centers to manage and oversee their operations. As of December 31, 2023, our management teams deployed to such imaging centers consist of 23 personnel, including provincial general managers and operational directors. Our service fees charged to hospital customers are either at an operational performance-based rate, or a combination of fixed payments and operational performance-based service fees. The amount of service fees is usually dependent on operational performance and the length of our collaboration. See “— Pricing and Payment.”

BUSINESS

List of Imaging Centers

The following table sets forth some additional details of our specialized medical consortium imaging centers as of December 31, 2023:

	Imaging center	Location	Initial commencement of collaboration	Term of services
1.	Rimag Specialized Medical Consortium of the Traditional Chinese Medicine Hospital in Shanggao county, Yichun, Jiangxi province (江西宜春上高縣中醫院一脈陽光專科醫聯體)	Shanggao county, Yichun, Jiangxi province	March 2016	10 years
2.	Rimag Specialized Medical Consortium with the Dongcun Clinic of Fenyi County in Xinyu, Jiangxi province (江西新余分宜縣洞村衛生院一脈陽光專科醫聯體)	Fenyi county, Xinyu, Jiangxi province	March 2016	8 years
3.	Rimag Specialized Medical Consortium with the Caochang Clinic of Fenyi County in Xinyu, Jiangxi province (江西新余分宜縣操場衛生院一脈陽光專科醫聯體)	Fenyi county, Xinyu, Jiangxi province	May 2016	8 years
4.	Rimag Specialized Medical Consortium with the Shuanglin Clinic of Fenyi County in Xinyu, Jiangxi province (江西新余分宜縣雙林衛生院一脈陽光專科醫聯體)	Fenyi county, Xinyu, Jiangxi province	May 2016	8 years
5.	Rimag Specialized Medical Consortium with Xingguo County People’s Hospital in Ganzhou, Jiangxi province (江西贛州興國縣人民醫院一脈陽光專科醫聯體).	Xingguo county, Ganzhou, Jiangxi province	June 2016	10 years
6.	Rimag Specialized Medical Consortium with the Gaoxing Clinic of Xingguo County in Ganzhou, Jiangxi province (江西贛州興國縣高興衛生院一脈陽光專科醫聯體)	Xingguo county, Ganzhou, Jiangxi province	July 2016	10 years

BUSINESS

	Imaging center	Location	Initial commencement of collaboration	Term of services
7.	Rimag Specialized Medical Consortium with the Liangcun Clinic of Xingguo County in Ganzhou, Jiangxi province (江西贛州興國縣良村衛生院一脈陽光專科醫聯體)	Xingguo county, Ganzhou, Jiangxi province	August 2016	10 years
8.	Rimag Specialized Medical Consortium with the Juncun Clinic of Xingguo County in Ganzhou, Jiangxi province (江西贛州興國縣均村衛生院一脈陽光專科醫聯體)	Xingguo county, Ganzhou, Jiangxi province	August 2016	10 years
9.	Rimag Specialized Medical Consortium with the Chongxian Clinic of Xingguo County in Ganzhou, Jiangxi province (江西贛州興國縣崇賢衛生院一脈陽光專科醫聯體)	Xingguo county, Ganzhou, Jiangxi province	September 2016	10 years
10.	Rimag Specialized Medical Consortium with the Jiangbei Clinic of Xingguo County in Ganzhou, Jiangxi province (江西贛州興國縣江背衛生院一脈陽光專科醫聯體)	Xingguo county, Ganzhou, Jiangxi province	September 2016	10 years
11.	Rimag Specialized Medical Consortium with the Yongfeng Clinic of Xingguo County in Ganzhou, Jiangxi province (江西贛州興國縣永豐衛生院一脈陽光專科醫聯體)	Xingguo county, Ganzhou, Jiangxi province	September 2016	10 years
12.	Rimag Specialized Medical Consortium with the Dinglong Clinic of Xingguo County in Ganzhou, Jiangxi province (江西贛州興國縣鼎龍衛生院一脈陽光專科醫聯體)	Xingguo county, Ganzhou, Jiangxi province	December 2016	10 years
13.	Rimag Specialized Medical Consortium with the Traditional Medicine Hospital in Xingguo county, Ganzhou, Jiangxi province (江西贛州興國縣中醫醫院一脈陽光專科醫聯體)	Xingguo county, Ganzhou, Jiangxi province	December 2016	10 years
14.	Rimag Specialized Medical Consortium with Harqin Banner Hospital in Chifeng, Inner Mongolia (內蒙古赤峰市喀喇沁旗醫院一脈陽光專科醫聯體) .	Harqin Banner, Chifeng, Inner Mongolia	April 2017	10 years

BUSINESS

	Imaging center	Location	Initial commencement of collaboration	Term of services
15.	Rimag Specialized Medical Consortium with the Chenggang Clinic of Xingguo County in Ganzhou, Jiangxi province (江西贛州興國縣城崗衛生院一脈陽光專科醫聯體)	Xingguo county, Ganzhou, Jiangxi province	November 2017	10 years
16.	Rimag Specialized Medical Consortium with the Linchuan District People’s Hospital in Fuzhou, Jiangxi province (江西撫州臨川區人民醫院一脈陽光專科醫聯體)	Fuzhou, Jiangxi province	December 2017	10 years
17.	Rimag Specialized Medical Consortium with the Jishui County Hospital of Traditional Chinese Medicine in Ji’an, Jiangxi province (江西吉安吉水縣中醫院一脈陽光專科醫聯體)	Jishui county, Ji’an, Jiangxi province	January 2018	10 years
18.	Rimag Specialized Medical Consortium with Xiang Ya Ping Mine Cooperative Hospital in Pingxiang, Jiangxi province (江西萍鄉湘雅萍礦合作醫院一脈陽光專科醫聯體)	Pingxiang, Jiangxi province	February 2018	10 years
19.	Rimag Specialized Medical Consortium with the Yanshan County People’s Hospital in Shangrao, Jiangxi province (江西上饒鉛山縣人民醫院一脈陽光專科醫聯體)	Yanshan county, Shangrao, Jiangxi province	April 2018	10 years
20.	Rimag Specialized Medical Consortium with the Wanzai County Hospital of Traditional Chinese Medicine in Yichun, Jiangxi province (江西宜春萬載縣中醫院一脈陽光專科醫聯體)	Wanzai county, Yichun, Jiangxi province	August 2018	10 years
21.	Rimag Specialized Medical Consortium with the Renxin Health Examination Center in Ganzhou, Jiangxi province (江西贛州仁心健康體檢一脈陽光專科醫聯體)	Ganzhou, Jiangxi province	November 2018	6 years
22.	Rimag Specialized Medical Consortium with the Third People’s Hospital in Xinyang, Henan province (河南信陽市第三人民醫院一脈陽光專科醫聯體)	Xinyang, Henan province	March 2019	8 years

BUSINESS

	Imaging center	Location	Initial commencement of collaboration	Term of services
23.	Rimag Specialized Medical Consortium with the Lichuan County People’s Hospital in Fuzhou, Jiangxi province (江西撫州黎川縣人民醫院一脈陽光專科醫聯體)	Lichuan county, Fuzhou, Jiangxi province	June 2019	10 years
24.	Rimag Specialized Medical Consortium with the Hospital of Traditional Chinese Medicine in Yingtan, Jiangxi province (江西鷹潭市中醫院一脈陽光專科醫聯體)	Yingtan, Jiangxi province	July 2019	10 years
25.	Rimag Specialized Medical Consortium with the Dai and Wa Autonomous County People’s Hospital in Gengma county, Lincang, Yunnan province (雲南臨滄耿馬傣族佤族自治縣人民醫院一脈陽光專科醫聯體)	Gengma county, Lincang, Yunnan province	July 2019	10 years
26.	Rimag Specialized Medical Consortium with the Quannan County People’s Hospital in Ganzhou, Jiangxi province (江西贛州全南縣全南縣人民醫院一脈陽光專科醫聯體)	Quannan county, Ganzhou, Jiangxi province	November 2019	10 years
27.	Rimag Specialized Medical Consortium with the Hospital of Traditional Chinese Medicine in Fengcheng, Yichun, Jiangxi province (江西宜春豐城市中醫院一脈陽光專科醫聯體)	Fengcheng, Yichun, Jiangxi province	January 2020	10 years
28.	Rimag Specialized Medical Consortium with the Xinqiao Center Clinic in Gaoyao county, Zhaoqing, Guangdong province (廣東肇慶高要新橋中心衛生院一脈陽光專科醫聯體)	Zhaoqing, Guangdong province	February 2020	10 years
29.	Rimag Specialized Medical Consortium with the Jindu Clinic in Gaoyao county, Zhaoqing, Guangdong province (廣東肇慶高要金渡衛生院一脈陽光專科醫聯體)	Zhaoqing, Guangdong province	March 2020	10 years

BUSINESS

	Imaging center	Location	Initial commencement of collaboration	Term of services
30.	Rimag Specialized Medical Consortium with the Gaoyao Lecheng Central Clinic in Zhaoqing, Guangdong province (廣東肇慶高要樂城中心衛生院—脈陽光專科醫聯體)	Zhaoqing, Guangdong province	April 2020	10 years
31.	Rimag Specialized Medical Consortium with the Qiqihar Chest Hospital in Tiefeng district, Qiqihar, Heilongjiang province (黑龍江齊齊哈爾鐵鋒區齊齊哈爾市胸科醫院—脈陽光專科醫聯體)	Qiqihar, Heilongjiang province	April 2020	10 years
32.	Rimag Specialized Medical Consortium with the Central Clinic of Douhutun Town, Dongchangfu District in Liaocheng, Shandong province (山東聊城市東昌府區門屯鎮中心衛生院—脈陽光專科醫聯體)	Liaocheng, Shandong province	August 2020	15 years
33.	Rimag Specialized Medical Consortium with the Central Clinic of Tuochuan Town in Fengcheng, Yichun, Jiangxi province (江西宜春豐城拖船中心衛生院—脈陽光專科醫聯體)	Fengcheng, Yichun, Jiangxi province	October 2020	10 years
34.	Rimag Specialized Medical Consortium with the Dexing Hospital of Traditional Chinese Medicine in Shangrao, Jiangxi province (江西上饒德興中醫院—脈陽光專科醫聯體)	Dexing, Shangrao, Jiangxi province	October 2020	10 years
35.	Rimag Specialized Medical Consortium with the Hospital of Traditional Chinese Medicine in Yushan county, Shangrao, Jiangxi province (江西上饒玉山縣中醫院—脈陽光專科醫聯體)	Yushan county, Shangrao, Jiangxi province	August 2021	10 years
36.	Rimag Specialized Medical Consortium with the Huangzhou District Cerebrovascular Disease Hospital in Huanggang, Hubei province (湖北黃岡黃州區腦血管病醫院—脈陽光專科醫聯體)	Huanggang, Hubei province	October 2021	15 years

BUSINESS

	Imaging center	Location	Initial commencement of collaboration	Term of services
37.	Rimag Specialized Medical Consortium with the Central Clinic of Rongtang Town in Fengcheng, Yichun, Jiangxi province (江西宜春豐城榮塘鎮中心衛生院一脈陽光專科醫聯體)	Fengcheng, Yichun, Jiangxi province	March 2022	10 years
38.	Rimag Specialized Medical Consortium with Nanle Zhongxing Hospital in Puyang, Henan province (河南濮陽南樂中興醫院一脈陽光專科醫聯體) . .	Nanle county, Puyang, Henan province	April 2022	10 years
39.	Rimag Specialized Medical Consortium with Pingyuan Hospital in Puyang, Henan province (河南濮陽平原醫院一脈陽光專科醫聯體)	Pingyuan county, Puyang, Henan province	April 2022	10 years
40.	Rimag Specialized Medical Consortium with the Fengcheng Maternal and Child Health Hospital in Yichun, Jiangxi province (江西宜春豐城市婦幼保健院一脈陽光專科醫聯體)	Fengcheng, Yichun, Jiangxi province	May 2022	10 years
41.	Rimag Specialized Medical Consortium with the Tandong Town Clinic of Rongjiang New District in Ganzhou, Jiangxi province (江西贛州蓉江新區潭東鎮衛生院專科醫聯體)	Ganzhou, Jiangxi province	November 2022	10 years
42.	Rimag Specialized Medical Consortium with the Zhongjing Zhang Hospital in Nanyang, Henan province (河南南陽臥龍區張仲景醫院一脈陽光專科醫聯體)	Nanyang, Henan province	May, 2023	12 years
43.	Rimag Specialized Medical Consortium with the Dongjiahe Town Clinic, Shihe District, Xinyang, Henan Province (河南信陽浉河區董家河鎮中心衛生院一脈陽光專科醫聯體)	Xinyang, Henan province	November, 2023	5 years
44.	Rimag Specialized Medical Consortium with the Duantan County Clinic in Fengcheng, Yichun, Jiangxi Province (江西宜春豐城市段潭鄉衛生院一脈陽光專科醫聯體)	Yichun, Jiangxi province	December, 2023	10 years

BUSINESS

	Imaging center	Location	Initial commencement of collaboration	Term of services
45.	Rimag Specialized Medical Consortium with the Hospital of Traditional Chinese Medicine in Changjiang District, Jingdezhen, Jiangxi Province (江西景德鎮昌江區中醫院一脈陽光專科醫聯體) .	Jingdezhen, Jiangxi province	December, 2023	10 years
46.	Rimag Specialized Medical Consortium with the Huodao Town Clinic of Gaoyao District in Zhaoqing, Guangdong province (廣東肇慶高要活道鎮衛生院一脈陽光專科醫聯體)	Zhaoqing, Guangdong province	December, 2023	10 years
47.	Rimag Specialized Medical Consortium with the Jiaotang Town Clinic of Gaoyao District in Zhaoqing, Guangdong province (廣東肇慶高要蛟塘鎮衛生院一脈陽光專科醫聯體)	Zhaoqing, Guangdong province	December, 2023	10 years
48.	Rimag Specialized Medical Consortium with the Xiangang Town Clinic of Gaoyao District in Zhaoqing, Guangdong province (廣東肇慶高要蜆崗鎮衛生院一脈陽光專科醫聯體)	Zhaoqing, Guangdong province	December, 2023	10 years
49.	Rimag Specialized Medical Consortium with the Hetai Town Clinic of Gaoyao District in Zhaoqing, Guangdong province (廣東肇慶高要河台鎮衛生院一脈陽光專科醫聯體)	Zhaoqing, Guangdong province	December, 2023	10 years
50.	Rimag Specialized Medical Consortium with the Dawan Town Clinic of Gaoyao District in Zhaoqing, Guangdong province (廣東肇慶高要大灣鎮衛生院一脈陽光專科醫聯體)	Zhaoqing, Guangdong province	December, 2023	10 years

The establishment of a specialized medical consortium imaging center typically involves stages including market research on client needs, tender process, signing of agreement, as well as technical training. Our market development team is responsible for conducting market research on the target medical institutions and the medical imaging capabilities in their respective regions. This includes the understanding of the needs of the medical institutions, their existing medical imaging equipment and technology, and patient requirements. Following this, we present our service solutions to the medical institutions or participate in the tender process for potential clients with such requirement. Upon mutual agreement, we enter into a cooperation agreements with the medical institution customers and under such agreement, we also provide technical trainings for

BUSINESS

them to ensure their familiarity and capabilities with the equipment and technology. While each specialty imaging medical consortium may serve multiple medical institutions that each forms with us a specialized medical consortium imaging center, each specialized medical consortium imaging center was formed and operated with one medical institution customer.

We are not the holder of the requisite licenses and permits for operating these specialized medical consortium imaging centers. We provide services to hospital customers for the operation management of such imaging centers. The following table sets forth the key operating data of our specialized medical consortium imaging centers for the years indicated:

	Year ended December 31,		
	2021	2022	2023
Revenue of specialized medical consortium imaging centers (<i>RMB in thousand</i>).	76,715	89,300	109,638
Number of examinations (<i>in thousand</i>).	685.3	842.0	1,024.2
Average revenue per examination (<i>RMB</i>)	111.9	106.1	107.0

The average revenue per examination remained relatively stable at RMB111.9, RMB106.1 and RMB107.0 in 2021, 2022 and 2023, respectively.

The table below sets forth the volume of examinations by the principal imaging equipment of specialized medical consortium imaging centers for the years indicated:

	Year ended December 31,		
	2021	2022	2023
		(<i>in thousand</i>)	
MRI.	109.1	133.3	148.6
CT.	354.2	423.5	514.2

Cooperation with Hospital Customers

The majority of cooperation agreements between us and our hospital customers are on an exclusive basis. Set forth below are the key terms of our agreements with hospital customers:

- **Material rights and obligations.** We are generally responsible for providing medical equipment deployment service, infrastructure construction and renovation service, and other operational management services for the imaging center; the hospital partners are generally responsible for (i) applying for and obtaining the requisite licenses and permits, (ii) providing and charging patients for examination and diagnosis services; and (iii) paying service fees to us.

BUSINESS

- ***Service fee.*** Service fee consists of both fixed service fee and operational performance-based service fee. The fixed service fee is calculated based on our services and support for professional skill improvement, operational management consulting, and informational technology infrastructure; and the operational performance-based service fee is calculated based on the scope and frequency of services provided which are calculated in accordance with the formula set forth in the agreements. The amount of fixed service fees is usually determined based on the investment amount and commercial negotiation and dependent on the length of collaboration, and the amount of operational performance service fee will usually be charged if the hospital partner's annual revenue generated from the specialized medical consortium imaging center exceeds a predetermined target. The amount of the operational performance-based service fee is usually calculated as a percentage of the difference between the hospital partner's annual revenue generated from the specialized medical consortium imaging center and the predetermined target.
- ***Settlement and credit term.*** We generally submit the examination data and settlement information of previous month to our hospital partners for verification on a monthly basis. Generally, after both parties confirm the settlement information, we require the hospital partners proceed to pay us the service fees on a monthly basis and then we issue invoices to them.
- ***Termination.*** Generally, neither party have the unilateral right to terminate the agreement.

For imaging equipment that we assist with selecting, we shall provide hospital customers with the right to use such equipment as specified in the relevant agreements, and will engage third parties for repair and maintenance, so as to ensure the normal operations of such equipment. In addition, as we are not the holder of the Medical Institution Practice License, our hospital customers are responsible for resolving disputes that arise from misdiagnosis or medical malpractice relating to imaging examinations and diagnostic reports, if any.

Our hospital customers are mainly medical institutions of the primary healthcare system. They have long faced challenges of weak technical skills, low operating efficiency, lack of training ability that have led to loss of personnel, limited external high-quality medical resources for assistance, relatively high costs for purchasing equipment maintenance services and carrying out informatization construction. Through the establishment of a specialized medical consortium, we provide a full range of services from equipment to management for the imaging centers in such medical consortium, allowing medical resources to fully flow and be effectively utilized within the medical consortium, thereby enhancing their service capabilities, and thus the long-term demand of hospital customers for our services and the probability of renewing contracts with us upon expiry.

BUSINESS

Operational Management Imaging Centers

We provide diversified operational management services to medical institutions, including professional skill improvement, operational management consulting, and informatization construction. Such imaging centers are not involved with equipment deployment or infrastructure renovation services. We usually incur less up-front cost under such offerings as we do not need to select relevant medical imaging equipment for customers. Such business model helps us to promptly provide services, efficiently expand our network coverage, and increase our profitability. Our headquarters operation management center is responsible for designing, planning, managing, overseeing and reviewing our provision of operational management services. See “— Specialized Medical Consortium Imaging Centers.”

List of Imaging Centers

The following table sets forth some details of our operational management imaging centers as of December 31, 2023:

	Imaging centers	Location	Initial commencement of collaboration	Term of collaboration
1.	Rimag Operational Management Imaging Center with Yulin Third People’s Hospital in Yulin, Guangxi province (廣西玉林市第三人民醫院一脈陽光運營管理影像中心)	Yulin, Guangxi province	August 2019	15 years
2.	Rimag Operational Management Imaging Center with Chenzhou Hospital of Traditional Chinese Medicine in Chenzhou, Hunan province (湖南郴州市中醫醫院一脈陽光運營管理影像中心)	Chenzhou, Hunan province	May 2020	10 years
3.	Rimag Operational Management Imaging Center with Jinxi County Hospital of Traditional Chinese Medicine of Jiangxi province in Jinxi county, Fuzhou, Jiangxi province (江西撫州金溪縣中醫院一脈陽光運營管理影像中心).	Jinxi county, Fuzhou, Jiangxi province	June 2021	3 years
4.	Rimag Operational Management Imaging Center with Huanggang Hospital of Traditional Chinese Medicine in Huanggang, Hubei province (湖北黃岡市中醫院一脈陽光運營管理影像中心)	Huanggang, Hubei province	September 2021	5 years

BUSINESS

	Imaging centers	Location	Initial commencement of collaboration	Term of collaboration
5.	Rimag Operational Management Imaging Center with Huangzhou District People's Hospital in Huangzhou District, Huanggang, Hubei province (湖北黃岡黃州區人民醫院一脈陽光運營管理影像中心)	Huanggang, Hubei province	October 2021	5 years
6.	Rimag Operational Management Imaging Center with Qixia Hospital of Traditional Chinese Medicine in Qixia, Yantai, Shandong province (山東煙台棲霞市中醫院一脈陽光運營管理影像中心)	Qixia, Yantai, Shandong province	January 2022	5 years
7.	Rimag Operational Management Imaging Center with Huanggang Central Hospital in Huanggang, Hubei province (湖北黃岡市中心醫院一脈陽光運營管理影像中心)	Huanggang, Hubei province	March 2022	3 years
8.	Rimag Operational Management Imaging Center with Nancheng County Hospital of Traditional Chinese Medicine in Nancheng county, Fuzhou, Jiangxi province (江西撫州南城縣中醫院一脈陽光運營管理影像中心)	Nancheng county, Fuzhou, Jiangxi province	May 2022	6 years
9.	Rimag Operational Management Imaging Center with Dongxiang District Hospital of Traditional Chinese Medicine in Dongxiang district, Dongxiang county, Fuzhou, Jiangxi province (江西撫州東鄉縣東鄉區中醫院一脈陽光運營管理影像中心)	Dongxiang county, Fuzhou, Jiangxi province	September 2022	6 years
10.	Rimag Operational Management Imaging Center with Quannan County Hospital of Integrated Traditional Chinese and Western Medicine in Quannan county, Ganzhou, Jiangxi province (江西贛州全南縣中西結合醫院一脈陽光運營管理影像中心)	Quannan county, Ganzhou, Jiangxi province	September 2022	10 years
11.	Rimag Operational Management Imaging Center with Shanggao County Maternal and Child Health Hospital in Shanggao county, Yichun, Jiangxi province (江西宜春上高縣婦幼保健院一脈陽光運營管理影像中心)	Shanggao county, Yichun, Jiangxi province	October 2022	6 years

BUSINESS

	Imaging centers	Location	Initial commencement of collaboration	Term of collaboration
12.	Rimag Operational Management Imaging Center with Linyi Dongshan Hospital, Luozhuang District, Linyi, Shandong (山東臨沂羅莊區臨沂東山醫院一脈陽光營運管理影像中心)	Luozhuang District, Linyi, Shandong	November 2023	8 years
13.	Rimag Operational Management Imaging Center with Chongren County Traditional Chinese Medicine Hospital, Chongren County, Fuzhou, Jiangxi (江西撫州崇仁郡中醫院一脈陽光營運管理影像中心)	Chongren County, Fuzhou, Jiangxi province	November 2023	6 years
14.	Rimag Operational Management Imaging Center with Leling Traditional Chinese Medicine Hospital, Dezhou, Shandong (山東德州樂陵市中醫院一脈陽光營運管理影像中心).	Leling, Dezhou, Shandong Province	August 2023	1 year

Collaboration with Hospital Customers

Generally, our hospital customers have their own radiology department equipped with their own imaging equipment. In addition, as we are not the holder of the Medical Institution Practice License, our hospital customers are responsible for resolving disputes that arise from misdiagnosis or medical malpractice relating to imaging examinations and diagnostic reports, if any. For purposes of improving operating efficiency, these hospital customers purchase operational management services from us. According to the relevant service agreements, we provide operational management services that exclude equipment selection and configuration, but we can provide repair and maintenance services for hospital customers’ existing imaging equipment to ensure the normal operation of these equipment. Operational management services generally include professional skill improvement services for radiologists, nurses and radiologic technologists, operational management consulting services for the set-up of the radiology department’s management systems, compensation systems, and performance appraisals, and the staffing of the radiology department, and other services required for operation and management. The majority of service agreements between us and our hospital customers are on an exclusive basis. Set forth below are the key terms of our agreements with hospital customers:

- **Material rights and obligations.** We are responsible for providing operational management services and operation management supporting services, such as equipment repair and maintenance service and cloud platform service; the hospital partners are

BUSINESS

responsible for (i) providing premises, office facilities, and medical professionals, (ii) providing and charging patients for examination and diagnosis services; and (iii) paying service fees to us.

- ***Service fee.*** Service fee consists of both fixed service fee and operational performance-based service fee. The fixed service fee is calculated based on our services and support for professional skill improvement, operational management consulting, and informational technology infrastructure; the operational performance-based service fee is calculated based on the scope and frequency of services provided which are calculated in accordance with the formula set forth in the agreements. The amount of fixed fees is usually determined based on the service content and commercial negotiation and dependent on the length of collaboration, and the amount of operational performance service fee will usually be charged if the annual revenue from imaging services exceeds a predetermined target. The amount of the operational performance service fee is usually be calculated as a percentage of the difference between the hospital partner's annual revenue generated from the operational management imaging center and the predetermined target.
- ***Settlement and credit term.*** Generally, we submit the examination data and settlement information of previous month to our hospital partners for verification on a monthly basis. Generally, after both parties confirm the settlement information, we require the hospital partners proceed to pay us the service fees on a monthly basis and then we issue invoices to them.
- ***Termination.*** Generally, neither party have the unilateral right to terminate the agreement.

We provide various professional operational management services for the radiology departments of these hospital customers, so that they can obtain continuous support from medical resources and achieve long-term improvement in capabilities regarding talent nourishment, disciplinary development, and informatization construction. Such well-established cooperation mode has strengthened the hospitals' recognition of the value of, and the demand for, our services, and increased the probability of their renewal of the relevant contracts with us upon expiry.

BUSINESS

Headquarters’ Management of and Support to the Operations of Our Imaging Centers

We have adopted a top-down vertical management model to operate our imaging centers. We have set up an operation management center at our headquarters, responsible for (i) setting up and implementing our operations and management model for imaging centers, (ii) establishing our customer service system and procedures, (iii) organizing and carrying out training programs, and (iv) monitoring and reviewing the operational performance of our imaging centers.

In general, the operations and management of each of our imaging centers are headed by general managers with years of management experience in the healthcare industry. We have also optimized our operations and management model based on our long-term experience and designated key responsible personnel below the general managers (namely, the three key positions) in charge of medical services, internal management and marketing operations, respectively, at each of our imaging centers. These personnel oversee the provision of medical services, support from administrative departments, and the sales and marketing activities, respectively. Through such lean and transparent organizational structure, we are able to clearly delineate the responsibilities of each role, execute performance goals, improve the operational efficiency of imaging centers, and standardize the operation of imaging centers, thereby allowing the rapid replication of our operational management model to more imaging centers.

We have formulated consistent SOP for imaging centers based on rich experience in the operation and management of imaging centers accumulated throughout many years, and by integrating the industry guidelines of reputable professional associations such as the Chinese Medical Association (中華醫學會) and standards of large-scale medical institutions, including Class III Grade A hospitals, in our operations and management model and medical service standards, and optimized the SOP based on the different types of imaging centers. Such SOP features great replicability and applicability, and when we establish or manage new imaging centers, the implementation of such SOP can effectively ensure the standardization of management at these centers and improvement in efficiency within a short period of time. Part of the SOP has been recognized and promoted by the Chinese Non-Government Medical Institutions Association (中國非公立醫療機構協會) as its standards for independent imaging centers.

In addition, in order to realize the sharing of experience and capabilities within our Group, we have set up a team of mentors for the general managers of imaging centers and personnel of three key positions (in relation to medical services, internal management, and marketing operations). We select experienced imaging experts and managerial personnel within our Group as the foregoing persons’ mentors. For new imaging centers and those whose operations and management need improvement, we arrange corresponding mentors to stay at the imaging centers for a long period of time and teach on-site to help them improve quickly.

BUSINESS

Initial breakeven period and cash investment payback period of our imaging centers

Initial breakeven period refers to the amount of time it takes to reach the first month for the imaging center level EBITDA (non-IFRS measure) (i.e. imaging center level earnings before interest, taxes, depreciation and amortization, which are equivalent to operating profit on a cash basis) of a newly opened imaging center to turn positive with its financial condition remaining relatively stable afterwards. Cash investment payback period for a new imaging center refers to the amount of time it takes for the cumulative imaging center level EBITDA (non-IFRS measure) of that imaging center to cover its capital expenditure. When calculating the capital expenditure of an imaging center, we take into account the construction and renovation costs, equipment and other fixed assets costs. Cash investment payback periods are generally longer than initial breakeven periods, because once an imaging center achieves initial breakeven, it must continue to generate imaging center level EBITDA (non-IFRS measure), until its cumulative imaging center level EBITDA (non-IFRS measure) exceeds its capital expenditure. In addition, the initial breakeven period and the cash investment payback period may also be affected by the specific factors associated with an imaging center, such as its size, location, service scope, local market competition and commercial terms agreed with the relevant hospital partners (where applicable).

The table below sets forth the number and the average initial breakeven period of our imaging centers which had achieved initial breakeven as of December 31, 2023 by type:

	Number	Average Initial Breakeven Period (months)
Flagship imaging centers.	5	16.2
Regional collaborative imaging centers	24	4.9
Specialized medical consortium imaging centers	43	2.1
Operational management imaging centers.	12	2.7

The table below sets forth the number and the average cash investment payback period of our imaging centers which had achieved cash investment payback as of December 31, 2023 by type:

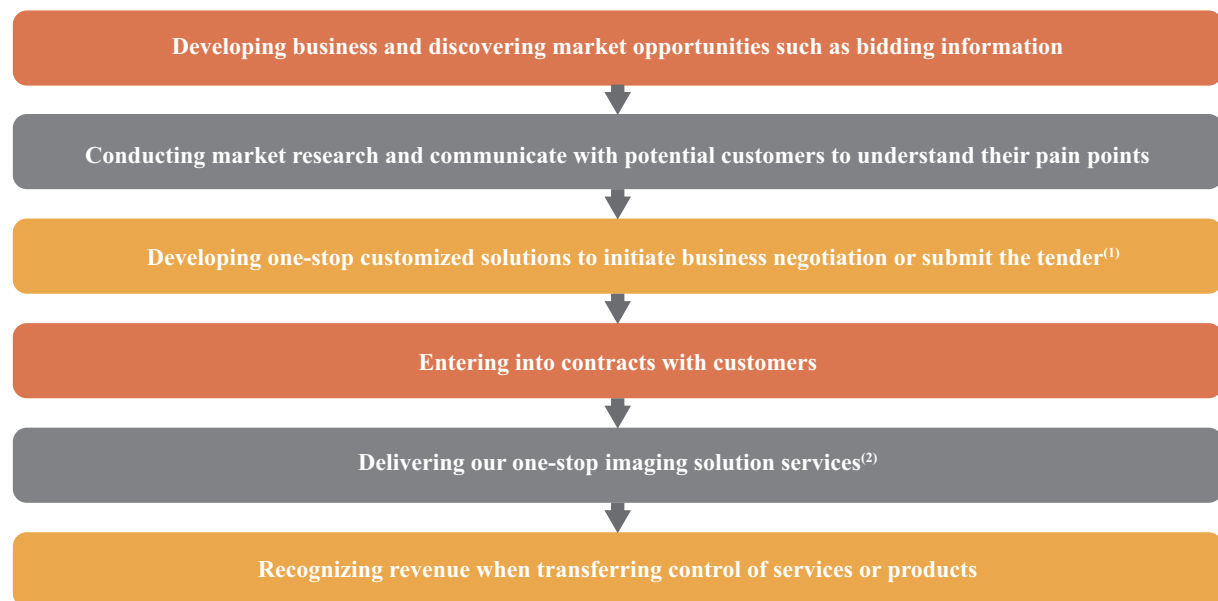
	Number	Average Cash Investment Payback Period (months)
Flagship imaging centers.	–	–
Regional collaborative imaging centers	11	47.5
Specialized medical consortium imaging centers	27	39.1
Operational management imaging centers.	9	3.8

BUSINESS

As of December 31, 2023, our imaging center network consisted of nine flagship imaging centers, 24 regional collaborative imaging centers, 50 specialized medical consortium imaging centers and 14 operational management imaging centers, of which 5, 24, 43 and 12 had achieved initial breakeven and nil, 11, 27 and 9 had achieved cash investment payback, respectively. The remaining imaging centers did not achieve initial breakeven or investment payback, primarily because they have not yet had sufficient time to do so, and in the case of regional collaborative imaging centers and specialized medical consortium imaging centers, the hospital partners with which they cooperated were under-performed. There were 12, 19 and 23 loss-making imaging centers (with gross loss) in 2021, 2022 and 2023, respectively. See “— Imaging Center Services — Overview.”

Imaging Solution Services

We commenced the provision of imaging solution services to customers in 2019. Our imaging solution services mainly help medical institution customers such as hospitals select and procure appropriate imaging equipment that meets their development needs, and a series of accompanying modular solutions to maximize the utility value of imaging equipment. We create personalized and one-stop solutions based on customers’ needs to ensure that they use imaging equipment correctly and effectively, thereby improving their medical skills and capabilities to serve patients. The table below sets forth the flow chart of the business process of our imaging solution services:



Notes:

- (1) The direct procurement of imaging solution services by public hospital customers is typically subject to an invitation to tender process, and we directly participate in the tender process.

BUSINESS

- (2) One-stop imaging solution services include equipment selection and configuration, infrastructure renovation services and modular solutions generally consisting of onward training services, repair and maintenance services and Rimag Cloud platform-related services.

We strive to promote the idea that “maximizing the utility value of equipment is far more important than buying high-value equipment.” Customers can choose one or more service modules according to their own needs. Different from our services provided through specialized medical consortium imaging centers and operational management imaging centers, we are only responsible for the delivery of equipment and service modules and not involved in the daily operation of our customers. We receive fees from customers based on the type and content of products and services provided. Our imaging solution services are centered around imaging equipment. During the Track Record Period, we provided imaging solution services to medical institution customers either directly or through intermediaries. See “— Sales and Marketing — Imaging Solution Services.” During the Track Record Period, our imaging solution services served over 80 medical institutions.

Leveraging years of experience and capabilities, we have developed modular medical imaging solutions that facilitate medical institutions to enhance their professional proficiency, maximize the value of their equipment, optimize their SOP and strengthen their service capabilities. Our imaging solution services primarily include the following modular services:

Equipment selection and configuration. We capitalize on our selection expertise accumulated from using more than 400 units of mainstream imaging equipment of various brands in providing our imaging center services, and customization capabilities in imaging equipment including specialized medical examination equipment and specialized disease equipment (such as specialized equipment with optimized functions in terms of whole body vascular examination and tumor screening, among other things). Based on the differing features of clinical departments of medical institutions (such as key department or special department) and their development objectives, and by integrating the latest technological advancement in imaging, we provide highly compatible and suitable equipment selection solutions comprising both software and hardware to medical institutions.

Unlike conventional equipment sales, we not only help medical institutions choose the most suitable equipment, but also assist them in better utilizing the medical imaging equipment to maximize utilization efficiency and efficacy, through the following other service modules.

Infrastructure Renovation Services. We provide a site planning and design plan with an appropriate layout according to the needs of medical institutions for constructing their imaging departments, and on-site inspection and measurement. The plan includes layout plan, proposal plan, architectural drawing, construction drawings and detailed soft decoration design, among other things. We also take the working habits of local radiologists into account and optimize the configuration of workstations and software deployment of medical image viewing tools to optimize

BUSINESS

the working environment for radiologists. For example, the height of the standard workstation for reading medical images that we help select is adjustable electronically to meet the needs of standing or sitting. In addition, the background light of viewing the medical images is optimized to relieve visual fatigue and lumbar and cervical spine strain of radiologists, thereby improving their comfort and concentration at work.

Training Services. Our training services aim to improve the equipment operation capabilities of radiologic technologists, the diagnostic capabilities of doctors and the knowledge in medical imaging of clinical departments. We provide online training services through our in-house training platform. As of December 31, 2023, we had organized more than 800 professional courses via the online platform. In addition, our training platform provides resources such as a virtual reading room and anatomy learning slides, and has gathered and compiled a question bank of more than 17,000 questions regarding imaging diagnosis and technology, which can be used for assessing and evaluating radiologists and radiologic technologists.

In addition to the online training platform, we also offer offline training services through the Rimag Imaging Academy, and organize expert lecturers to guide and teach at medical institutions. See “— Medical Professionals — Rimag Imaging Academy.”

Repair and Maintenance Services. Based on customers’ needs, we provide periodic equipment maintenance, preservation and inspection services, including machine cleaning, performance testing and calibration, necessary mechanical or electrical inspections, non-emergency remedial repairs, and repair services ensuring that the imaging equipment system can run in accordance with the manufacturer’s product specifications.

Rimag Cloud Platform-related Services. Our imaging solution services also integrate Rimag Cloud services, such as remote consultation and diagnostic report services, quality control services, and AI integration platform services, among other things. See “— Rimag Cloud Services.”

Our imaging solution services are delivered on a project basis, and cater to the customized needs of different clients. We generally offer our service modules, primarily including: equipment selection and configuration services, infrastructure renovation services, and training services, as equipment-centered one-stop solution packages to our customers during the Track Record Period. Customers are also able to purchase separate service modules, such as repair and maintenance services, from us. In 2021, 2022 and 2023, we have entered into 22, 40 and 21 contracts of such equipment-centered one-stop solution packages, respectively.

BUSINESS

The table below sets forth the contract sum range and total amount of contract sum from such equipment-centered one-stop solution packages during the years indicated:

	Year ended December 31,		
	2021	2022	2023
		<i>(RMB in million)</i>	
Contract sum range ⁽¹⁾	1.1-68.5	0.5-46.5	0.9-23.9
Total contract sum ⁽¹⁾	242.3	361.3	155.5

Note:

- (1) The above information on contract sum (i) does not take into consideration contracts we have entered into for repair and maintenance services, which are usually provided independently from sales of equipment; and (ii) was based on dates of related contracts we entered into during the Track Record Period, which differs from the revenue generated by equipment-centered one-stop solution packages as we recognize revenue when transferring control of services or equipment to customers based on our accounting policies.

Rimag Cloud Services

In order to promote the sharing of resources and capabilities among the imaging centers we operate, based on our understanding of and insight into the medical imaging business, we have built a Rimag Cloud platform that supports the operation of our chain of imaging centers. The platform is designed with reference to the whole process and features step-by-step R&D in a modular manner. As of the Latest Practicable Date, we had obtained 88 software copyright certificates and two medical device registration certificates relating to the Rimag Cloud platform, and applied for four invention patents (which were under review).

In 2018, as our products and services continued to mature, we commercialized our Rimag Cloud services and offered such services under our Rimag brand to the PRC medical imaging industry, to satisfy the strong demand for digital and intelligent information transformation from traditional information infrastructure. Our customers, mainly medical institutions of all levels, can choose our overall platform products and services, or one or several module products and services, according to their needs. In particular:

- We mainly provide customers with technical platform services. We authorize customers to use our Rimag Cloud platform or some of its modules, and provide follow-up data storage, data analysis and other services. We charge customers service fees based on storage volume and number of usage instances, or fixed annual fees, among other things.

BUSINESS

- Customers can also choose one-time purchases of software according to their resources and capacity. We deploy informatization products within medical institutions to replace their existing medical imaging business and management systems altogether, or we can sell modules to medical institutions according to their needs and integrate modules such as intelligent triage, refined operational management, and quality controls into the existing systems of the medical institutions. We charge customers a one-time fee per software sale.

Our Rimag Cloud services help medical institutions reduce labor costs, standardize workflow procedures, and realize data-driven management, thereby improving the service capabilities of these medical institutions and the medical experience of their patients. Our Rimag Cloud platform is composed of various modules. The following sets forth the relevant contents of the modules of our commercialized Rimag Cloud platform:

Medical Imaging Workflow Modules. These modules cover the full service process of medical imaging from making appointments, selecting imaging examination items, to issuing diagnosis reports. They are the core products and services of Rimag Cloud, aiming to improve the efficiency of medical imaging service processes and tackle the pain points of all participants. In addition to the basic modules such as appointment making and imaging examination selection, we can split and separately offer unique product modules including the cloud storage and cloud film module, remote diagnosis/consultation for complex cases, cloud RIS module, and imaging AI integration platform module, among other things.

- *Cloud storage and cloud film module.* This module provides medical institutions with a cloud film system and cloud film marketing and operation services, as well as cloud storage services for imaging data. Increasing the application of digital films can reduce the use of conventional films at medical institutions, and provides convenience to patients in accessing images and reports.
- *Remote diagnosis/consultation for complex cases.* We have hired more than 100 renowned experts in the PRC in various sub-specialties of medical imaging to provide diagnostic consultation services and multi-disciplinary team consultation services for complex cases over our remote consultation platform. This helps directly connect high-end and quality medical resources to doctors and patients within the primary healthcare system, and assist such doctors in correctly and reasonably ascertaining the treatment procedures for patients, and contribute to the execution of the hierarchical diagnosis and treatment initiative. Additionally, we provide remote medical diagnosis services to medical institutions that lack radiologists, have radiologists with insufficient

BUSINESS

capabilities, or intend to reduce costs while enhancing their imaging service capacity. The imaging experts on the remote consultation platform will issue imaging diagnostic and consultation reports for the medical institutions we cooperate with.

- *Cloud RIS module.* The major targets of our cloud RIS module services are the central hospitals within a particular region. By deploying remote information systems and servers at the central hospitals and lower-tier medical institutions within the same region respectively, the sharing of images and reports and interconnectivity can be realized.
- *Imaging AI integration platform module.* Our imaging AI integration platform integrates the products of mainstream AI service providers in the market on a one-stop platform with the same workspace and user interface and homogenizes imaging data standards and operating procedures. In particular, our imaging AI integration platform module can be integrated with PACS. Thus, when using AI tools, doctors only need to operate on our imaging AI integration platform instead of having to switch among different workspaces. Our imaging AI integration platform can help to facilitate usage by radiologists, improve their experience using AI tools, and improve the efficiency of imaging processing and diagnosis.

Operational management modules. These modules mainly provide information support and development momentum for data-driven medical imaging operations, including refined operation management modules, and quality control modules, among other things.

- *Refined operation management module.* Our refined operation management module aims to provide customers with analytical services in respect of the imaging service capability of radiology departments toward clinical departments, and the understanding and perception of the clinical departments toward imaging. This module mainly collects and standardizes information related to imaging examinations in the business systems of medical institutions, and delivers accurate analysis of business and financial indicators based on standardized data to managers, which greatly reduces the workload of manual data collection, entry and analysis, and efficiently evaluates the usage and penetration of various imaging examination procedures at clinical departments, and whether such use is reasonable.

BUSINESS

- *Quality control module.* We provide quality control services through the quality control module. By sampling the images and diagnostic reports generated in daily operations, our quality control experts score according to quality control evaluation standards, and ultimately arrive at evaluation conclusions for radiologic technologists and radiologists. Since the quality control evaluation process is double-blind, the result of the evaluation is a fair, objective and scientific measurement of the actual ability and skillfulness of radiologic technologists and radiologists, and motivates these medical personnel to continually improve their professional capability and service quality while maintaining a rigorous working attitude. The results of these quality control evaluations can also be used as important references for human resource and performance appraisals.

The modules of our Rimag Cloud services business can also serve as one of the modular solutions of our imaging solution services, or they can be offered as standalone products and services. We have been continually developing our Rimag Cloud platform, and we plan to launch more commercial products in the future depending on the maturity of our products and services.

Imaging Equipment

Our principal imaging equipment units generally have useful lives of approximately eight to ten years. Based on our experience, such useful lives may be extended for longer period with appropriate repair and maintenance. In determining the useful life and residual value of our imaging equipment, we consider various factors, such as changes in market demand, imaging procedures and techniques, and expected usage of the imaging equipment. The estimation of the useful life of imaging equipment is generally based on our experience with similar imaging equipment that are used in a similar way.

Medical Professionals

The qualification and expertise of medical professionals practicing at our imaging centers are vital to the quality of imaging services rendered, which shapes our competitiveness and sets the foundation for our core competency. We primarily recruit medical professionals through an established process comprising written tests, interviews and background checks. A medical professional who registers her or his medical practice license at our imaging center can either enter into an employment contract or a service contract with us. As part of our recruitment and retention strategy, we have established comprehensive internal training programs grouped under various positions, covering topics such as medical imaging techniques and skills, medical imaging diagnostic skills, nursing skills, and medical safety and R&D capabilities.

BUSINESS

Our medical professionals mainly comprise radiologists, radiologic technologists and nurses. There are generally two types of registrations by medical professionals at our own imaging centers (namely, the flagship imaging centers and regional collaborative imaging centers): (i) registrations by medical professionals who are registered with us as the primary workplace; and (ii) registrations by medical professionals who are registered with us through multi-site practice. The table below sets forth a breakdown of our medical professionals registration as of the dates indicated:

	As of December 31,					
	2021		2022		2023	
	<i>Primary registration⁽¹⁾</i>	<i>Multi-site registration⁽²⁾</i>	<i>Primary registration⁽¹⁾</i>	<i>Multi-site registration⁽²⁾</i>	<i>Primary registration⁽¹⁾</i>	<i>Multi-site registration⁽²⁾</i>
Radiologists	109	183	223	206	232	266
Radiologic technologists	138	–	181	–	176	–
Nurses	94	–	134	–	119	–
Total	341	183	538	206	527	266

Notes:

- (1) Refers to medical professionals who are registered with us as the primary workplace.
- (2) Refers to medical professionals who are registered at our own imaging centers through multi-site practice.

Generally, we enter into employment contracts with those medical professional who are registered with us as the primary workplace and service contracts with those who are registered with us through multi-site practice. Set forth below are the key terms of the employment contracts or service contracts between medical professional and us:

- ***Material rights and obligations.*** We furnish medical professionals with the requisite office facilities, infrastructure, medical equipment, and office supplies to facilitate their work; medical professionals are required to follow our rules and regulations and medical equipment operating practices and procedures when providing services.
- ***Service Remuneration.*** The remuneration structure for medical professionals is predicated on factors such as actual hours worked, the volume of work undertaken, and the quality of performance delivered.

BUSINESS

- **Confidentiality.** Medical professionals are obligated to uphold strict confidentiality regarding any work-related data and information they handle or come into contact in course of their service. They are expressly prohibited from disclosing, altering, damaging, or unlawfully accessing or processing said data, and from unlawfully disseminating or providing said data to third parties.
- **Termination.** We retain the unilateral right to terminate the employment contract or service contract if a medical professional is unable to fulfill their professional obligations, or engages in unlawful conduct or major medical malpractice.

Qualification of Medical Professionals

In the PRC, licensed physicians are subject to periodic assessment of their professional skills, achievements and professional ethics by institutions or organizations authorized by the Public Health Department of China. There are three professional ranks for physicians in the PRC: (i) junior qualification (初級職稱) for resident physicians who practice under the supervision of attending physicians or other supervisors. Resident physicians with junior qualifications usually undertake entry-level tasks such as preparing medical records for patients; (ii) mid-end qualification (中級職稱) for attending physicians who may supervise resident physicians. Attending physicians with mid-end qualifications usually undertake routine medical procedures, teaching and research; and (iii) senior qualification (高級職稱) for (a) associate-chief physicians who may supervise attending and resident physicians, direct research work within a specific field, and typically undertake complex medical procedures and (b) chief physicians who typically command the highest level of medical capability in a specific field and are generally the head of a medical department. Similarly, there are comparable professional ranks for radiologic technologists and nurses.

As of December 31, 2023, more than 120 of the medical professionals practicing at our imaging centers had five to ten years’ experience, 111 had ten to 15 years’ experience and 233 had more than 15 years’ experience. As of the same date, we had 95 radiologists with senior qualifications, and 104 radiologists with mid-end qualifications; we had three radiologic technologists with senior qualifications, and 22 radiologic technologists with mid-end qualifications; and we had one nurse with senior qualifications, and 18 nurses with mid-end qualifications. Among them, one expert has served as chairman of the Chinese Society of Radiology (中華醫學會放射學分會); one expert has served as the deputy chairman of the Chinese Society of Nuclear Medicine (中華醫學會核醫學分會); and one expert has served as the committee member of the Chinese Society of Radiology. In addition, multiple experts in our team have taken on roles in provincial and prefectural medical industry committees. As the backbone of our talent team, these experts have played active roles in improving our medical skills, developing

BUSINESS

our research capabilities, ensuring our medical quality, and training our personnel. We also provide opportunities such as advanced studies programs and participation in academic conferences to our medical personnel.

Rimag Imaging Academy

Our Rimag Imaging Academy, which is primarily established as an internal organization for our talent cultivation and professional training designed for our hired medical professionals including radiologists, radiologic technologists and nurses, nurtures professionals in medical imaging to conduct examinations and diagnosis by using leading imaging equipment, as well as management talents for the operation of imaging centers. Accordingly, our Rimag Imaging Academy continually develops services such as continued educational training, customized training proposals, professional skill evaluations, and leadership training programs. Such services help cultivate suitable talents to optimize the workforce at medical institutions, while offering opportunities to these personnel to obtain exposure to practical experience and insights.

The Rimag Imaging Academy also plays a crucial role in our business extension and continual R&D activities. It is mainly responsible for developing and implementing technologies based on the functions of all kinds of leading imaging equipment, for purposes of enhancing our research and technical capabilities. It also provides professional medical support to our R&D activities such as medical data standardization and our integrated AI platform. Because the Rimag Imaging Academy is an internal training platform and not a licensed training school, it is not subject to PRC laws and regulations regarding educational training institutions and schools.

Pricing and Payment

Imaging Center Services

Flagship Imaging Centers

At our flagship imaging centers, patients or other healthcare consumers are generally required to pay their medical bills before receiving our services. Substantially all of them settle at their own expense. During the Track Record Period, one of our flagship imaging centers had adopted public medical insurance programs and part of its services were covered and could be settled directly with public medical insurance program. The specific percentage covered by different public medical insurance programs may vary based on criteria including types of insurance schemes, age of the patients and other healthcare consumers and types of healthcare services and products involved. A small number of patients and other healthcare consumers have settled through public medical insurance programs during the Track Record Period. As of the Latest Practicable Date, none of our flagship imaging centers adopted public medical insurance programs.

BUSINESS

Pursuant to applicable PRC laws and regulations, we, as private for-profit imaging centers, are generally entitled to set the prices for services at our discretion. The price of such services typically depends on the particular demand of the clients, the type of imaging services purchased, the service volumes to be provided, requirements regarding the quality of imaging services and competitors’ pricing terms. Some of our flagship imaging centers also offer high-value services including one-on-one consultations with experts for professional analysis of reports, and multi-disciplinary team consultations for a corresponding fee to patients and other healthcare consumers who are willing to pay higher prices for services of better quality, and such fees are determined by the individual flagship imaging centers.

Regional Collaborative Imaging Centers

For our regional collaborative imaging centers, it is mainly the hospital partners that purchase imaging services, among other things, from us, and the purchase price paid by our hospital partners generally depends on the type of imaging examinations and the service volumes to be provided, with reference to the prices pre-determined in the uniform medical insurance catalog. We receive service fees from hospitals with reference to fees paid by patients according to our contracts with hospitals.

Specialized Medical Consortium Imaging Centers

We generate revenue from providing equipment deployment and services including professional capability enhancement and operational management consultations. Our service fees charged to hospital customers are either at an operational performance-based rate, or a combination of fixed payments and operational performance-based service fees. The amount of service fees is usually dependent on operational performance and the length of our collaboration. Payments are made by our hospital customers to us monthly and subject to year-end settlement and adjustment.

Operational Management Imaging Centers

Based on the operational management services offered by us, our service fees charged to hospital customers are either at an operational performance-based rate, or a combination of fixed payments and operational performance-based service fees.

BUSINESS

Imaging Solution Services

We price our imaging solution services for the medical imaging equipment and our services provided to meet our customers’ demands. We are entitled to receive payment based on the medical imaging equipment and/or our modular services and solutions for factors including the market prices of imaging equipment we help select for customers, the content and number of service modules chosen by our customers, our costs in providing the relevant solutions and length of service term. Our customers pay fees to us in accordance with the relevant purchase or service agreements.

For a majority of clients, we require payment before delivery or grant credit term of one month after delivery of imaging solution services. For a minority of clients of imaging solution services, we allow long-term payment by instalment from around two to six years during the Track Record Period.

Rimag Cloud Services

We mainly take into account cost in R&D, cloud resource consumption, implementation and service provision, the customers’ needs, and competitors’ rates when setting the pricing for our Rimag Cloud services.

For system installation and subsequent maintenance projects with medical institutions, we typically charge fees based on one-time sales of software to be settled in a lump sum or by installment on a monthly, quarterly or annual basis. For purchases of medical services and data services by medical institutions, we typically charge service fees based on storage volume or service volume or annually, to be settled on a real-time basis or by installment on a monthly, quarterly or annual basis.

Our credit term granted to clients of Rimag Cloud services is generally within 12 months during the Track Record Period.

Our current pricing policies and frameworks have been carefully designed to align with market conditions and our business strategies. As such, we expect to continue to uphold these established pricing policies, with no significant adjustments in the foreseeable future, which ensures consistency and transparency for our clients, while allowing us to remain competitive within the industry.

BUSINESS

Sales and Marketing

We believe the most effective way of marketing is to continually enhance our service capabilities to address unmet demands, and highlight the effectiveness of our solutions to enhance our brand recognition and conduct market education. With stronger service capabilities, we are also able to maintain and strengthen our relationships with existing customers to promote cross-sales.

Our sales and marketing strategy is mainly product- and service-driven. We have established sales and marketing teams at both the headquarters and local levels to enhance understanding of market demand, promote up-to-date solutions, and continuously optimize or tailor our products and services, thereby forming a virtuous circle. As of December 31, 2023, our sales and marketing team comprised 63 employees, over 69% of whom have sales and marketing experience in the healthcare industry of more than five years.

During the Track Record Period, all of our revenue was derived from sales in China. In 2021, 2022 and 2023, our selling expenses were RMB76.0 million, RMB48.7 million and RMB65.6 million, respectively, accounting for 12.8%, 6.2% and 7.1% of our revenue, respectively.

Our sales and marketing activities vary from business to business:

Imaging Center Services

In respect of development of new imaging centers and operations of existing imaging centers, we adopt a variety of activities to enhance our brand name and market awareness.

Regarding market development, we have established a market development team responsible for the establishment of new imaging centers in multiple regions and the search for potential hospital partners for cooperation. During such process, we communicate with local governments and health administrations and elaborate our value propositions in terms of reducing government fiscal expenditures, promoting the hierarchical diagnosis and treatment initiative, and contributing to healthcare system reform, and demonstrate our social responsibility, and strive to win their recognition and support. In the course of communications with hospitals and other medical institutions, we establish our professionalism through showcasing outstanding cases, so as to enable hospitals to fully comprehend and recognize our professional and operational capabilities, and notice our rich professional resources accumulated in personnel training and medical experts, among other things, which can lay the foundation for subsequent cooperation. In addition, we promote our cooperation model through academic conferences, industry associations and other public occasions and academic activities within regions.

BUSINESS

Regarding marketing our imaging center services, we believe our brand awareness and customer base of our products and services grow primarily through close cooperation with public hospitals and corporate clients. We carry out communications and interactions in various forms with medical institutions of all levels, including academic lectures, doctor salons, and scientific research cooperation programs, among other things, to introduce to hospitals our advantages and progress made in terms of the introduction of advanced imaging equipment, as well as recently launched medical service projects, especially those relating to the development of new technologies in medical imaging. Such communications and interactions can promote the reasonable selection of suitable examination procedures in clinical diagnosis and treatment at hospitals, so as to maximize the efficiency and efficacy of imaging examinations. In addition, we listen to the opinions and suggestions of our hospital customers, fully understand their needs, optimize our own service capabilities, and establish a professional and efficient brand image. In 2021, 2022 and 2023, we held 82, 237 and 560 academic discussions and scientific research activities with other medical institutions, respectively. We may need to go through tender process before entering into cooperation agreements or service agreement with hospital customers. With respect to projects in which the hospital customers launch a tender and bidding process, the tender success rate of our imaging center services was 100% during the Track Record Period, even though there were other industry players competing with us in bidding the same projects during the same period. The tendering of imaging center services requires at least three bidders to participate in the bidding process according to the Bidding Law of the PRC (《中華人民共和國招標投標法》). We have seen a consistently high tender success rate during the Track Record Period, resulting from (i) our pre-market dialogue with medical institutions, enabling us to meet their specific needs; (ii) our technical support team’s ability to provide prompt and effective solutions; (iii) our brand recognition, competitive pricing strategy, and expansive sales and service network; and (iv) our strategic market positioning, differentiated competition approach, and strict adherence to all relevant laws and procurement policies of medical institutions.

In terms of expanding our corporate and individual user base, our investment in brand name building and marketing efforts mainly include new media operations, and account opening and maintenance at commercial platforms, among other things, so as to increase public awareness of our medical imaging brands. In addition, we proactively focus on the development of corporate customers, and establish cooperative relationships with commercial institutions such as insurance companies, banks, physical examination centers and clinics to complement our business.

Imaging Solution Services

We have designated a business team for imaging solution services, mainly located in Jiangxi province and Hubei province, with a focus on the promotion of imaging solution services in these two provinces. Moreover, we have ten provincial-level teams responsible for developing our imaging center services business. In the course of their development of our imaging center

BUSINESS

services, they will also promote our imaging solution services in their respective regions. In addition, we actively search for business partners, who have rich resources, share similar visions with us, and are willing to collaborate with us over the long term, to jointly market imaging solution services in regional markets. Furthermore, we have also established strategic relationships with mainstream equipment providers to jointly promote imaging solution services. We typically promote our imaging solution services by: (i) inviting medical institutions or mainstream suppliers within the industry to co-host relevant seminars; (ii) publishing articles on online channels, including social media platforms, to enhance the exposure of our imaging solution services.

Our imaging solution services include multiple types of modular services that are centered around the imaging equipment we assist medical institutions to select and acquire. Such solutions are meant to maximize the utilization value of such equipment. Our modular services are all directly provided to medical institutions by us, except for certain sales of equipment that are conducted through intermediaries.

Sales through Intermediaries

During the Track Record Period, as part of our imaging solution services, we sold imaging equipment to a limited number of intermediaries who further sell them to medical institutions primarily under the circumstances where such medical institutions have relevant requirements or preferences for suppliers. These intermediaries usually have stable cooperation relationships with such medical institutions customers and generally engage in the distribution of medical equipment and pharmaceutical products in China. According to Frost & Sullivan, such intermediaries are primarily responsible for assisting with various processes associated with the admission of medical imaging equipment to medical institutions, or providing financing lease services to medical institutions to alleviate the initial capital pressure of purchasing large or expensive assets. Most of these intermediaries are local enterprises whose geographic scopes cover relevant medical institutions customers. Our sales to such intermediaries depend on relevant customers’ demands for our services and their applicable purchasing requirement, as we generally do not actively approach or promote sales directly to such intermediaries. However, the revenue contribution from sales to the intermediaries may increase going forward as a result of any increase in such demand from medical institutions customers. Though the decision of whether to engage such intermediaries is mostly driven by medical institutions customers and generally beyond our control, sales through and collaboration with these intermediaries also enable us to expand our business reach leveraging their qualifications and experiences and provide us with opportunities to enhance our cooperation with such medical institutions customers. Our relationship with the intermediaries is one between buyer and seller. Our imaging solution services are usually charged at a higher price than those sold by traditional medical imaging equipment suppliers. The price difference represents the value of solutions-centric services (instead of equipment-centric services) provided by us. According to Frost & Sullivan, such pricing approach is in line with industry practice. The pricing and terms of

BUSINESS

transactions in respect of our sales to intermediaries are generally similar to those between us and our other customers. Among all projects involving the delivery of imaging equipment signed under our imaging solution services business during the Track Record Period, there was no downstream customers of our intermediaries who purchased medical equipment or imaging solution services both directly from us and through intermediaries.

We have limited control over the selection of an intermediary, which is primarily based on the preference of the relevant medical institutions. According to Frost & Sullivan, as a medical institution needs to acquire a wide range of medical equipment to provide comprehensive treatment options to all sorts of patients, some medical institutions may prefer to acquire from an intermediary that is able to provide a varied product mix of engaging separate medical equipment providers for each unit of medical equipment for simple administration during their procurement process. According to Frost & Sullivan, our sales of imaging equipment to medical institutions through intermediaries are in line with industry practice across different types of hospitals.

Under our arrangement with intermediaries, intermediaries are our direct customers with whom we typically enter into sales contracts. Such sales contracts normally specify the name, specifications, quantity and unit price of the product sold as well as the name of the medical institution to which we would deliver the product. We have no management control over the intermediaries. Intermediaries then directly sell the imaging equipment to medical institutions, who are our end customers. We remain responsible for the sales and marketing process including selection of imaging equipment, liaison with the medical institutions in relation to the imaging equipment we selected, and provision of modular services as chosen by the medical institutions within the offering of imaging solution services. The revenue from intermediaries is included in the revenue stream of imaging solution services, and the accounting treatment is consistent under the same revenue stream. We recognize revenue when our performance obligations are satisfied under our sales contract with intermediaries, meaning at the point when we transfer control of a product to the medical institution as specified in the agreement. We are considered to have transferred control of the imaging equipment upon acceptance by the medical institutions. The intermediaries do not obtain control of the products in the delivery process of sales arrangement under our sales contracts with intermediaries.

The salient terms of our sales contracts are set forth below:

- ***Duration.*** We generally do not specify a contract duration.
- ***Payment and credit term.*** We determine the credit term to be granted to the intermediaries on a case-by-case basis, and generally grant the intermediaries a credit term of no more than 15 working days after the date of the contract.

BUSINESS

- ***Sales and pricing policy.*** We generally sell products to intermediaries at an agreed quantity and price as specified in the contract. We generally do not set any minimum purchase amount or minimum sales target for the intermediaries. We generally do not mandate the price at which the intermediaries sell the product.
- ***Delivery.*** We are generally responsible for arranging delivery of the equipment to the place designated by the hospital. We generally bear the costs and risk of loss of delivery.
- ***Product return.*** We generally do not accept product return or refund.
- ***Technical support and training.*** We are generally responsible for providing operating manuals, care manuals, maintenance manuals and training on the operation of the equipment.
- ***Quality assurance.*** We are generally responsible for the repair and maintenance of the equipment. We generally offer a 12-month warranty period.

In 2021, 2022 and 2023, we cooperated with six, 21 and 15 intermediaries. The revenue generated from sales to intermediaries is recognized on gross basis. Generally, we maintain the ownership of the equipment before the equipment is delivered to the hospitals. In 2021, 2022 and 2023, revenue from sales of imaging equipment through intermediaries was RMB34.5 million, RMB151.4 million and RMB139.8 million, respectively, representing approximately 5.8%, 19.3% and 15.1%, respectively, of our total revenue, and 24.8%, 56.2% and 50.2% respectively, of our revenue from imaging solution services. We had no carrying amount of products that remained unsold remained at the hands of the intermediaries at the end of each year during the Track Record Period and as of the Latest Practicable Date. During the Track Record Period and up to the Latest Practicable Date, all of our intermediaries were Independent Third Parties, among which four intermediaries’ shareholders were employees or shareholders of our subsidiaries. Our revenue generated from these four intermediaries in 2021, 2022 and 2023, was nil, RMB27.1 million and RMB3.7 million, respectively.

According to our PRC Legal Advisor, sales of the medical equipment to hospitals through intermediaries do not violate the mandatory provisions of the PRC laws and regulations in terms of the two invoice policies or any other PRC laws and regulations in any material aspect.

BUSINESS

Rimag Cloud Services

We conduct channel marketing through our in-house sales team, while pursuing cross-selling opportunities with existing clients of our other business lines (such as hospital customers). We take advantage of our well-established relationships with hospital customers in our businesses of imaging center services and imaging solution services, and explore their needs for informatization and intelligence transformation to realize cross-selling. For channel marketing, we have established a specialized marketing team to cultivate key provinces and regions such as Jiangxi province and Hubei province, and promote the sales of Rimag Cloud services to medical institutions in the relevant regions jointly with regional partners through mutually beneficial cooperation.

Our Customers

Our customers primarily include public and private medical institutions and healthcare companies. The following table sets forth our major types of customers by business line:

Business line	Major types of customers
Imaging center services	Public and private medical institutions, and individual customers
Imaging solution services	Public and private medical institutions, and intermediaries
Rimag Cloud services	Public and private medical institutions, and healthcare companies

For each year during the Track Record Period, our five largest customers accounted for 22.4%, 25.2% and 29.2% of our total revenue, respectively. Our largest customer contributed 6.5%, 9.0% and 8.8% of our total revenue, respectively, for each year during the Track Record Period.

None of our Directors and, to the knowledge of our Directors, their respective close associates or any Shareholders holding more than 5% of our issued share capital had any interests in any of our five largest customers as of the Latest Practicable Date.

BUSINESS

The table below sets forth our revenue breakdown by customer type for the years indicated.

	Year ended December 31,					
	2021		2022		2023	
	Amount	%	Amount	%	Amount	%
<i>(RMB in thousand, except for percentages)</i>						
Public medical institutions ⁽¹⁾	434,060	73.4	444,805	56.7	615,791	66.2
Non-public medical institutions ⁽²⁾	28,414	4.8	103,272	13.2	64,719	7.0
Individual customers	84,175	14.2	74,098	9.4	102,531	11.0
Intermediaries	34,496	5.8	151,373	19.3	139,824	15.1
Others ⁽³⁾	10,868	1.8	10,896	1.4	6,049	0.7
Total.	592,013	100.0	784,444	100.0	928,914	100.0

Notes:

- (1) Public medical institutions refer to medical institutions that are economically categorized as state-owned and collectively operated (including government-operated medical institutions).
- (2) Non-public medical institutions refer to medical institutions other than public medical institutions, including joint ventures, shareholder cooperatives, privately-owned medical institutions and medical institutions funded by investment from Taiwan, Hong Kong, Macau, and foreign investment medical institutions.
- (3) Others mainly include corporation customers, such as health management companies.

Customer Support and Services

We continually strive to improve our customers’ level of satisfaction by offering quality customer services. We arrange follow-up interviews with patients and other healthcare consumers of our imaging centers to assess the quality of the imaging services provided, and to seek their suggestions and advice.

Patients and other healthcare consumers can submit complaints verbally or in writing at our imaging centers or via our designated email address or hotlines. We regularly sample complaint records. During the Track Record Period and up to the Latest Practicable Date, we were not aware of any material complaints or claims in relation to our imaging services.

BUSINESS

Our Suppliers

The following table sets forth our major types of suppliers by business line:

Business line	Major types of suppliers
Imaging center services	Imaging equipment providers, and equipment import/export trading agents
Imaging solution services	Imaging equipment providers
Rimag Cloud services	Software and data storage service suppliers

In selection our suppliers, we take into consideration the customer demands for specific equipment and relevant specification, functionality or modality, among other things, to ascertain the scope of suppliers with the capabilities to meet such demands. In addition, leveraging our rich experience in the medical imaging industry and deep understanding of various types of medical imaging equipment, we have established sound supply chain management capabilities to select the most suitable supplier with strong service capabilities, solid track record and favorable cooperation terms to ensure the quality and stability of products and services we provide.

For each year during the Track Record Period, our five largest suppliers accounted for 41.4%, 48.7% and 53.0% of our total purchases, respectively. Our largest supplier contributed 17.3%, 28.4% and 27.1% of our total purchases, respectively, for each year during the Track Record Period.

BUSINESS

The following table sets forth certain details of our top five suppliers during the Track Record Period:

Suppliers	Purchase amount	% of purchase amount	Principal business	Products/services procured by us	Year of commencement of business relationship	Place of registration	Registered capital
	(RMB in million)	(%)					
Year ended							
December 31, 2021							
Supplier A	76.4	17.3	Sales and supporting services in relation to electronic and industrial equipment, medical equipment	Medical equipment	2015	Shanghai	USD88.1 million
Supplier F	46.5	10.5	Sales and maintenance of medical equipment and electronic equipment	Medical equipment	2020	Wuhan	RMB5.0 million
Wuhan Rong Commune Medical Equipment Co., Ltd. (武漢融公社醫療器械有限公司)	25.5	5.8	Wholesale, retail and maintenance of medical equipment	Medical equipment	2020	Wuhan	RMB10.0 million
Supplier E	18.9	4.3	Sales, leasing, maintenance and technical consulting services in relation to medical equipment	Medical equipment	2020	Nanchang	RMB10.0 million
Supplier G	15.7	3.5	Medical market promoting services, including academic conference hosting, self media promotion, and other services	Marketing services	2020	Beijing	RMB4.0 million
Total	183.0	41.4					

BUSINESS

Suppliers	Purchase amount	% of purchase amount	Principal business	Products/services procured by us	Year of commencement of business relationship	Place of registration	Registered capital
	<i>(RMB in million)</i>	<i>(%)</i>					
Year ended							
December 31, 2022							
Supplier A	137.7	28.4	Sales and supporting services in relation to electronic and industrial equipment and medical equipment	Medical equipment	2015	Shanghai	USD88.1 million
Wuhan Rong Commune Medical Equipment Co., Ltd. (武漢融公社醫療器械有 限公司)	43.2	8.9	Wholesale, retail and maintenance of medical equipment	Medical equipment	2020	Wuhan	RMB10.0 million
Supplier E	19.7	4.1	Sales, leasing, maintenance and technical consulting services for medical equipment	Medical equipment	2020	Nanchang	RMB10.0 million
Supplier H	17.7	3.7	Sales of medical equipment, import and export of medicines	Medical equipment	2022	Beijing	RMB50.0 million
Supplier I	17.6	3.6	Medical equipment operation, professional construction operations and engineering construction	Medical equipment	2021	Chengdu	RMB13.8 million
Total	235.9	48.7					

BUSINESS

Suppliers	Purchase amount	% of purchase amount	Principal business	Products/services procured by us	Year of commencement of business relationship	Place of registration	Registered capital
	(RMB in million)	(%)					
Year ended							
December 31, 2023							
Supplier A	138.1	27.1	Sales and supporting services in relation to electronic and industrial equipment, medical equipment	Medical equipment	2015	Shanghai	USD88.1 million
Supplier J	57.6	11.3	Sales of medical equipment, import and export of medicines	Medical equipment	2022	Shanghai	RMB10.0 million
Supplier H	29.3	5.8	Sales of medical equipment, import and export of medicines	Medical equipment	2022	Beijing	RMB50.0 million
Supplier K	24.4	4.8	Sales of medical equipment, import and export of medicines	Medical equipment	2023	Nanchang	RMB1.0 million
Supplier E	20.5	4.0	Sales, leasing, maintenance and technical consulting services in relation to medical equipment	Medical equipment	2020	Nanchang	RMB10.0 million
Total	<u>269.9</u>	<u>53.0</u>					

As of the Latest Practicable Date, Mr. CHEN Zhaoyang, an executive Director, indirectly held an approximately 34.1% equity interest in Wuhan Rong Commune Medical Equipment Co., Ltd. (武漢融公社醫療器械有限公司), which was one of our five largest suppliers during the Track Record Period. To our knowledge, Wuhan Rong Commune Medical Equipment Co., Ltd. was not designated by any of our customers as supplier of the relevant medical equipment. Our purchases from Wuhan Rong Commune Medical Equipment Co. Ltd. increased during the Track Record Period primarily due to our enhanced needs for procurement with suitable cooperation terms such as credit policy along with our expanded business scale. Our purchases from Wuhan Rong Commune Medical Equipment Co., Ltd. during the Track Record Period were conducted in the ordinary course of business under normal commercial terms and procurement prices generally similar to those between our Group and other Independent Third Party suppliers on an arm’s length basis after due and careful consideration. We have no further business interaction with Wuhan Rong Commune Medical Equipment Co., Ltd. since January 1, 2023 as we had expanded our supplier network and secured more suppliers with comparable service capabilities and favorable

BUSINESS

terms, and thus we do not expect to have any business relationship with Wuhan Rong Commune Medical Equipment Co., Ltd. after the [REDACTED]. Save as disclosed above, none of our Directors and, to the knowledge of our Directors, their respective close associates or any Shareholders holding more than 5% of our issued share capital had any interests in any of our five largest suppliers as of the Latest Practicable Date.

Procurement

We primarily procure imaging equipment and auxiliary devices, software, medical consumables and pharmaceuticals for business operations. We conduct procurement via our consolidated procurement team at the headquarters level. Our consolidated procurement team will review the procurement needs submitted by our imaging centers, approve procurement quantities, prices and supply channels, and conduct the tender offer process. We typically enter into standard procurement agreements with our suppliers. For the purchase of medical equipment, we typically enter into separate contracts with suppliers for each batch of medical equipment, rather than establishing framework agreements. Generally, we are required to pay 90% or more of the medical equipment fee before the delivery and the supplier is required to deliver the equipment to the end customer.

Based on the scale advantages of consolidated procurement and the continual expansion of the medical imaging center network, our business model and brand influence have been recognized by major equipment providers, and we have become a preferred partner of these equipment providers in their development of sales to private customers, enabling us to obtain favorable pricing terms with such equipment providers.

We select our suppliers by considering their product quality, after-sale services, delivery time frame and customer service responsiveness, among other factors. We have maintained stable business relationships with our major suppliers. During the Track Record Period, we did not experience any material disputes with our suppliers, difficulties in the procurement of supplies, interruptions in our operations due to a shortage or delay of supplies or significant fluctuations in their prices. We believe that we would be able to find alternative suppliers if required, given the relatively homogeneous nature of our suppliers, our procurement capabilities, and the relatively large supplier base in the market.

Information Technology and R&D

Our core experience and capabilities accumulated through years of operating imaging centers have enabled us to establish and optimize a series of medical imaging platforms and systems that serve our own business, and which constitute our Rimag Cloud platform. Additionally, we have commercialized some modules of the Rimag Cloud platform, which has resulted in our Rimag

BUSINESS

Cloud services, which can also be sold as one of our modular solutions of our imaging solution services. For details of our imaging solution services and Rimag Cloud services, see “— Imaging Solution Services” and “— Rimag Cloud Services.”

In addition to the imaging solution services and Rimag Cloud services that we have put into commercial operation, our information technology systems also include the following:

- **Standardized Project Development and Operation System.** We have developed a project development and operation system for imaging center projects, which includes modules for each of the eight stages of project development, and SOP modules for operating imaging centers. The system provides uniform guidance for the development and operation of imaging centers, and standardizes the routine steps for our development and operation personnel that carry out the imaging center projects. It is also convenient for us to keep abreast of each project’s progress and relevant key business and financial indicators to evaluate the feasibility and profitability of each project.
- **Procurement, Sales and Inventory Management System.** We have developed a procurement, sales and inventory management system for managing imaging center consumables, which monitors and manages the procurement, storage, delivery and accounting of such consumables on a real-time basis.
- **Data Middle Office and Report Analysis System.** Our data middle office system sets up a management system for our major data and standardizes data of different systems on the one hand, and compiles a database from each business system on the premise of standardized data for subsequent analysis of operational management on the other hand. Our report analysis system is based on the data middle office system, and based on the operational analytical charts developed in response to requirements of operational management of imaging centers and intra-group management, and provides convenient access to operational status to managers at all levels, thereby offering a basis for the decision-making process.
- **Medical Imaging Data Standardization Management System.** Through unified naming and standardized scanning, we can facilitate consistent data recognition and communication based on one standard, which plays a fundamental role in aspects of standardization of ordering imaging examinations by clinicians and scanning images by radiographic technologists, rationalized workload recording, and precise AI applications. This further enables medical institutions to effectively carry out, among other things, consistent quality evaluations, performance appraisals, refined operations and resource sharing.

BUSINESS

R&D

We continually invest resources in R&D on: (i) improvement of examination and diagnostic techniques based on medical imaging; (ii) establishment and implementation of a smart system and digital platform for examination and diagnosis; and (iii) development and implementation of a management system and software for our imaging center operations. In addition, based on the massive data processed in the operations of our imaging centers and in our provision of services to hospitals and other medical institutions, we are able to enhance the AI capabilities of our cloud platform.

In 2021, 2022 and 2023, our research and development expenses were RMB11.9 million, RMB11.5 million and RMB12.8 million, respectively, accounting for 2.0%, 1.5% and 1.4% of our total revenue, respectively. Our research and development expenses primarily consist of R&D employees’ costs, transportation expenses and cloud service expenses. We plan to increase our expenditure in R&D activities over time to further enhance the breadth and depth of our service offerings and reinforce our information infrastructure.

Our R&D team primarily comprises the R&D team for the Rimag Cloud platform. This team is mainly responsible for handing techniques such as cloud storage and cloud computing to build up product lines, including (i) the remote consultation system for imaging, (ii) the cloud-based RIS/PACS system, (iii) workstation tools for radiologists, (iv) the service system for patients and other healthcare consumers, and (v) the medical imaging quality control system, among other things. Products developed by the R&D team of our Rimag Cloud platform can be used in our imaging centers and medical institutions. As of December 31, 2023, the R&D team of our Rimag Cloud platform comprised 28 employees, with approximately 53.6% of the employees having a bachelor’s degree or higher, and more than 50% with over ten years of work experience in the relevant fields.

Our R&D is not possible without the technical support and guidance by our support teams, including our product committee and Rimag Imaging Academy. Our product committee can be divided into the group informatization strategic planning team and the data team. The informatization strategic planning team members are key personnel in charge of various departments of our Group, and are mainly responsible for the overall planning of our Group’s informatization and digitalization, project evaluation, R&D progress review, system inspection, and approval release, among other things. The data team is mainly responsible for data-related work such as the construction of our Group’s data center, formulation of data standards, and data security management and control. For more information about the Rimag Imaging Academy, see “— Medical Professionals — Rimag Imaging Academy.”

BUSINESS

Data Protection and Privacy

We are committed to protecting data of our partners, patients and other healthcare consumers, medical professionals, as well as other participants in our business network. Our data compliance and security management committee is responsible for data security, comprising 20 members of our management in charge of operations and data protection as of December 31, 2023. Our data compliance officer is head of the data compliance and security management committee, and the members of this committee are the responsible persons of all first-level departments of our Group. We have also set up a management team composed of the responsible persons of legal compliance and security compliance, and designated key responsible persons at each imaging center for implementing our relevant data protection policies and management of data security in daily business operations. We also conduct training on data protection and privacy for all employees.

We have accordingly established a comprehensive data security system to provide security protection in terms of management governance, technology support and business operations with clear accountability mechanisms.

Data Protection Management

The types of data of our patients and healthcare consumers we collect and process generally include: (i) data arising from our provision of wechat mini program service for online reservation of our physical check-up service, such as basic registration information (nickname, profile photo, contact number, etc), which are disclosed in the privacy policies of the relevant wechat mini programs; (ii) data arising from our provision of diagnosis/consultation services, such as basic personal identity information (such as name, ID, appointment registration records) and health and physiological information (such as symptoms, medication history, past medical history, allergy history, and diagnosis), which are necessary for providing diagnosis/consultation services; and (iii) data arising from our provision of physical imaging examination and diagnosis services, such as imaging (cloud) films, diagnosis imaging reports. We also collect and process the personal information of our medical professionals, including radiologists, radiologic technologists and nurses, which generally include: name, contact number, workplace, title, areas of expertise. As of the Latest Practicable Date we possess more than one million individuals' personal information.

We have adopted strict policies to ensure that our collection and use of data complies with applicable laws and regulations. We only collect personal information of customers where we have obtained customers' prior consent, where the collection of such information is permitted and necessary under our contracts with customers as parties of interest, or where we are required to collect such personal information for the performance of statutory duties or obligations. We protect patients' personal data and diagnostic reports and ensure the security of data stored in our cloud platform and servers throughout its life cycle, through access control, encrypted data transmission,

BUSINESS

encrypted storage, de-identification of personal information and backup recovery. We also ensure that data operations are properly recorded and comply with national data security standards through logging and monitoring, and regular security audits.

We store data on both private servers and public cloud servers located in mainland China. We store data on public cloud servers to provide services including remote consultations, and cloud storage. User data collected and generated in the course of our business operations in mainland China is only stored in mainland China, and our daily business operations do not involve any cross-border transmission of identified core data, important data or large amounts of personal information. The data collected and generated from our different businesses is stored separately and sensitive personal information is encrypted. We have formulated and implemented rules for data storage. The data storage period depends on the specific data type, business circumstances and the time required to achieve the purpose of processing such data, which shall comply with relevant laws and regulations or industry practices.

To ensure the security and confidentiality of our data, we have designated different data security categories on the basis of the nature of the data and take differentiated data security measures accordingly. For information in different security categories, we implement graded protection measures for user information, and apply privacy policies including access authorization, encrypted storage, and encrypted transmission to prevent the loss or leakage of personal privacy information. In addition, we have established a complete privacy management mechanism to provide comprehensive personal privacy information protection in different settings, ranging from clinical use (which is subject to relatively fewer restrictions on de-identification and encryption as physicians need real world patient information for diagnosis, treatment and consultation) to AI collaborations (which are subject to complete cleansing, anonymity, structuring and standardization, before allowing AI service providers to develop and train relevant models or solutions based on such data stored on our own servers).

In terms of access control, we have formulated and implemented the policies on the system user authority management and access control, namely “the *Data Security Management Code*” and “the *Access Control Management Regulations*”, to strengthen the security management in relation to data access control, including access by employees, hospital partners, customers, and other third parties, and to prevent improper use of data by these parties. The measures and procedures follow the principle of “minimum necessary” data access authority for different users of the system through user identity verification and role access control. There are staff permission settings between different systems. Access to a system must be authorized, and no one is allowed to run unapproved procedures in a system without approval. The administrator user assigns accounts and permissions by using the bastion hosts. The cloud console has set up users of different roles

BUSINESS

including administrators, operators and auditors according to the actual requirements of our business operations and the principle of authority separation. The authorized administrator configures the access control policy, which specifies the access rules of the subject to the object.

We share data to the extent permitted by laws and regulations or with the prior express consent of the user, to the extent permitted or authorized, and to the extent compliant, justifiable and necessary. We have established a deletion mechanism for stored information and data. Personal information will be deleted in the following circumstances: (i) the storage period as agreed with the individual users or specified by applicable laws and regulations has expired; (ii) the relevant individual has cancelled his or her account; (iii) the relevant individual has withdrawn his or her consent to our collection and use of data; (iv) the purpose of processing the data has been achieved or become moot or there is no need to process such data; and (v) other circumstances as specified by applicable laws and regulations.

Cybersecurity Protection

Our information architecture has been granted the National Information System Security Level III Protection Certification (國家信息系統安全等級保護第三級備案證明). In addition, our information system has been certified by ISO 27001 and ISO 27018.

Data at each imaging center or business partners such as hospitals is stored and processed locally on their respective private server subject to heightened data protection mechanisms, particularly including:

- ***Infrastructure stability and security.*** We take comprehensive security precautions to ensure the stability and security of our infrastructure and data. We back up all our operating data on a regular basis online to minimize the risk of data loss. We have a detailed protocol for operation and maintenance management, monitor and alert mechanisms, network security management and disaster recovery. We have established a business continuity mechanism in case of any major catastrophic event, including natural or unnatural disasters that could lead to various business interruptions, such as power failure, network failure, or server power outages.
- ***Data security architecture and protective measures.*** We have implemented advanced logging and monitoring, data encryption, regular security audits and other mechanisms to ensure proper recording of data operation and compliance with national data security standards. We create a closed platform environment for our customers that is disconnected from the external internet by using firewall and whitelist to manage entry

BUSINESS

into and exit from the platform. This ensures the security of files and traffic used by our customers on the private cloud by filtering out malicious file requests and behavior. Further, authorization is required for users to access data on the platform.

- ***Application security.*** We apply server alarm policies to check for malfunction of each server and fix malfunctions in a timely manner. In addition, multi-factor user password policies and role-based access control were adopted to secure user login and user access. Moreover, practices such as access authorization and time policies applied by us enable us to ensure the security of user privacy. We have also deployed Web Application Firewall and Distributed Denial of Service attack protection to protect our business systems from internal and external attacks.
- ***Cybersecurity management system.*** We have built a unified monitoring system to oversee the operating status of the host and systems and arrange personnel to conduct system inspection, upgrade system patches, and perform virus and vulnerability scans on a regular basis.

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material data leakage incidents nor had we been or were involved in any non-compliance incidents related to cybersecurity, data security and personal information protection which, individually or in the aggregate, have had or are reasonably likely to have a material and adverse impact on our business, financial condition, and results of operations, and we had complied with the currently effective PRC laws and regulations on cybersecurity, data security and personal information protection in all material aspects as of the Latest Practicable Date.

We have taken appropriate and comprehensive technical and organizational measures and set up overall cybersecurity and data protection policies to protect data from unauthorized access, disclosure, theft, tampering, destruction, loss, illegal use, or other serious incidents and breaches. Our core system has already met the security protection requirements of Multi-Layer Protection Scheme ("MLPS") and held MLPS Level III Certification. We have categorized and graded our data according to the importance of data, data types and data confidentiality requirements, on the basis of which data security protection strategies are formulated and corresponding security measures are taken to ensure the data and personal information. We have established and implemented a series of data security management policies that comply with the requirements of laws and regulations in terms of cybersecurity and protection of the data life cycle (for data collection, transmission, storage, use, deletion, etc.) and internal organization and management. We have also set up network security measures and system security measures to ensure the continuous and effective operational capability of our network and business systems and emergency response, and protect our server room, accounts and operating network from internal and external threats, prevent security incidents and minimize the impact of security incidents.

BUSINESS

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any administrative penalties, sanctions, warning or any other material adverse investigations, inquiries and notices in relation to cybersecurity or data privacy or cybersecurity review from the CAC, the CSRC or other relevant government authority.

Regulatory Applicability and Compliance

(a). Regulatory Applicability — Cybersecurity Review Measures

On December 28, 2021, the CAC and other twelve PRC regulatory authorities jointly revised and promulgated the Measures for Cybersecurity Review (《網絡安全審查辦法》) (the “**Cybersecurity Review Measures**”), which came into effect on February 15, 2022. According to Article 2 of the Cybersecurity Review Measures, critical information infrastructure operators (“**CIIO**”) purchasing network products and services, and network platform operators carrying out data processing activities which affect or may affect national security, are subject to cybersecurity review. Specifically, voluntary application for cybersecurity review is required under two circumstances: (i) if a CIIO anticipates that its procurement of network products and services affect or may affect national security after the network products and services are put into use; and (ii) if a network platform operator possessing personal information of more than one million users seeks for listing in a foreign country. See “Regulatory Overview — Regulations on Internet Security.”

As advised by our Data Compliance Advisor, our Directors are of the view that the obligations to apply for cybersecurity review under the Cybersecurity Review Measures are not applicable to us on the basis that:

- (i) according to the Regulations of Security Protection for Critical Information Infrastructure (《關鍵信息基礎設施安全保護條例》) (the “**CII Protection Regulations**”), which became effective on September 1, 2021, critical information infrastructure refers to important industries and sectors such as public communications and information services, energy, transportation, water conservancy, finance, public services, e-government, and defense technology industries, as well as other major network facilities and information systems that once are damaged or lose their functions or data, may seriously endanger national security, national economy, the people’s livelihood, and public interests. Moreover, the competent departments and supervision and management departments of important industries and sectors (the “**Protection Work Departments**”) are responsible for the formulation of critical information infrastructure identification rules, identifying the critical information infrastructure in their respective industries and notifying the operators of the identification result who are identified as CIIO on timely

BUSINESS

basis. As of the Latest Practicable Date, none of our domestic entities has been identified as a CIIO by the Protection Work Departments according to the CII Protection Regulations;

- (ii) although certain of our domestic entities may be deemed as network platform operators in light of our Rimag Cloud Platform and we possess personal information of more than one million users, as advised by our Data Compliance Advisor, “listing in Hong Kong” does not fall into the scope of “listing in a foreign country”; and
- (iii) on June 26, 2023, our Data Compliance Advisor conducted a real-name consultation with the China Cybersecurity Review Technology and Certification Center (中國網絡安全審查技術與認證中心) (the “CCRC”), which is authorized by the Cybersecurity Review Office¹ of the CAC for receiving and accepting submissions of cybersecurity reviews and answering public inquiries relating to cybersecurity reviews. Detailed description of our business model and our proposed [REDACTED] in Hong Kong was communicated to the CAC officer during the consultation. According to the officer consulted with during the consultation: (i) we are not required to apply for cybersecurity review in connection with our proposed [REDACTED] in Hong Kong under the Cybersecurity Review Measures as “listing in Hong Kong” does not fall into the scope of “listing in a foreign country”; and (ii) we are not required to apply for cybersecurity review unless we have been identified by National Health Commission (the competent industry authority that responsible for identifying critical information infrastructure in medical and health industry i.e. the Protection Work Departments) as a CIIO. As advised by our Data Compliance Advisor, according to Article 10 of CII Protection Regulations, the Protection Work Departments are responsible for organizing the identification of CII within their industries and sectors, notifying operators about the identification results, and reporting the same to the public security department under the State Council. As of the Latest Practicable Date, none of our domestic entities had received any notification from National Health Commission regarding our identification as CIIO according to the CII Protection Regulations. Therefore, we and our Data Compliance Advisor are of the view that, we had not been identified as CIIO by National Health Commission as of the Latest Practicable Date.

Based on the foregoing facts and analysis and the view of the Data Compliance Advisor, the independent due diligence work conducted by the Sole Sponsor and the information currently available to the Sole Sponsor, nothing has come to the Sole Sponsor’s attention as of the date of

Note:

(1) http://www.cac.gov.cn/2022-01/04/c_1642894602460572.htm

BUSINESS

this document that would cause it to cast doubt on the reasonableness of the Directors’ view that the obligations to apply for cybersecurity review under the Cybersecurity Review Measures are not applicable to the Company.

Notwithstanding the above, regulatory authorities can initiate cybersecurity review if they determine that our network products and services or data processing activities affect or may affect national security. As advised by our Data Compliance Advisor, there are still substantial uncertainties as to the interpretation, application and enforcement of the Cybersecurity Review Measures, especially the criteria for determining “affect or may affect national security.” As such, our Directors are of the view that the possibility cannot be precluded that our network products and services or data processing activities may be deemed as “affect or may affect national security” under the Cybersecurity Review Measures, and that the regulatory authorities may initiate cybersecurity review on us. As advised by our Data Compliance Advisor, the likelihood of our business operations and data processing activities being classified as one that “affects or may affect national security” under the Cybersecurity Review Measures is relatively low, nevertheless, it is ultimately subject to the review by regulatory authorities on a case-by-case basis. Furthermore, we have undertaken comprehensive measures and internal control policies to mitigate the risks of our business operations and data processing activities being identified as “affect or may affect national security”.

(b). Regulatory Applicability — Draft Regulations on Network Data Security Management

On November 14, 2021, the CAC has publicly solicited opinions on the Regulations on Network Data Security Management (Draft for Comments) (《網絡數據安全管理條例(徵求意見稿)》) (the “**Draft Regulations on Network Data Security Management**”). The Draft Regulations on Network Data Security Management apply to the activities relating to the use of networks to carry out data processing activities within the territory of the PRC. See “Regulatory Overview — Regulations on Personal Information or Data Protection.”

As advised by our Data Compliance Advisor, as of the Latest Practicable Date, the Draft Regulations on Network Data Security Management have not taken effect, and we are not required to apply for cybersecurity review pursuant to the Draft Regulations on Network Data Security Management since such regulations have not become effective yet. On June 26, 2023, our Data Compliance Advisor, conducted a real-name consultation with the CCRC. Detailed description of our business model and our proposed [REDACTED] in Hong Kong was communicated to the CAC officer during the consultation. According to the officer consulted with during the consultation, we are not required to apply for cybersecurity review under Draft Regulations on Network Data Security Management given that they are in draft form and have not taken effect. Based on the above, our Directors are of the view that we are not required to apply for cybersecurity review pursuant to the Draft Regulations on Network Data Security Management.

BUSINESS

Based on the foregoing facts and analysis and the view of the Data Compliance Advisor, the independent due diligence work conducted by the Sole Sponsor and the information currently available to the Sole Sponsor, nothing has come to the Sole Sponsor’s attention as of the date of this document that would cause it to cast doubt on the reasonableness of the Directors’ view that the Company is not required to apply for cybersecurity review pursuant to the Draft Regulations on Network Data Security Management.

If the Draft Regulations on Network Data Security Management become effective in its current form, it may be applicable to certain of our domestic entities for the following reasons:

- (i) According to the Draft Regulations on Network Data Security Management, “internet platform operators” are data processors that provide users with information distribution, social, transaction, payment, audio-visual and other internet platform services. As such, we may be deemed as internet platform operator under the Draft Regulations on Network Data Security Management in light of our business operation of Rimag Cloud platform.
- (ii) Article 13 of the Draft Regulations on Network Data Security Management stipulates that data processors shall, in accordance with relevant state provisions, apply for cybersecurity review when carrying out the following activities: (i) the merger, reorganization or separation of internet platform operators that have acquired a large number of data resources related to national security, economic development or public interests, which affects or may affect national security; (ii) data processors that handle the personal information of more than one million individuals intend to be listed abroad; (iii) data processors seeking to be listed in Hong Kong that affects or may affect national security; and (iv) other data processing activities that affect or may affect national security. With respect to the applicability of Article 13 of the Draft Regulations on Network Data Security Management, as advised by our Data Compliance Advisor, our Directors are of the view that scenarios (i) and (ii) do not apply to us; as to scenarios (iii) and (iv), given the criteria for the determination of “affect or may affect national security” as stipulated in this Article are still uncertain and subject to further elaboration by the CAC, government authorities may have discretion in the interpretation for “affect or may affect national security”. If relevant regulatory authorities determine that our proposed [REDACTED] in Hong Kong or data processing activities affect or may affect national security, we may be subject to cybersecurity review.

BUSINESS

As advised by our Data Compliance Advisor, the likelihood of our business operations and data processing activities being classified as one that “affects or may affect national security” under the Draft Regulations on Network Data Security Management is relatively low, nevertheless, it is ultimately subject to the review by regulatory authorities on a case-by-case basis. Furthermore, we have undertaken comprehensive measures and internal control policies to mitigate the risks of our business operations and data processing activities being identified as “affect or may affect national security”.

(c). Compliance with Cybersecurity Review Measures and Draft Regulations on Network Data Security Management

Our Directors are of the view that we do not foresee any material impediments for us to comply with the Cybersecurity Review Measures and the Draft Regulations on Network Data Security Management (assuming the Draft Regulations on Network Data Security Management is implemented in its current form) (together, the “**Cybersecurity Regulations**”) in all material respects as advised by our Data Compliance Advisor, on the basis that:

- (i) we have implemented a comprehensive set of internal policies and measures to ensure its compliance practice;
- (ii) during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material administrative penalties, investigations, inquiries, notices, warnings or sanctions in relation to cybersecurity, data privacy or cybersecurity review from the CAC or any other relevant government authorities;
- (iii) during the Track Record Period and up to the Latest Practicable Date, there had been no material cybersecurity and data protection incidents or infringement upon any third parties, or other legal proceedings, administrative or governmental proceedings, pending or, to the best of the knowledge of us, threatened against or relating to us; and
- (iv) we have established a committee in charge of the cybersecurity and data compliance matters and confirms that it will closely monitor the legislative and regulatory development in cybersecurity and data protection, including the Cybersecurity Regulations, and we will adjust and continually improve its data compliance practices to ensure compliance with the Cybersecurity Review Measures and the Draft Regulations on Network Data Security Management (if Draft Regulations on Network Data Security Management come into effect).

BUSINESS

Our Directors are of the view that we had not engaged in any data processing activities that affect or may affect national security, and the Cybersecurity Regulations (assuming the Draft Regulations on Network Data Security Management implemented in their current form) would not have an adverse and material impact on our business operations or our proposed [REDACTED]. Such view was formed based on:

- (i) the facts as described above that we do not foresee any material impediments for us to comply with the Cybersecurity Regulations (assuming the Draft Regulations on Network Data Security Management implemented in their current form) in all material respects; and
- (ii) the fact that we have not received any objection to the proposed [REDACTED] from relevant regulatory authorities, nor have been involved in any investigation, official inquiry, examination, warning, or similar notice in such respect as of the date of this Document.

Based on the foregoing facts and analysis and the view of the Data Compliance Advisor, the independent due diligence work conducted by the Sole Sponsor and the information currently available to the Sole Sponsor, nothing has come to the Sole Sponsor’s attention as of the date of this document that would cause it to cast doubt on the reasonableness of the Directors’ view that (i) the Group had not engaged in any data processing activities that affect or may affect national security, (ii) the Group does not foresee any material impediments for the Group to comply with the Cybersecurity Regulations in all material aspects (assuming the Draft Regulations on Network Data Security Management are implemented in their current form) and (iii) the Cybersecurity Regulations (assuming the Draft Regulations on Network Data Security Management are implemented in their current form) would not have material adverse impact on the Group’s business operations and the Company’s proposed [REDACTED].

However, as advised by our Data Compliance Advisor, the interpretation and implementation of the Cybersecurity Regulations is still subject to further elaboration, and the final content and enactment of the Draft Regulations on Network Data Security Management is still subject to uncertainty. We and our Data Compliance Advisor cannot preclude the possibility that potential changes in laws and regulations in such respects would impose additional compliance requirements on us in the future. See “Risk Factors — We could be exposed to risk related to our dealing with patients’ and other healthcare consumers’ personal and medical information. Data protection, cybersecurity, privacy and similar laws in China and other jurisdictions restrict the collection, use and disclosure of involved information and data, and failure to comply with or adapt to changes in these laws could materially and adversely harm our business.”

BUSINESS

Competitive Landscape

Medical imaging services are common and crucial methods and tools for clinicians to formulate a diagnosis, recommend treatment, and assess health status during physical check-ups. The efficacy and value of such services depend on a variety of factors throughout the process of medical imaging, including the performance of equipment, the proficiency of radiologic technologists, the diagnostic capabilities of radiologists, and the ability of clinicians to select accurate imaging examination procedures. Currently, in China, the role and value of medical imaging in the course of medical diagnosis and treatment have not been fully recognized, especially in the primary healthcare system. This is mainly due to the lack and uneven distribution of quality medical imaging resources (which are mainly concentrated in large public hospitals), insufficient service capabilities of imaging professionals at medical institutions of the primary healthcare system, and insufficient interaction between radiologists and clinicians.

Since 2013, the Chinese government has implemented a series of policies to encourage the development of third-party medical imaging centers through large-scale chain operation, especially through establishing third-party regional collaborative imaging centers in county-level divisions. Such initiatives have been introduced and implemented against the backdrop of the establishment of hierarchical diagnosis and treatment system to promote the extension of quality medical resources to the primary healthcare system and balancing the distribution of such resources. Such favorable policies have driven the growth of the third-party medical imaging center market in the PRC.

Our primary competitors consist of operators of third-party medical imaging centers and companies engaged in R&D of medical imaging informatization. We predict that the following sectors in China, namely, the medical imaging industry, the medical imaging service market, the third-party medical imaging center market, the medical imaging equipment solutions market, and the medical cloud imaging service market, will continue to expand in response to technological advancements, increasing health awareness, changing industry standards, and shifting consumer preferences. Therefore, we must continuously innovate to remain competitive. See “Industry Overview.”

BUSINESS

Awards and Recognitions

During the past few years, we have received numerous awards and recognitions for the quality of our services and solutions. Representative awards and recognitions are set forth below:

Award/Recognition	Award year	Awarding Institution/Authority
Model precedent of 2023 Listed Company ESG Pioneer Practitioner (2023上市公司ESG先鋒實踐者案例)	2023	Securities Daily, Guoxin Consulting (證券日報社、國新諮詢)
The Innovative Small and Medium-sized Enterprises in Jiangxi Province (江西省創新型中小企業稱號)	2023	Department of Industry and Information Technology of Jiangxi Province (江西省工業和信息化廳)
Rimag cloud services was listed on the List of the fifth batch of digital technology products in Jiangxi Province (江西省第五批數字科技產品清單)	2023	Development and Reform Commission of Jiangxi Province (江西省發展與改革委員會)
Rimag cloud services was listed on the List of technology-based small and medium-sized enterprises in 2023 (2023年科技型中小企業名單)	2023	Science and Technology Department of Jiangxi Province (江西省科技廳)
Big Data Model Enterprise of Jiangxi Province (江西省大數據示範企業).	2023	Department of Industry and Information Technology of Jiangxi Province (江西省工業和信息化廳)
Typical case of national governance and innovation experience (國家治理創新經驗典型案例)	2022	The People’s Daily (人民日報)/The People’s Forum (人民論壇)
2022 Preferred Solution for High-quality Professional Development Promotion Project of PRC hospitals (中國醫院高質量發展專業促進工程2022優選解決方案).	2022	CN-HEALTHCARE (健康界)/China Medical Innovation Alliance Hainan Boao Medical Innovation Institute (中國醫學創新聯盟海南博鳌醫學創新研究院)
Science and Technology Enterprise (科技型企業).	2021	Department of Science and Technology of Jiangxi Province (江西省科學技術廳)
Service Agency on the Sunshine Platform of the National Private Medical Institutions (全國社會辦醫陽光平台服務機構).	2021	Chinese Non-government Medical Institutions Association (中國非公立醫療機構協會)

BUSINESS

Intellectual Property

We rely on a combination of patent, copyright, trademark and trade secret laws and restrictions on disclosure to protect our intellectual property rights. As of the Latest Practicable Date, we had applied for four patents (which were under review). As of the same date, we had registered 114 software copyrights, 30 trademarks and four domain names in use in the PRC. See “Appendix VI — Statutory and General Information — C. Further Information about Our Business — 2. Intellectual Property Rights.”

We were not subject to any material infringement of our intellectual property rights or allegations of infringement by third parties during the Track Record Period.

Employees

As of December 31, 2023, we had 1,006 employees and medical professionals across all cities where we operate imaging centers. The following table sets forth a breakdown of our employees and medical professionals by business function as of December 31, 2023:

Business function	Number
R&D.	40
Sales and marketing.	73
Business operations.	216
Managerial and support	232
Medical professionals.	445 ⁽¹⁾
Total.	1,006

Note:

- (1) The number of medical professionals refers to the number of medical professionals who have entered into employment contracts with us instead of the number of medical professionals registered in the medical imaging centers we operate.

As of December 31, 2023, 529 employees and medical professionals had bachelor’s degrees or above, accounting for 52.6% of our total employees and medical professionals.

We are committed to establishing competitive and fair remuneration. In order to effectively motivate our employees, we continually refine our remuneration and incentive policies through market research. We conduct performance evaluation of our employees semiannually to provide feedback on their performance. Compensation for our employees typically consists of basic salary and a performance-based bonus.

BUSINESS

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

During the Track Record Period, we did not have any strikes, protests or other material labor conflicts that may materially impair our business and image.

Insurance

We purchase insurance in accordance with PRC legal and regulatory requirements as well as our overall assessment of operational needs and industry management. We are bound by the social insurance system in the PRC and pay five types of insurance for our employees, including basic pension, basic medical care, unemployment, work-related injury and maternity insurances. We also purchase professional liability insurance for our imaging center services provided at our flagship imaging centers and regional collaborative imaging centers, including liability coverage for personnel at the imaging centers. During the policy period, the maximum amount of the coverage of our medical liability insurance is RMB10 million; the maximum amount of the coverage per claim is RMB5 million; and the maximum amount of coverage per medical professional per claim is RMB500,000. We did not receive any medical claims or complaints relating to material misdiagnosis or medical malpractice incidents claims during the Track Record Period and up to the Latest Practicable Date. The insurance coverage of the same nature for specialized medical consortium imaging centers and operational management imaging centers is purchased by our hospital partners instead of us. In addition, we typically purchase property insurance for the medical equipment we own for providing imaging center services. We believe our medical liability coverage is adequate and in line with industry practice taking into consideration the nature of our business, the maximum amount of our insurance coverage, and liability exposure measured in estimates of damages a party is required to pay if found liable for medical malpractice or misdiagnosis (usually including incurred expenses, and other damages subject to statutory limits calculated based on factors such as average disposable per capita or personal expenses of local residents). However, we cannot assure you that we will have sufficient insurance coverage for all liabilities, losses or damages that may arise in our business operations. See “Risk Factors — Risks Relating to Our Business and Industry — Although we have bought insurance related to the medical liabilities to which our business may be subject, there can be no assurance that the insurance coverage is sufficient.”

BUSINESS

We do not maintain any business interruption insurance or product liability insurance, which are not mandatory under PRC laws. We do not maintain keyman life insurance, insurance policies covering damages to our network infrastructures or information technology systems or any insurance policies for our properties. During the Track Record Period and up to the Latest Practicable Date, we did not make any material insurance claims in relation to our business. Our Directors are of the view that our existing insurance coverage is in line with industry practice and adequate for the business.

Properties

Our corporate headquarters is located at Nanchang, Jiangxi province, China. As of the Latest Practicable Date, we did not have any owned properties, and we leased 56 properties in the PRC, with an aggregate gross floor area of 63,919.06 sq.m., in relation to our current business operations, which were primarily used as offices, imaging centers, and accommodation for employees.

As of December 31, 2023, none of the properties held or leased by us had a carrying amount of 15% or more of our consolidated total assets. According to Chapter 5 of the Hong Kong Listing Rules and section 6(2) of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this document is exempt from the requirements of section 342(1)(b) of the Companies (Winding up and Miscellaneous Provisions) Ordinance to include all interests in land or buildings in a valuation report as described under paragraph 34(2) of the Third Schedule to the Companies (Winding up and Miscellaneous Provisions) Ordinance.

Leased Properties

As of the Latest Practicable Date, we leased 56 properties in the PRC, with an aggregate gross floor area of approximately 63,919.06 sq.m., in relation to our current business operations, which were primarily used as offices, imaging centers, and accommodation for employees. The relevant lease agreements have lease expiration dates ranging from 2023 to 2034. For risks relating to our leased properties, see “Risk Factors — Risks Relating to Laws and Regulations — Failure to comply with PRC property-related laws and regulations regarding certain of our leased properties may adversely affect our business, financial condition and results of operations.”

Non-registration of Lease Agreements in the PRC

As of the Latest Practicable Date, 54 of our lease agreements had not been registered with the relevant PRC authorities. As advised by our PRC Legal Advisor, failure to register an executed lease agreement will not affect its validity. However, we may be subject to a fine of no less than RMB1,000 and not exceeding RMB10,000 for each unregistered lease agreement if the relevant

BUSINESS

competent authorities require us to rectify and we fail to do so within the prescribed period. We estimate that the maximum penalty we may be subject to for these unregistered lease agreements will be approximately RMB540,000, an amount which we believe is immaterial. During the Track Record Period and up to the Latest Practicable Date, we had not been ordered by any competent authority to register the unregistered lease agreements; nor had we received any administrative penalties by the relevant competent authorities, and the amount of potential penalties accounts for a minimal portion of our total revenue during the Track Record Period. Therefore, we believe that the failure to register these lease agreements will not have any material adverse effect on our business, financial condition and results of operations.

The reasons behind the failure to register the above lease agreements are beyond our control because, among other things, the lessors’ willingness to cooperate in the registration process and provision of relevant documents for registration is necessary. To minimize the potential negative impact of the above lack of registration of lease agreements, we have continued to maintain regular communications with such lessors seeking their cooperation to complete a late registration of the relevant leases. In addition, we have established internal guidelines and enhanced our internal control procedures requiring us to seek the landlord’s agreement to register a lease agreement before signing in order to ensure compliance with applicable PRC laws and regulations. We will actively liaise with the respective lessors to complete the registration of all such lease agreements, if possible.

Title Defects in Relation to Leased Properties in the PRC

— Defects in Relation to Title Certificates

As of the Latest Practicable Date, the lessors of two of our leased properties did not provide us with the relevant title certificates. If the relevant competent authorities take enforcement against our lessors, we may be subject to the risk of cessation of use.

The reasons behind the lessors’ failure to provide us with the relevant title certificates of the leased properties are beyond our control. Our PRC Legal Advisor is of the view that the risk that we may be subject to administrative penalties imposed by competent authorities because of the foregoing title defect of our leased properties is remote, on the basis that: (i) the lessor of one leased property which is used as one of our imaging centers is not able to apply for the relevant title certificate due to historical reasons, but has provided a land use right certificate, and we have agreed with the lessor that the lessor will bear all economic and legal liabilities as a result of any disputes arising from such defects of the leased property; (ii) the leases of the two leased properties commenced from 2015 and 2019, respectively, and as of the Latest Practicable Date, we had not been subject to any administrative penalties imposed by the competent authorities, nor had we received any penalties or investigation notices from the competent authorities for such defects.

BUSINESS

Furthermore, one of the two leased properties is used as offices, with a relatively small gross floor area. If the above defect of this leased property prevents us from continuing the lease so that we are required to move to another location, we can relocate to other comparable alternative premises in the relevant region without any material adverse effect on our business, financial condition and results of operations, given the abundant supply of leased properties for office use.

Based on the foregoing, our Directors are of the view that the aforementioned defects in relation to the two leased properties and the potential risk will not have a material adverse impact on our business, financial condition and results of operations.

— *Defects in Relation to Documents Evidencing Rights to Lease*

As of the Latest Practicable Date, the lessors of nine of our leased properties did not provide us with the documents evidencing the completion of legal procedures relating to allocated land in the PRC, respectively. As advised by our PRC Legal Advisor, we are not subject to the administrative penalties by the governmental authorities due to such defects. However, if the relevant competent authorities take enforcement against our lessors, we may be subject to the risk of cessation of use.

The reasons behind the lessors' failure to provide us with the documents evidencing their rights to lease the leased properties are beyond our control. Our PRC Legal Advisor is of the view that the risk that we may be subject to the cessation of use because of the foregoing title defect of our leased properties is remote, on the basis that: (i) the relevant competent authorities of these nine leased properties confirmed in interviews with our PRC Legal Advisor that we would not be penalized or required to relocate from our leased properties due to such defects; and (ii) as of the Latest Practicable Date, we had not been subject to any administrative penalties imposed by the competent authorities, nor had we received any penalties or investigation notices from the competent authorities for such defects.

Given: (i) the foregoing view of our PRC Legal Advisor; (ii) that the lessors of seven of the nine leased properties have agreed with us that the lessors will bear all economic and legal liabilities as a result of any disputes arising from such defects of the leased properties, and the signing of the lease agreements of the remaining two leased properties was consented by the relevant competent governmental authority; and (iii) the public interest value of imaging centers, we believe it is unlikely that the above nine leased properties will be taken by the competent authorities and thereby materially and adversely affect our business, financial condition and results of operations. According to Frost & Sullivan, the available relocation premises of similar size at location satisfactory to meet our demands are generally available in the market. In addition, we are generally able to remove and relocate the equipment and facilities from our existing imaging centers to the new leased properties. Furthermore, the properties we lease for our imaging centers

BUSINESS

generally do not need major construction before commencement of business, and we are equipped with strong in-house capabilities for required construction, renovation and setting for medical imaging centers without the need to engage third-parties or incur relevant costs. For example, for centers where radioactive isotopes and radiation devices are stored and used, to comply with the design standard of the Radiation Protection Regulations, we take measures including (i) equipping the centers with safety and protection facilities and other necessary protective safety interlocks, alarm devices, or work signals in accordance with relevant national safety and protection standards and (ii) taking safety measures to prevent the workers from misoperation of radiation devices or accidental exposure; and (iii) dividing radiation workplaces into control areas and supervision areas for the convenience of radiation protection management and occupational exposure control. It generally takes us about one month to complete the nuclear magnetic shielding, and about ten days to complete the CT and DR radiation protection without incurring material additional costs. We also take the costs in relation to compliance with relevant laws and regulations into consideration during our site selection for operating medical imaging centers to minimize the need for additional construction and renovation. Based on the foregoing, our Directors are of the view that, in the unlikely event that we are required to relocate from relevant properties, it is not difficult for us to identify suitable relocation properties and the relocation cost is expected to be immaterial.

To minimize the potential negative impact of the above two types of title defects on our operations, we have maintained regular communications with such lessors regarding the progress of their rectification of the title defects to the extent feasible. In addition, we have established internal guidelines and enhanced our internal control procedures to improve our evaluation of new leased properties from a compliance perspective. We will also consult our external legal advisors for reviewing the title certificates and other documents of our new leased properties in order to ensure compliance with applicable PRC laws and regulations.

Inconsistent Use with Permitted Usage

As of the Latest Practicable Date, the usage of 14 of our leased properties was inconsistent with their permitted usage, respectively. We currently use such leased properties as medical imaging centers and offices, and their permitted usage under the relevant title certificates is for parks, wholesale and retail, catering and industrial purposes, respectively. We are not subject to administrative penalties by the governmental authorities as the lessee due to such defects according to the relevant laws and regulations. However, if the relevant PRC regulatory authorities take enforcement against our lessors, we may be subject to the risk of cessation of use.

There were only four out of these 14 leased properties having recorded revenue during the Track Record Period. The table below sets forth details of the inconsistent use and revenue of these four leased properties during the Track Record Period according to its management account.

BUSINESS

Lessees	Project	Permitted usage	Practical Usage	Year ended December 31,		
				2021	2022	2023
				(RMB in million)		
Xinyu Imaging (新余一脈陽光醫學影像有限公司).	Xinyu Rimag Medical Imaging Center (Xinyu People’s Hospital) (新余一脈陽光醫學影像中心 — 新余市人民醫院)	Wholesale and retail	Medical imaging centers and offices	26.3	24.5	26.4
Beijing Imaging (北京一脈陽光醫學影像診斷中心有限公司)	Beijing Rimag Medical Imaging Center (北京一脈陽光醫學影像中心)	Park	Medical imaging centers and offices	40.3	41.5	61.9
Enshi Imaging (恩施市一脈陽光醫學影像有限公司)	Enshi Rimag Medical Imaging Center (恩施一脈陽光醫學影像中心)	Catering	Medical imaging centers	6.3	4.0	3.6
Zhiying Medical Technology (湖北智影一脈陽光醫療科技有限公司)	Huanggang Zhiying Medical Imaging Diagnosis Center (黃岡智影醫學影像診斷中心)	Industrial	Offices	1.4	2.6	3.0
Total				74.2	72.6	94.9

Note:

(1) The revenue in the above table refers to the revenue generated from the project corresponding to the property.

The reasons behind the lessors’ failure to lease the relevant properties to us in accordance with the permitted usage are beyond our control. For so long as we occupy these properties, we will urge the relevant lessors from time to time to apply for a change of permitted usage of such properties to include the current usage. We have established internal guidelines and enhanced our internal control procedures to improve our evaluation of new leased properties from a compliance perspective. We will also consult our external legal advisors in relation to reviewing the title certificates and other documents of our new leased properties to ensure compliance with applicable PRC laws and regulations.

BUSINESS

Our PRC Legal Advisor is of the view that the risk that we may be subject to cessation of use because of the foregoing inconsistent use with permitted usage of our leased properties is remote, on the basis that: (i) the relevant competent authorities of these 14 leased properties confirmed in interviews with our PRC Legal Advisor that we would not be penalized or required to relocate from our leased properties due to such defects; and (ii) as of the Latest Practicable Date, we have not been subject to any administrative penalties imposed by the competent authorities, nor had we received any penalties or investigation notices from the competent authorities for such defects.

Given: (i) the foregoing view of our PRC Legal Advisor; (ii) that in respect of two of the 14 leased properties used as imaging centers, the lessors have agreed with us that they will bear all economic and legal liabilities as a result of any disputes arising from such defects of the leased properties; and (iii) that in respect of the other 12 leased properties used as offices, if the above defects of our leased properties prevent us from continuing the leases so that we are required to move to another location, we can relocate to other comparable alternative premises in the relevant regions without any material adverse effect on our business, financial condition and results of operations, given the abundant supply of leased properties for office use, our Directors are of the view that the aforementioned defects in relation to our leased properties will not have a material adverse impact on our business, financial condition and results of operations.

ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

We consistently prioritize the monitoring of environmental, social, and corporate governance (“ESG”) practices and strive to incorporate them into our day-to-day operations. We recognize our obligations towards environmental preservation and social responsibility, firmly believing that the integration of ESG principles is vital for our long-term business growth.

ESG Governance

ESG Policy

We have established an ESG policy, which encompasses the following elements: (i) effective risk governance pertaining to ESG matters, including environmental, social, and climate-related risks; (ii) identification of key stakeholders and the establishment of communication channels to engage with them; (iii) a well-defined ESG governance structure; (iv) procedures for formulating our ESG strategy; (v) ESG risk management and monitoring protocols; and (vi) identification of key performance indicators (KPIs), along with relevant measurements and mitigation measures. Our Board will have the overall responsibility for reviewing, approving, and adopting the ESG Policy, as well as the targets and strategies of our Group. Furthermore, they will provide oversight for the implementation of the ESG Policy, make necessary revisions to the overall ESG strategies as deemed appropriate, and effectively manage other significant ESG-related matters.

BUSINESS

We firmly believe that the integration of social values into our business is fundamental to our future growth. We are deeply committed to addressing the environmental, health and safety, employment, and community concerns arising from our operations. Furthermore, we actively collaborate with our stakeholders to foster sustainable development within the industry in which we operate. We undertake all reasonable to ensure strict compliance with all relevant national and local regulations pertaining to safety, health, labor, and the environment.

In particular, we are committed to implementing the following measures as integral components of our environmental policies: (i) consistently devising and implementing impactful and measurable resource management initiatives; (ii) actively promoting recycling programs, exploring alternative waste disposal methods to minimize environmental impact, and maximizing material reuse whenever feasible; and (iii) continuously evaluating and enhancing our environmental management practices, among other initiatives, to ensure ongoing improvement.

We have outlined the following measures to be implemented as part of our social policies: (i) ensuring equal opportunity in all aspects of employment, regardless of gender, race, nationality, marital status, disability, religious belief, sexual orientation, or any other protected characteristic under the law; (ii) encouraging our employees to continuously enhance their skills, abilities, and competencies through participation in both internal and external training programs; (iii) providing promotional and job opportunities to both existing employees and qualified candidates based on merit, qualifications, abilities, and suitability for the position, as assessed by their work performance; (iv) safeguarding and respecting intellectual property rights; (v) strictly prohibiting all employees from offering or accepting corrupt payments and other advantages from private individuals or entities; and (vi) strictly prohibiting all employees from offering, promising, authorizing, or providing anything of value to any government official in order to secure or retain business, obtain improper advantages, or unduly influence the actions of government officials.

Our Board of Directors, as the responsibility and decision-making body for ESG issues, supervises ESG matters and is responsible for ESG strategy and reporting, with the following key responsibilities:

- (i) supervising and reviewing our ESG strategy and annual planning, including assessing, prioritizing and managing significant ESG-related issues (including relevant risks to our business);
- (ii) regularly reviewing the progress of achieving our ESG targets from a business perspective;
- (iii) approving and monitoring the precise and continuous implementation of our ESG policy;

BUSINESS

- (iv) reviewing and assessing the results of our ESG-related risk and opportunity;
- (v) reviewing the annual ESG report;
- (vi) reviewing the Board Statement in the ESG Report.

Our imaging hospital, as the executive body for ESG efforts, is led by the head of the imaging hospital who is responsible for coordinating the implementation of our ESG policy. The Imaging Hospital is primarily responsible for the following:

- (i) formulating the our ESG strategies and targets and submitting them to the Board of Directors for review;
- (ii) formulating annual plan related to ESG matter for each department, summarizing the operation of the ESG system and the completion of milestones for each ESG matter, and reporting to the Board of Directors on a regular basis;
- (iii) organizing the setting of ESG targets for each departments, and monitoring and tracking the progress of targets and material initiatives;
- (iv) promoting the implementation of our ESG work system, improving our existing ESG-related management system, and formulating ESG-related management rules and measures when necessary;
- (v) organizing the identification and assessment of ESG risks and opportunities, and developing and summarizing countermeasures;
- (vi) organizing stakeholder communication and establishing external communication workflow;
- (vii) directing the collection of annual ESG report information.

To ensure compliance with applicable laws and regulations, our human resources department would, if necessary and after consultation with our legal advisors, adjust our human resources policies to accommodate material changes to relevant labor and safety laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material fines or other penalties due to non-compliance with health, safety or environmental regulations.

BUSINESS

Social Responsibilities

We attach great importance to our social responsibilities as a medical enterprise, and practice and implement such social responsibilities in all aspects of our Group’s activities to manage our participation in social activities.

In consideration of both economic and social benefits, we have specified rules in relation to our social responsibility practice for each department (for example, the departments of human resources, administration, market development, legal affairs, corporate publicity, imaging centers), and have established relevant work procedures covering environmental protection, labor protection, culture building, scientific R&D, and ethical practice.

Environmental Protection

Our business operations are subject to the relevant environmental protection laws and regulations promulgated by the PRC government, a summary of which is set out in the section headed “Regulatory Overview — Regulations on Environmental Protection Related to Medical Institutions” in this document. Given the nature of our business, we believe that our operational activities do not significantly pose negative impact to the environment and we are not aware of any material environmental liability risk or compliance costs during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, we did not incur material cost of compliance with relevant environmental protection laws and regulations. In 2021, 2022 and 2023, we spent approximately RMB0.2 million, less than RMB0.1 million and RMB0.1 million, respectively, with respect to environmental protection. Furthermore, we do not expect to incur significant costs for the compliance with applicable environmental protection rules and regulations in the future.

Waste Disposal

In accordance with the Regulations on the Administration of Medical Waste (《醫療廢物管理條例》) and in light of our actual situation, we strictly manage medical waste in the course of our operations. The leader group headed by the general manager of each imaging center as the first line of responsibility is responsible for: (i) clarifying the system of collection, transportation and disposal of medical waste; (ii) establishing emergency plans, working protocols and requirements for management of medical waste accidents; and (iii) setting up and continuously upgrading the responsibility system of medical waste management, assigning specific personnel to collect medical waste and manage the temporary storage of medical waste in the warehouse, and supervising the whole process of storage, transfer, collection and transportation.

BUSINESS

We classify and dispose of medical waste generated in our business operations based on its characteristics and the degree of its impact on the environment and human health. The classification covers a range of waste types, namely infectious waste, pathological waste, sharps waste, pharmaceutical waste and chemical waste. To ensure proper containment, each type of waste is assigned to dedicated containers. In line with our commitment to responsible waste management, we have established efficient protocols for the transportation of medical waste. Sealed garbage transfer vehicles have been deployed to handle the safe and secure transportation of these materials. In addition, we appropriately engage in the recycling of chemical or pharmaceutical waste, aligning with our sustainability objectives.

We have engaged third-party qualified companies for the disposal of medical waste to reduce the impact on the environment, which is in line with our commitment to environmental protection. Meanwhile, we use ultraviolet light and 1000mg/L chlorine-containing disinfectants to disinfect the temporary storage of medical waste every day. In 2021, 2022 and 2023, our flagship imaging centers have disposed of 3.9 tons, 5.2 tons and 5.5 tons medical waste, with an average of 0.5 tons, 0.7 tons and 0.6 tons of medical waste disposed per flagship imaging center, respectively. Over the next five years, we plan to manage the growth of the volume of medical waste disposed by our flagship imaging centers at a level lower than that of the revenue of our flagship imaging centers during the same year.

Sewage Disposal

Only imaging centers equipping with PET scanners may produce liquid radioactive waste. As of December 31, 2023, we had three flagship imaging centers and one regional collaborative imaging center equipping with PET scanner, and all such imaging centers had gone through environmental impact assessment by competent authorities and had acquired the relevant license accordingly before operation. Where the PET scanners are under operation, we normally discharge sewage into the comprehensive sewer after it remains in decay tank located in the examination room for about 30 days and satisfies water quality tests, which complies with the relevant laws and regulations. With regard to specialized medical consortium imaging centers and operational management imaging centers, our medical institution partners are responsible for obtaining the relevant licenses or permits relating to sewage disposal and the implementation of sewage disposal. As of the Latest Practicable Date, we did not appoint any independent qualified company in relevant sewage discharge. Such decay tanks are set up according to the regulations of the competent authority of the various competent environmental departments.

BUSINESS

Radiation Safety

In accordance with applicable laws and regulations and the requirements of the environmental protection and health administration in relation to radiation safety protection management, we carefully organize all imaging centers to conduct self-inspection regularly to improve our radiation safety level and reduce hidden dangers.

Radioactive pollution is generated from radiation devices. Such devices produce radiation when they are active which then disappears when the devices are no longer active. We are able to avoid harm to the environment as the radiation distance is short, the radiation dose is safe, and a special room has been designated that meets the design standard of the regulations and standards for radiation protection. In addition, the imaging centers have strengthened the safety and security of radioactive sources. In particular, we have assigned special personnel to secure and manage the storage, placement and operation sites of radioactive sources, and both our Group and each imaging center have made efforts to improve the safety and security measures with regard to radioactive sources.

We have established the following requirements for the operation of radioactive equipment:

- operators must prioritize the concepts of sterility, contamination prevention, safety, and cleanliness during operations;
- operators should wear personal protective equipment when operating the equipment;
- assign a dedicated person to be responsible for the receipt, check, placement and registration of radioactive sources;
- prepare radioactive sources according to the preparation requirements, strictly comply with the operating procedures, and keep records of quality control inspection;
- check the drug, expiration date, and deliquescence and check the examination program with the patient before marking and injecting, and keep records of injection registration;
- strict adherence to aseptic techniques is essential, ensuring rigorous control of contamination and prompt remedial measures; and
- daily management of radioactive pollutants, including proper storage and disposal, should be diligently carried out.

BUSINESS

In terms of management procedures, we require that (i) the procurement or replacement of radioactive sources must comply with environmental assessment procedures and obtain the necessary licenses and registrations as required by laws and regulations; (ii) establishing management files for radioactive sources, to record and regularly update essential information, inspection records and corrective actions, and other relevant details; (iii) conducting regular inspections of radioactive sources; (iv) setting restricted placement time for different types of radioactive sources before they are discarded for recycling; (v) for decommissioned radioactive sources, radioactive source recovery agreements are signed with the suppliers of radioactive sources, and all decommissioned radioactive sources shall be recovered by the source suppliers accordingly; (vi) in the event of abnormal conditions or radiation incidents involving radioactive sources, immediate activation of emergency response plans and reporting is required.

We have established an emergency response and reporting system for radioactive sources. According to this system, in the event of a radioactive incident or discovery thereof, business activities that pose radiation hazards shall be temporarily suspended, and an immediate report must be submitted to the relevant environmental regulatory authority. If necessary, medical examinations or receive treatment arrangements shall be made promptly for affected individuals. In the event of a radioactive isotope contamination incident in the workplace, the following measures shall be implemented: (i) implementing immediate evacuation of personnel involved and site lockdown to prevent potential contamination spread; (ii) adopting immediate isolation and providing first aid measures for individuals who may have been injured; (iii) remaining the lockdown of site until it reaches a safe level; (iv) active cooperating with the relevant regulatory authorities in the investigation of the incident. During the Track Record Period and as of the Latest Practicable Date, we have not incurred any material work safety incident and leakage of radioactive substance.

Sustainable Development and Resource Conservation

Sustainable Development

We have actively promoted the adoption of digital film technology to achieve our ESG targets. In 2021, 2022 and 2023, our usage of digital film has consistently increased, reaching 299 thousand cases, 440 thousand cases and 755 thousand cases, respectively. This initiative has not only brought positive impacts in terms of ESG aspects but has also provided enhanced medical services and experiences for healthcare institutions and patients.

In terms of the environment, our digital film technology reduces the use of traditional film, resulting in a decreased demand for and emissions of harmful chemicals, as well as a reduction in waste generation and disposal costs. Additionally, by storing imaging data in the cloud, we further reduce the need for physical storage space, leading to decreased energy consumption and carbon footprint.

BUSINESS

In the social aspect, our digital film technology provides efficient support for medical imaging services. During the Track Record Period, we have actively promoted digital access and data sharing, enabling healthcare institutions to deliver faster and more accurate diagnoses and treatments. This contributes to improving patients’ medical experiences, reducing waiting times, and fostering better collaboration and knowledge sharing. Our digital film technology also facilitates remote healthcare and consultations, providing convenient medical services for patients in remote or underserved areas.

Regarding governance, we are committed to ensuring the security and privacy protection of digital film technology. We consistently adhere to data protection regulations and medical confidentiality requirements, and implement necessary security measures to safeguard patients’ personal information and medical data. We have established strict access controls and data encryption mechanisms to ensure that only authorized personnel can access and utilize this data.

By promoting and implementing digital film technology, we actively fulfill our corporate ESG responsibilities, implement sustainable measures, and enhance medical services and experiences for healthcare institutions and patients. The continuous growth in our usage of digital film during the Track Record Period reflects our commitment to sustainable development.

Resource Saving

Our energy consumption is used mainly for operating imaging equipment. The table below set forth the resource consumption by flagship imaging centers during the Track Record Period.

	Year ended December 31,		
	2021	2022	2023
	<i>(in thousand)</i>		
Electricity consumption (KWh)	4,486.6	4,640.9	6,334.2
Water consumption (cubic meters)	10.1	4.7	11.5

Because some of our regional collaborative imaging centers are established in cooperation with medical institutions, we do not have accurate information for the energy consumption of these regional collaborative imaging centers. In addition, because we provide operational management services, we do not have the energy consumption data of the specialized medical consortium imaging centers and operational management imaging centers. In the future, we plan to continue to enhance the utilization rate of imaging equipment through streamlining workflow, and improving proficiency of radiologic technologists. Meanwhile, in the next five years, based on the ratio of the water and electricity consumption of the flagship imaging centers to the total revenue in 2023, we plan to reduce such ratio by 0.3 basis points.

BUSINESS

We are committed to the effective use of resources to minimize waste emissions. In the course of our daily operation, we also actively advocate the importance of energy saving to employees, such as:

- The temperature of the air conditioners shall be lower than 22℃ in winter and higher than 26℃ in summer. We require our employees to turn off the air conditioners when no one is present at the premises, and assign special personnel to check that all of the air conditioners are turned off before leaving work. The running time of central air conditioners at work should be adjusted according to the season;
- Office equipment should be set to sleep mode or turned off when such equipment is not in use. We encourage employees to pay attention to whether office equipment has been in idle mode for a long time; and
- The daily maintenance and management of water supply equipment has been strengthened in each office. We regularly check the status of such equipment and repair it as soon as possible, if needed, to prevent any leakage.

Industrial Structure Upgrading

As green and sustainable growth has become the development trend of the global economy, we have made strategic planning and adjustment as a whole, increased investment in R&D of new technology products, and added them to our core products. For example, the application of cloud service data allows doctors and patients at our imaging centers and medical institutions in cooperation to flexibly use digital imaging data instead of conventional physical films, which reduces the cost of consumables. The adoption of the radiologist workstation for digital imaging transfers the doctor’s work from offline to online, realizing a paperless and mobile working environment, through unified data identification, centralized data processing and centralized business processing.

In the process of our development, we actively adjust the industrial structure to focus on both investment and construction, and solution services, so as to transform our core business to platform-based, expand the production capacity and extend our reach to the upstream and downstream of the supply chain, covering the areas of talents, enterprises, technology and finance, to maintain the vitality of enterprise innovation and intellectual upgrading.

BUSINESS

Culture Building

In the PRC, healthcare work not only affects the physical health of the whole nation, but also affects the supply of social labor resources. In response to the PRC government’s emphasis on healthcare, we have proactively echoed the initiative to establish a hierarchical diagnosis and treatment system, and extended medical resources to the primary healthcare system. We continue to adhere to the concept of “clinically targeted imaging services,” and strive to enhance the medical imaging service capabilities and quality of medical institutions of the primary healthcare system, improve the patient’s experience of medical treatment, and resolve the pain points faced by all participants in the medical imaging industry.

Philanthropic Activities

We focus on building regional specialized medical imaging consortia on the basis of the business layout of our imaging centers. Through effective integration of fragmented medical resources in the region, we focus on improving the construction of basic medical imaging facilities and the medical environment for residents, and solving the problems of difficulty in receiving medical treatment for residents. During the Track Record Period, we also organized large-scale non-profit free consultation activities with experts on multiple occasions, to answer residents’ questions and help primary care doctors improve their professional skills.

At the beginning of the COVID-19 outbreaks, we took the initiative to assume responsibility as a social medical institution when the supply of medical resources was reduced nationwide, including; (i) mobilizing resources from all sources to deploy various medical materials for imaging centers and hospitals; (ii) in response to government requests, delivering self-owned CT equipment to be installed at designated quarantined locations, and utilizing the cloud platform’s expert resources for remote imaging diagnosis; (iii) providing fast and preferential equipment deployment services for medical institutions with insufficient imaging equipment; (iv) allowing access to free remote consultations to support areas with severe COVID-19 outbreaks; and (v) providing free cloud film services for all patients during the COVID-19 pandemic to avoid cross-infection. In addition, we donated RMB1.0 million to the Bethune Foundation for the COVID-19 pandemic in 2020.

Employees’ Health and Welfare

To allow our employees to enjoy safety, comfort and sufficient protection, and more comprehensive and positive healthcare welfare, we have formulated and continuously improved our healthcare welfare plans.

BUSINESS

We actively take advantage of our identity as a medical imaging service enterprise, and offer annual physical examinations, as well as create opportunities for sports activities for both general employees and senior management members, to maintain and improve the health of our employees, thereby enhancing the professional quality of employees and our overall competitiveness as an enterprise.

In addition, we also provide stress management training and stress relief assistance to employees, such as vocational psychological training and consultation support, to help employees relieve stress and promote professional quality and social integration ability.

For the medical personnel at our imaging centers, we strictly abide by the national requirements of the Administrative Measures for Hygiene and Protection of Radiation Work and the Administrative Measures for the Occupational Health of Radiation Workers, and have formulated the corresponding radiation protection safety management system of our imaging centers to provide necessary protection measures and supplies to ensure the safety and protection of staff in medical work. We conduct daily personal radiation dose monitoring for the relevant personnel according to the requirements, regularly organize radiation workers to participate in occupational medical examinations, and provide radiation leave for such personnel in accordance with national regulations.

Compliance with Laws and Regulations

We strictly abide by Environmental Protection Law of the PRC (《環境保護法》), the Regulations on the Administration of Medical Waste (《醫療廢物管理條例》), the Law of the PRC on Prevention and Control of Radioactive Pollution (《中華人民共和國放射性污染防治法》) in material aspects. See “Regulatory Overview — Regulations on Environmental Protection Related to Medical Institutions.” As advised by our PRC Legal Advisor, during the Track Record Period and up to the Latest Practicable Date, we were not subject to any fines or administration penalties by the competent governmental authorities in relation to any breach of the applicable environmental laws or regulations in the PRC that could have a material adverse effect on our business operations.

Licenses, Approvals and Permits

As of March 11, 2024, we had obtained all requisite licenses, approvals and permits from relevant authorities that are material to our operations in China. We renew all such permits and licenses from time to time to comply with the relevant laws and regulations. Our PRC Legal Advisor has advised us that there is no material legal impediment to renewing such permits or licenses as long as we comply with the relevant legal requirements. As of the Latest Practicable Date, we had a total of 31 third-party medical imaging center licenses in effect in the PRC. One

BUSINESS

third-party medical imaging center license can include addresses of multiple third-party medical imaging centers, and can be utilized for operating such imaging centers, subject to regulatory approval based on reasonable business needs. As of the same date, several of our regional collaborative imaging centers shared third-party medical imaging licenses as approved by the relevant authorities.

The following table sets out a list of material licenses, approvals and permits currently held by us:

Entity	Name of the license, approval and permit	Expiry date
Xinyu Rimag Medical Imaging Co., Ltd. (新余一脈陽光醫學影像有限公司)	Medical Institution Practice License (醫療機構執業許可證)	February 5, 2028
Shicheng Rimag Medical Imaging Co., Ltd. (石城一脈陽光醫學影像有限公司)	Medical Institution Practice License (醫療機構執業許可證)	June 30, 2024
Leping Rimag Medical Imaging Co., Ltd. (樂平一脈陽光醫學影像有限公司)	Medical Institution Practice License (醫療機構執業許可證)	May 25, 2027
Nanchang Rimag Medical Imaging Diagnosis Ltd. (南昌一脈陽光醫學影像診斷有限公司)	Medical Institution Practice License (醫療機構執業許可證)	April 17, 2029
Fuzhou Rimag Medical Imaging Co., Ltd. (撫州一脈陽光醫學影像有限公司)	Medical Institution Practice License (醫療機構執業許可證)	June 27, 2028
Fenyi Rimag Medical Imaging Co., Ltd. (分宜一脈陽光醫學影像有限公司)	Medical Institution Practice License (醫療機構執業許可證)	December 18, 2028
Yingtian Rimag Medical Imaging Diagnosis Co., Ltd. (鷹潭市一脈陽光醫學影像診斷有限公司)	Medical Institution Practice License (醫療機構執業許可證)	December 29, 2024
Fuliang Rimag Medical Imaging Diagnosis Co., Ltd. (浮梁一脈陽光醫學影像診斷有限公司)	Medical Institution Practice License (醫療機構執業許可證)	February 5, 2026
Anfu Rimag Medical Imaging Center Co., Ltd. (安福一脈陽光醫學影像中心有限公司)	Medical Institution Practice License (醫療機構執業許可證)	June 29, 2026
Fengcheng Rimag Medical Imaging Center Co., Ltd. (豐城市一脈陽光醫學影像中心有限公司)	Medical Institution Practice License (醫療機構執業許可證)	April 13, 2026
Beijing Rimag Imaging	Medical Institution Practice License (醫療機構執業許可證)	December 31, 2028
Changchun Rimag Medical Imaging Diagnosis Center Co., Ltd. (長春一脈陽光醫學影像診斷中心有限公司)	Medical Institution Practice License (醫療機構執業許可證)	July 9, 2028
Wan'an Rimag Medical Imaging Center Co., Ltd. (萬安一脈陽光醫學影像中心有限公司)	Medical Institution Practice License (醫療機構執業許可證)	September 15, 2026
Enshi Rimag Medical Imaging Co., Ltd. (恩施市一脈陽光醫學影像有限公司).	Medical Institution Practice License (醫療機構執業許可證)	October 25, 2033
Liaoning Rimag Medical Imaging Diagnosis Center Co., Ltd. (遼寧一脈陽光醫學影像診斷中心有限公司)	Medical Institution Practice License (醫療機構執業許可證)	July 10, 2028

BUSINESS

Entity	Name of the license, approval and permit	Expiry date
Shenyang Rimag Shennan Medical Imaging Diagnosis Co., Ltd. (瀋陽一脈陽光沈南醫學影像診斷有限公司)	Medical Institution Practice License (醫療機構執業許可證)	May 19, 2024
Zhengzhou Rimag Medical Imaging Diagnosis Center Co., Ltd. (鄭州一脈陽光醫學影像診斷中心有限公司)	Medical Institution Practice License (醫療機構執業許可證)	January 28, 2026
Yichang Rimag Medical Imaging Diagnosis Center Co., Ltd. (宜昌市一脈陽光醫學影像診斷中心有限公司)	Medical Institution Practice License (醫療機構執業許可證)	August 13, 2024
Qiqihar Rimag Medical Imaging Diagnosis Center Co., Ltd. (齊齊哈爾一脈陽光醫學影像診斷中心有限公司)	Medical Institution Practice License (醫療機構執業許可證)	October 23, 2034
Hunan Rimag Medical Imaging Diagnosis Center Co., Ltd. (湖南一脈陽光醫學影像診斷中心有限公司)	Medical Institution Practice License (醫療機構執業許可證)	December 30, 2027
Fuzhou Rimag Medical Imaging Diagnosis Center Co., Ltd. (福州一脈陽光醫學影像診斷中心有限公司)	Medical Institution Practice License (醫療機構執業許可證)	January 3, 2025
Zhaoqing Rimag Regional Medical Imaging Diagnosis Center Co., Ltd. (肇慶一脈陽光區域醫學影像診斷中心有限公司)	Medical Institution Practice License (醫療機構執業許可證)	October 28, 2024
Shehong Jiashi Rimag Medical Imaging Diagnosis Co., Ltd. (射洪佳士一脈醫學影像診斷有限公司)	Medical Institution Practice License (醫療機構執業許可證)	May 13, 2026
Hubei Zhiying	Medical Institution Practice License (醫療機構執業許可證)	April 14, 2026
Chengdu Wenjiang Rimag Sunshine Internet Hospital Co., Ltd. (成都溫江一脈陽光互聯網醫院有限公司)	Medical Institution Practice License (醫療機構執業許可證) for Internet Hospital	October 21, 2026
Xiangtan Rimag Medical Imaging Diagnosis Center Co., Ltd. (湘潭一脈陽光醫學影像診斷中心有限公司)	Medical Institution Practice License (醫療機構執業許可證)	April 13, 2033
Suihua Rimag Medical Imaging Center Co., Ltd. (綏化一脈陽光醫學影像中心有限公司)	Medical Institution Practice License (醫療機構執業許可證)	December 30, 2031
Wenzhou Yiying Medical Imaging Diagnosis Co., Ltd. (溫州頤影醫學影像診斷有限公司)	Medical Institution Practice License (醫療機構執業許可證)	July 19, 2027
Ganzhou Tiangao Rimag Medical Imaging Co., Ltd. (贛州天羔一脈陽光醫學影像有限公司)	Medical Institution Practice License (醫療機構執業許可證)	May 16, 2028
Liaocheng Rimag Sunshine Medical Image Diagnosis Co., Ltd. (聊城市一脈陽光醫學影像診斷有限公司)	Medical Institution Practice License (醫療機構執業許可證)	June 4, 2024
Xixian New District Rimag Sunshine Medical Image Diagnosis Co., Ltd. (西咸新區一脈陽光醫學影像診斷有限公司)	Medical Institution Practice License (醫療機構執業許可證)	November 10, 2027
Jinan Rimag Sunshine Xinglin Medical Imaging Diagnosis Co., Ltd. (濟南一脈陽光杏林醫學影像診斷有限公司)	Medical Institution Practice License (醫療機構執業許可證)	May 15, 2028
Beijing Rimag Information	Certificate of Information Security Management System Certification (信息安全管理體系認證證書)	November 9, 2025

BUSINESS

Entity	Name of the license, approval and permit	Expiry date
Beijing Rimag Information	Certificate of Quality Management System Certification (質量管理體系認證證書)	August 30, 2025
Beijing Rimag Information	Certificate of Management System Certification for Protection of Personal Information in Public Clouds (公有雲中個人信息保護管理體系認證證書)	November 9, 2025

Legal Proceedings and Regulatory Compliance

Legal Proceedings

We may be involved in legal proceedings in the ordinary course of business from time to time. During the Track Record Period and up to the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or our Directors that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations.

Regulatory Compliance

During the Track Record Period and up to the Latest Practicable Date, we had not been and were not involved in any material noncompliance incidents that have led to fines, enforcement actions or other penalties that could, individually or in the aggregate, have a material adverse effect on our business, financial condition and results of operations, except as otherwise disclosed in “— Licenses, Approvals and Permits.”

Risk Management and Internal Control

We have devoted ourselves to establishing and maintaining risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations. We are dedicated to continuously improving these systems, developing a risk management culture and raising the risk management awareness of all employees.

We have adopted and implemented comprehensive risk management policies in various aspects of our business operations, specifically:

- establishing the investment decision-making committee and the risk compliance committee to control external investment and compliance management risks;

BUSINESS

- establishing the project evaluation committee to ensure the quality and investment return of our imaging center investment projects and reduce the business and compliance risks of each project;
- providing continuous anti-corruption and anti-bribery compliance training for employees to improve their awareness of laws and regulations and urge them to comply with laws and regulations in their daily work; and
- arranging directors and senior management to participate in training seminars on listing rules and responsibilities as directors of Hong Kong [REDACTED] companies.

Healthcare Quality and Safety

In terms of healthcare quality control and management, we have established a complete quality control management system. We implement quality control at our Company and the imaging centers through our double-control and double-blind quality control model online and offline. In particular, the level of quality control at the imaging center level is Level I, and the level of quality control at the Group level is Level II.

We combine medical safety management with medical quality control. Level I quality control and safety management is conducted by the imaging center’s quality control team in the course of daily work. The corresponding evaluation standards and management requirements are formulated in accordance with the relevant laws and regulations, the requirements of hospital-level management and the mutual agreement among medical imaging professionals. Level II quality control and safety management is completed by the quality control department of the expert committee of the Group and the quality control expert committee, mainly including the relevant training, evaluation and supervision of quality control and safety management.

Offline supervision and evaluation focuses on the quality control and safety management of our imaging centers. In particular, we organize experts from the quality control expert committee to regularly inspect our imaging centers to find any potential defects that may lead to adverse events or other medical risks. Such expert team also evaluates the skills of relevant medical professionals and their ability to respond to emergencies, and proposes performance improvement plans. Online supervision and evaluation focuses on the quality of medical imaging and diagnostic reports of the imaging center. In particular, we randomly select 1% of the medical images and diagnostic reports from the daily operation of each imaging center through the self-developed cloud quality control system, and then we review and score them according to the unified evaluation criteria through the double-blind mechanism and produce a multi-dimensional quality control evaluation report to rank all radiologists and radiologic technologists of our imaging centers.

BUSINESS

To ensure the efficiency and authority of the quality control process, members who sit on the quality control expert committee are all selected and trained against strict standards and composed of nationally renowned radiology experts and experienced doctors or senior radiologic technologists of our medical imaging center network. We are able to monitor the professional skills of our medical professionals and issue warnings and take corrective measures in response to identified issues, if any, in order to ensure the quality of our medical services, lower the risk of our business, and incentivize our medical staff to continually enhance their expertise.

In terms of medical safety management, we have formulated detailed requirements for the safety of contrast agent, nosocomial infection, equipment, radiation, patients, information, and fire protection. The department of quality control conveys such requirements to imaging centers through online and on-site training, and guides them in conducting safety management according to the requirements for avoiding the occurrence of safety accidents. We also randomly select an imaging center, and inspect and supervise its medical safety management on site, as one of our measures of offline quality control.

Operational Risk Management

Operational risk refers to the risk of direct or indirect monetary loss resulting from incomplete or problematic internal processes, personnel mistakes, IT system failures, or external events. We have established a series of internal procedures to manage such risk, specifically:

- revising and improving the internal control rules and corporate governance policies and procedures according to the Listing Rules;
- establishing the operation management system to ensure smooth operation of the data analysis and settlement process; and
- establishing the financial internal control system, including cash and fund management, inventory management, and accounts receivable, among other things.

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 our failure to comply with relevant laws, regulations, rules and guidelines. In particular, our compliance risk management measures include:

- developing a business compliance manual to provide compliance guidance for the company's business;

BUSINESS

- establishing an early warning and inspection mechanism for the compliance of daily business, and the legal department and the medical department of our Group make compliance assessments on the business compliance of each imaging center according to the requirements of current laws and regulations, and implement early warning and rectification after the inspection;
- developing a compliance culture, establishing compliance training mechanisms, and providing compliance training for employees; and
- appointing external legal counsel to provide professional opinions and comments on the Company's compliance.

Complaints Handling

In order to understand customer demands and keep enhancing our service capabilities, we have established mechanisms including in-person communication, hotline and correspondence to receive customer complaints and implemented internal guidelines to ensure each patient complaint is properly addressed. The guidelines cover procedures of handling customer complaints, responsibilities and accountability of our different departments, internal coordination mechanisms to address customer complaints, and relevant remediation procedures.

Our medical imaging center usually has a team headed by center manager responsible for communicating with the complaining patient or healthcare consumer, conducting internal reporting and remediation if substantiated and providing the feedback to the patient or healthcare consumer as soon as possible. Complaints are generally required to be resolved in three days, and those that involve claims of physical or economic injuries are required be reported immediately to prevent or minimize adverse effects on the patient. Each medical imaging center is required to maintain detailed records of the complaints.

During the Track Record Period and up to the Latest Practicable Date, we did not receive any material complaints.

Anti-Bribery and Anti-Corruption

To maintain our reputation and integrity, we have formulated anti-corruption policies and established an anti-bribery and gift system, requiring all employees to carry out business or activities in line with the relevant laws and regulations. We include the agreement on integrity and prevention of work-related crimes as an annex to an employee's labor contract, which should be signed as part of the onboarding process. Employees who violate the above internal policies or systems may be dismissed.

BUSINESS

Additionally, we have formulated a series of reimbursement and payment policies, which define the approval authority, standardized approval procedures and the fee cap of reimbursement for entertainment, travel and other expenses.

We have also established a comprehensive contract approval management system to help the management in reviewing and supervising important and material business-related contracts. We require our material business partners and our employees to comply with relevant anti-corruption and anti-bribery laws and regulations to ensure that our employees, suppliers and customers conduct business legally and ethically. We include anti-bribery and anti-corruption clauses in our agreements, which prohibit our employees, suppliers and customers from offering unauthorized payments, such as bribes, kickbacks, or benefits in the form of cash, gift card, travel and securities, among other things, to each other in violation of the applicable anti-bribery and anti-corruption laws and regulations.

During the Track Record Period and as of the Latest Practicable Date, none of our employees or material business partners has become the subject of any complaint, investigation or regulatory enquiry or otherwise been involved in any bribery or kickback arrangements.

Investment Strategy and Treasury Policy

As the operator and manager of a medical imaging platform that provides diversified imaging services and value to the entire medical imaging industry chain in China, we intend to continue to actively seek investment opportunities related to the entire medical imaging industry chain. Our investment strategy will be divided into two directions as follows:

On the one hand, we will seek horizontal investment opportunities in the industry chain (such as investments in other third-party medical imaging centers), which will primarily take the form of majority equity acquisitions and the integration of newly acquired imaging centers into our existing network of imaging centers. We will target imaging centers that are: (i) well-certified; (ii) well-established and stable; (iii) profitable and with excellent cash flow performance; and (iv) located in areas with large-scale third-party medical imaging markets that are consistent with our strategic objectives. For those potential imaging center targets, our investment evaluation will focus on:

- the volume of the third-party medical imaging market where the subject is located and the compatibility with our regional market development strategy (both domestic and overseas);
- the subject’s past operational performance and financials;

BUSINESS

- the subject’s imaging professional competence level and the staffing of medical professionals;
- the subject’s qualification and licenses and business compliance;
- the subject’s development prediction;
- the calculation of investment return;
- ongoing operating expenses and capital investment requirements; and
- the compatibility between the subject and us in terms of corporate culture and business development.

On the other hand, we will also seek vertical investment opportunities in the industry chain, mainly focusing on the upstream and downstream of the medical imaging industry chain and related ecology, which will mainly take the form of minority equity participation. The main purposes of this are: (i) to further deepen and expand our industry position in the medical imaging industry chain; (ii) to strengthen our relatively weak business lines; (iii) to strategically incubate emerging technologies and models with industry foresight; and (iv) to generate industry chain-related revenue by extending our capabilities. We expect to continue to enhance our medical imaging industry chain integration and eco-organization capabilities through these investment opportunities. The relevant industry chain investment directions include, but are not limited to, innovative technology and hardware equipment for medical imaging, medical imaging information technology software applications and cloud services, medical imaging AI and big data applications, exploration and application of medical imaging in health management, independent imaging assessment for clinical trials, imaging equipment asset management, insurance, among other things.

We have established a comprehensive internal mechanism for investment and M&A evaluation and approval. We have set up a Strategic Investment Committee, which is composed of our Group’s senior management and invites representatives from shareholders of senior investment institutions to participate in it. The Strategic Investment Committee is fully responsible for the evaluation and approval of relevant strategic investment of our Group. The Board of Directors and shareholders’ meeting procedures for the relevant investment projects will only be conducted in accordance with the Articles of Association if the relevant investment projects are approved by the Strategic Investment Committee at the investment decision meeting.

BUSINESS

For our investment projects, we plan to fund potential investment projects mainly through our existing internal and external financial resources, including our Group’s own funds, bank borrowings, [REDACTED] from the [REDACTED], and others.

We believe that we are well-positioned to identify potential investment targets that meet our objectives on the basis of our past operational and development experience and our deep knowledge of relevant industries. As of the Latest Practicable Date, we have not identified any potential investment or acquisition targets or entered into any definite investment or acquisition agreements.