The following discussion and analysis should be read in conjunction with our consolidated financial statements included in "Appendix I — Accountant's Report," together with the accompanying notes. Our consolidated financial statements have been prepared in accordance with IFRS.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in "Risk Factors" and "Forward-Looking Statements" and elsewhere in this document.

Overview

We are a leading medical group specialized in medical imaging in China, and 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 in 2023; 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. We generate revenue mainly through the following medical imaging services and solutions:

- ***Imaging Center Services***. We operate our own medical imaging centers and provide various types of imaging examination and diagnostic services, among other things, or offer operational management services to medical imaging centers of our partners.

- ***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.

- ***Rimag Cloud Services***. To support our growing imaging center services business, we have developed our Rimag Cloud platform to internally fuel our business development, 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 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.

Basis of Preparation

Our consolidated financial information has been prepared in accordance with IFRS issued by the International Accounting Standards Board ("**IASB**"). Our historical financial information has been prepared under the historical cost convention, except that certain financial assets are carried at fair value.

The preparation of our historical financial information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying our accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to our consolidated financial information, are disclosed in note 4 to the Accountant's Report in Appendix I to this document.

Major Factors Affecting Our Results of Operations

Our results of operations have been, and are expected to continue being, materially affected by a number of factors, many of which are beyond our control, including the following:

Development of the Medical Imaging Service Industry

As a leading medical group specialized in medical imaging in China, our results of operations and financial condition are generally affected by the overall healthcare service market condition in China. In particular, our financial performance and future growth depend on the growth of the medical imaging service industry in China. According to Frost & Sullivan, the size of the PRC third-party medical imaging center market was RMB2.9 billion in 2023 and is expected to reach RMB18.6 billion in 2030, growing at a CAGR of 30.7%. However, due to shortage of medical resources and the undeveloped primary healthcare system in China, such demand remains largely unmet. See "Industry Overview — The PRC Third-party Medical Imaging Center Market — Market Size."

We have benefited from favorable industry trends such as the integration of advanced medical imaging equipment and relevant imaging solution and platform services to improve overall medical imaging capabilities. New technologies and AI solutions are transforming the overall healthcare industry. We are the only medical imaging platform operator and manager in China that provides diversified imaging services and value to the entire industry chain, and the largest medical group specialized in medical imaging in China in 2023 in terms of patients' visit, according to Frost & Sullivan. Accordingly, we are well-positioned to capitalize on market opportunities arising from the growth in demand for medical imaging services and the transformation of the overall healthcare service industry.

New technologies in relation to medical imaging have been advancing quickly and are expected to continue evolving. Our ability to continuously adopt the latest technological improvements quickly and cost-efficiently has a direct effect on our financial condition and results of operations. Our inability to adequately respond to changes in market conditions in a timely manner could lead to decreases in our growth rates, revenue and ability to grow or maintain our market share. See "Risk Factors — Risks Relating to Our Business and Industry — We may not be able to adapt successfully to technological changes, and technological changes may require us to upgrade our equipment or supply advanced equipment at significant costs."

Policy Environment and Regulatory Environment in China

The PRC medical imaging service market, the PRC medical imaging equipment solutions market and the PRC medical cloud imaging service market are highly regulated. Government policies and regulations significantly impact the operation and pricing of our services and solutions, as well as the costs of compliance. These changes will likely impact our financial condition and results of operations.

Meanwhile, in recent years, as an industry leader, we have been at an advantaged position given the favorable policy environment, enabling us to exploit the extensive potential and opportunities in the markets where we operate in China, such as the Outline of the Plan for a "Healthy China 2030" (《"健康中國2030"規劃綱要》) and the 14th Five-Year Plan for National Economic and Social Development of the PRC and Outline of the Vision for 2035 (《中國經濟和社會發展的第十四個五年規劃和2035年遠景目標綱要》). In addition, with favorable policies and regulations in place, including those in relation to patient sorting, social medical services, multi-site practice of doctors and issuance of independent licenses for third-party medical imaging centers, the penetration rate and size of the PRC medical imaging center market, the PRC medical imaging equipment solutions market and the PRC medical cloud imaging market in China are expected to further increase.

Expansion of Our Medical Imaging Center Network

We have been expanding our medical imaging center network in recent years. The number of imaging centers we have put into operation increased from 78 as of December 31, 2021 to 97 as of December 31, 2023, and our revenue from our imaging center services increased from RMB442.3 million in 2021 to RMB638.1 million in 2023, at a CAGR of 20.1%. As of December 31, 2023, according to Frost & Sullivan, we operated and managed the largest number of imaging centers among all PRC third-party medical imaging center operators, totaling 97 medical imaging centers in 59 county-level divisions.

We have a standardized process for investing in and establishing new imaging centers. We incur substantial expenses before the commencement of operations of new imaging centers, including construction and renovation costs as well as equipment costs, which could have a short-term negative impact on our liquidity and profitability. 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. Accordingly, the number of new imaging center openings have, and may continue to have, a significant impact on our profitability.

In the future, we plan to continually expand our medical imaging center network. We intend to strategically prioritize our investments and resource integration in regions with relatively uneven distribution of medical resources. See "Business — Our Strategies — Further expand our medical imaging center network and enrich the offerings of our imaging solution services to strengthen our industry-leading position." However, our ability to establish and manage these additional imaging centers in a cost-efficient manner is crucial to whether and how quickly we can recover our investment and may materially affect our profitability.

Ability to Control Our Costs and Expenses

Our business mainly involves costs and expenses for (i) trading medical equipment, (ii) depreciation of property, plant and equipment, and (iii) employee benefit expenses (including share-based payments expenses for our employees), all of which account for a significant portion of our cost of sales.

Trading medical equipment, mainly referring to those direct costs incurred for operating our business and costs for purchasing the raw materials, represented 27.6%, 41.8% and 38.4% of our cost of sales in 2021, 2022 and 2023, respectively. Volatility in the price of trading medical equipment could negatively affect our gross margins and results of operations. Conversely, lower costs of trading medical equipment could lead to higher gross margins and net profits.

Meanwhile, depreciation of property, plant and equipment (including those recorded in cost of sales, selling expenses, research and development expenses and administrative expenses) represented 21.2%, 17.8% and 16.3% of our revenue in 2021, 2022 and 2023, respectively.

Furthermore, we rely on a significant number of employees to support our business. Employee benefit expenses (including share-based payment expenses for our employees) constituted the third largest component of our cost of sales during the Track Record Period. In 2021, 2022 and 2023, our total employee benefit expenses (including those recorded in cost of sales, selling expenses, research and development expenses and administrative expenses) amounted to RMB384.2 million, RMB179.6 million and RMB201.7 million, representing 64.9%, 22.9% and 21.7%, respectively, of our revenue in the same years. The decrease in employee benefit expenses in 2022 and 2023 as compared to 2021 was primarily attributable to the significant decrease in share-based payments expenses for our employees in 2022 and 2023. Moreover, in recent years, the number of our employees has been increasing along with the growth of our business. Any significant increase in labor costs could adversely affect our margins and profitability if we cannot pass on such cost increases to customers. Unless we can use other appropriate means to control our employee benefit expenses and improve efficiency, our gross margins may decrease and our financial condition and results of operations may be materially adversely affected.

We expect that costs of trading medical equipment and depreciation of property, plant and equipment to continue to be significant costs and expenses going forward, particularly in light of the continued expansion of our medical imaging center network. Our ability to control such costs and expenses may significantly affect our profitability.

Material accounting policy information, critical judgements and estimates

We have identified certain material accounting policies and estimates which we consider are significant in the preparation of our financial statements in accordance with IFRS. These material accounting policies are set forth in note 2 to the Accountant's Report in Appendix I to this document, which are important for an understanding of our financial condition and results of operations.

Some of our accounting policies involve subjective assumptions, estimates and judgments that are discussed in note 4 to the Accountant's Report in Appendix I to this document. The preparation of our financial statements requires our management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Our management has identified below the accounting policies, estimates and judgments that they believe are critical to the preparation of our financial statements.

Revenue Recognition

We were engaged in the imaging business during the Track Record Period, including imaging center services, imaging solution services and Rimag Cloud services. Revenue is measured at the consideration received or receivable for the services or products in the ordinary course of our activities. Revenue is shown after eliminating sales between Group companies. We recognize revenue when we transfer control of the services or products to customers.

Imaging center services

We provide imaging examination and diagnostic services in the form of flagship imaging centers, and regional collaborative imaging centers to hospitals and other medical institutions as well as health management companies to serve their customers, or individual patients and other healthcare consumers. Revenue from imaging examination and diagnostic services is recognized when diagnostic imaging reports are delivered and accepted by customers.

We also provide medical imaging operational management services in form of specialized medical consortium imaging centers and operational management imaging centers to hospitals and other medical institutions as well as health management companies. Such services aim at optimising customers' operations and management models, such as professional skill improvement, operational management consulting, and informatization construction. Revenue from medical imaging operational management services is recognized in the accounting period in which the services are rendered in accordance with fixed service fees per month and floating service fees based on certain percentages of monthly operating results because the customer receives and uses the benefits simultaneously.

Imaging Solution Services

We provide imaging solution services to hospitals and other medical institutions as well as health management companies, mainly including equipment selection, acquisition and configuration, repair and maintenance services. Revenue from the portion of equipment selection, acquisition and configuration is recognized when equipment is delivered and accepted by customers while the portion of short-term repair and maintenance is recognised when the service is performed.

We have certain contracts with customers of imaging solution services with financing components where the period between the transfer of the promising equipment to the customer and payment by the customer exceeds one year.

As a consequence, the transaction price for these contracts is discounted, using the prevailing interest rates in the relevant market. This rate is commensurate with the rate that would be reflected in a separate financing transaction between the customer and us at contract inception.

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 enter into sales contracts with the intermediaries, which specify the name of the medical institution to which we directly delivers the products. Revenue is recognized when we transfers control of products directly to the end medical institutions customer as specified in the agreement. The intermediaries do not obtain control of the products in the delivery process of sales arrangement.

We also provide long-term maintenance services to certain customers. Contract duration is generally more than one year and the contract contains a single performance obligation as delivery of integrated maintenance services over a period of time. The contract is normally at a fixed price and paid according to payment terms specified in the contract. Upfront payments received by us are initially recognised as a contract liability. Service revenue is recognized as the performance obligation satisfied over time based on the stage of completion of the contract. We use a straight-line method to measure progress towards complete satisfaction of the performance obligation under IFRS 15. Costs including raw materials, labor and other maintenance costs attributable to the services are included in "cost of sales."

Cloud platform services

We developed a cloud platform that enables the imaging centers with digitized operations and accumulated valuable data assets and data service capabilities. Leveraging such cloud platform, we offer the cloud platform-based services and software to customers such as hospitals and other medical institutions as well as health management companies. Revenue from cloud platform services business is recognized when customers obtain access to the cloud platform where the services are rendered. Revenue from software is recognized when the software is delivered and accepted by customers.

Property, Plant and Equipment

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the consolidated statements of profit or loss during the periods in which they are incurred.

Depreciation is calculated using the straight-line method to allocate assets' costs, net of their residual values, over their estimated useful lives as follows:

Machinery	8–10 years
Office furniture and fixtures	5 years
Electronic equipment	3 years
Leasehold improvements	Shorter of remaining lease term or estimated useful life

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.7 to the Accountant's Report in Appendix I to this document).

Construction-in-progress ("**CIP**") represents machineries, office furniture and fixtures, electronic equipment and leasehold improvements under construction and is stated at cost less accumulated impairment losses, if any. Cost includes the costs of construction and acquisition and capitalized borrowing costs. No provision for depreciation is made on CIP until such time as the relevant assets are completed and ready for intended use. When the assets concerned are available for use, the costs are transferred to relevant categories of property, plant and equipment and depreciated in accordance with the policy as stated above.

Impairment of Non-Financial Assets

Goodwill that has an indefinite useful life is not subject to amortization and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Other assets that are subject to amortization are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized as the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets, except for goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Trade and Other Receivables

Trade receivables are amounts due from clients for services performed in imaging center services, imaging solution services and cloud platform services rendered in the ordinary course of business. The majority of other receivables are staff advances and rental deposits. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade and other receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method.

Impairment of Financial Assets

We assess on a forward-looking basis the expected credit loss associated with our debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and long-term trade receivables arising from the sale of goods and rendering of services in the ordinary course of operating activities, we apply the simplified approach permitted by IFRS 9 regardless of whether a significant financing component exists, which requires lifetime expected credit losses to be recognized from initial recognition of the receivables.

Impairment of other receivables are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

Financial Instruments Issued to Investors

The financial instruments issued to investors represent the paid-in capital of our Company with redemption rights held by certain investors. We recognize the financial instruments issued to investors as financial liabilities considering that all triggering events for the key redemption rights that could be exercised by the investors with preferred rights are out of our control and these financial instruments do not meet the definition of equity for us. The financial liabilities are initially measured at present value of redemption amount and subsequently measured at amortized cost. The fair value for initial recognition represents the present value of the amount expected to be paid to the investors upon redemption which was assumed at the dates of issuance of the financial instruments. Interest expenses of financial instruments issued to investors are charged to finance cost. We have derecognized such financial liabilities since February 2021 and we are not expected to have any additional interest expenses of financial instruments issued to investors going forward.

Current and Deferred Income Tax

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

Current Income Tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the our Company and our subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation, and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. We measure our tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

Deferred Income Tax

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

Deferred tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax assets and liabilities are offset where there is a legally enforceable right to offset current tax assets and liabilities and where the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Current and deferred tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Principal Components of Our Consolidated Statements of Profit or Loss

The following table summarizes our results of operations for the years indicated:

	Year ended December 31,		
	2021	2022	2023
		(RMB in thousand)	
Revenue	592,013	784,444	928,914
Cost of sales	(416,825)	(547,494)	(596,317)
Gross profit	**175,188**	**236,950**	**332,597**
Selling expenses	(75,950)	(48,725)	(65,562)
Administrative expenses	(389,750)	(144,712)	(181,675)
Research and development expenses	(11,869)	(11,483)	(12,844)
Net impairment losses on financial assets	(10,886)	(3,517)	(16,874)
Other income	7,065	7,139	10,753
Other gains — net	8,343	3,297	5,849
Operating (loss)/profit	**(297,859)**	**38,949**	**72,244**
Finance income	1,039	4,730	3,263
Finance costs	(62,170)	(37,338)	(24,791)
Finance costs — net	**(61,131)**	**(32,608)**	**(21,528)**
Share of loss of investments accounted for using the equity method	(3,670)	(5,406)	(5,801)
Impairment losses on investment in the joint venture accounted for using the equity method	–	–	(1,534)
(Loss)/profit before income tax	**(362,660)**	**935**	**43,381**
Income tax expense	(19,300)	(15,993)	(6,807)
(Loss)/profit for the year	**(381,960)**	**(15,058)**	**36,574**
(Loss)/profit for the year attributable to:			
Owners of the Company	(360,731)	364	44,415
Non-controlling interests	(21,229)	(15,422)	(7,841)
	(381,960)	**(15,058)**	**36,574**
Non-IFRS Measures:			
EBITDA	(148,484)	203,126	252,940
Adjusted EBITDA	148,475	212,730	276,362
Adjusted net (loss)/profit	(70,821)	(5,454)	59,996

Non-IFRS Measures

To supplement our consolidated statement of profit or loss which are presented in accordance with IFRS, we also use EBITDA (non-IFRS measure), adjusted EBITDA (non-IFRS measure) and adjusted net (loss)/profit (non-IFRS measure), which are not required by, or presented in accordance with, IFRS.

We believe that these measures provide useful information to investors and others in understanding and evaluating our consolidated statement of profit or loss in the same manner as they help our management. However, our presentation of EBITDA (non-IFRS measure), adjusted EBITDA (non-IFRS measure) and adjusted net (loss)/profit (non-IFRS measure) may not be comparable to similarly titled measures presented by other companies. The use of these non-IFRS measures has limitations as an analytical tool and, as such, they should not be considered in isolation from, or as substitute for analysis of, our consolidated statements of comprehensive income or financial condition as reported under IFRS. In addition, the non-IFRS measures may be defined differently from similar terms used by other companies.

There are two components to the adjusted EBITDA (non-IFRS measure) metric: (1) EBITDA (non-IFRS measure), which we define as profit/loss before income tax plus finance costs, depreciation of property, plant and equipment, depreciation of right-of-use assets and amortization of intangible assets, less finance income; and (2) adjustments to EBITDA (non-IFRS measure), which include items of share-based payments expenses and **[REDACTED]**. These reconciling items are non-cash items and do not result in cash outflow. In particular, we have derecognized financial instruments issued to investors in February 2021. We exclude **[REDACTED]**, as they arose from activities relating to the proposed **[REDACTED]**.

The following table reconciles our EBITDA (non-IFRS measure) and adjusted EBITDA (non-IFRS measure) in accordance with IFRS, our profit/loss before income tax, for the years indicated:

	Year ended December 31,		
	2021	2022	2023
		(RMB in thousand)	
(Loss)/profit before income tax	(362,660)	935	43,381
Add: Finance costs	62,170	37,338	24,791
Add: Depreciation of property, plant and equipment	125,780	139,758	151,545
Add: Depreciation of right-of-use assets	25,790	26,808	33,156
Add: Amortization of intangible assets	1,475	3,017	3,330
Less: Finance income	(1,039)	(4,730)	(3,263)
EBITDA (non-IFRS measure)	**(148,484)**	**203,126**	**252,940**
Add: Share-based payments expenses	291,117	3,215[1]	2,600
Add: **[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Adjusted EBITDA (non-IFRS measure)	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

We define adjusted net (loss)/profit (non-IFRS measure) as (loss)/profit for the year adjusted for items of share-based payments expenses, interest expenses of financial instruments issued to investors and **[REDACTED]**. We adjusted these items for the same reasons as stated in the discussion of adjustments to EBITDA (non-IFRS measure) above. The following table reconciles our adjusted net (loss)/profit (non-IFRS measure) in accordance with IFRS, our (loss)/profit for the year, for the years indicated:

	Year ended December 31,		
	2021	2022	2023
		(RMB in thousand)	
(Loss)/profit for the year	(381,960)	(15,058)	36,574
Add: Share-based payments expenses	291,117	3,215	2,600
Add: Interest expenses of financial instruments issued to investors	14,180	–	–
Add: **[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Adjusted net (loss)/profit (non-IFRS measure)	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**

For details of the interest expenses of financial instruments issued to investors, see "— Critical Accounting Policies, Judgments and Estimates — Financial Instruments Issued to Investors."

Revenue

During the Track Record Period, we generated revenue primarily from three business lines, namely: (i) imaging center services, (ii) imaging solution services and (iii) Rimag Cloud services. See "Business — Our Business Model."

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	%
	(RMB in thousand, except for percentages)					
Imaging center services	442,312	74.7	497,743	63.4	638,074	68.7
— Flagship imaging centers	103,037	17.4	102,968	13.1	133,454	14.4
— Regional collaborative imaging centers	249,792	42.1	270,326	34.4	355,379	38.2
— Specialized medical consortium imaging centers	76,715	13.0	89,300	11.4	109,638	11.8
— Operational management imaging centers	12,768	2.2	35,149	4.5	39,603	4.3
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**

We experienced gradual changes in these three business lines during the Track Record Period.

Imaging Center Services

We operate our imaging center services business via (i) flagship imaging centers, (ii) regional collaborative imaging centers, (iii) specialized medical consortium imaging centers and (iv) operational management imaging centers. The revenue generated from our imaging center services increased in absolute amount during the Track Record Period. The table below sets forth a breakdown of the number of imaging centers in our network 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**

- At our flagship imaging centers, we either provide imaging examination and diagnostic services directly to individual patients and other healthcare consumers with fee income received from those individual patients and other healthcare consumers directly or provide such services to medical institutions and corporations with fee income received from those medical institutions and corporations according to relevant agreements. In 2021, 2022 and 2023, our revenue generated from flagship imaging centers represented 17.4%, 13.1% and 14.4% of our revenue, respectively. The revenue from flagship imaging centers remained stable at RMB103.0 million in 2021 and 2022. The revenue from flagship imaging centers increased from RMB103.0 million in 2022 to RMB133.5 million in 2023, primarily due to (i) the organic growth of our business at our flagship imaging centers and (ii) the fact that our operations of flagship imaging center resumed to the normal level in light of the gradual phasing-out the COVID-19 pandemic since early 2023.

- At our regional collaborative imaging centers, we provide imaging examination and diagnostic services, among other things, to medical institutions to serve their customers, and generate fee income from those medical institutions with reference to fees paid by patients according to relevant agreements. In 2021, 2022 and 2023, our revenue generated from regional collaborative imaging centers represented 42.1%, 34.4% and 38.2% of our revenue, respectively. The revenue from regional collaborative imaging centers experienced continued growth, from RMB249.8 million in 2021 to RMB270.3 million in 2022, despite the adverse impact of the COVID-19 pandemic, primarily because our clients of regional collaborative imaging centers include a large number of public medical institutions that were generally not required to be closed or suspended during the COVID-19 pandemic. The revenue from regional collaborative imaging centers further increased from RMB270.3 million in 2022 to RMB355.4 million in 2023, primarily due to (i) the organic growth of our business at our regional collaborative imaging centers and (ii) a regional collaborative imaging center we newly opened in 2023 that contributed to our increasing patient visits.

- At the specialized medical consortium imaging centers served by us, we provide equipment deployment and infrastructure renovation, as well as operational management services, capitalizing on our industry expertise to imaging departments of medical institutions, and receive service fees from these medical institutions that are either at an operational performance-based rate, or a combination of fixed payments and operational performance-based service fees based on relevant agreements. In 2021, 2022 and 2023, our revenue generated from specialized medical consortium imaging centers represented 13.0%, 11.4% and 11.8% of our revenue, respectively. The revenue from specialized medical consortium imaging centers experienced continued growth, from RMB76.7 million in 2021 to RMB89.3 million in 2022, despite the adverse impact of the COVID-19 pandemic for reasons similar to those in the case of regional collaborative imaging centers. The revenue from specialized medical consortium imaging centers further increased from RMB89.3 million in 2022 to RMB109.6 million in 2023, primarily due to (i) the organic growth of our business at our specialized medical consortium imaging centers and (ii) a number of specialized medical consortium imaging centers we newly opened in 2023 that contributed to our increasing patient visits.

- At the operational management imaging centers served by us, we provide modular operational management services to medical institutions without any need for equipment deployment or infrastructure renovation. We receive service fees from these medical institutions that are either at an operational performance-based rate, or a combination of fixed payments and operational performance-based service fees. The revenue from operational management imaging centers experienced continued growth, from RMB12.8 million in 2021 to RMB35.1 million in 2022, and further increased to RMB39.6 million in 2023, representing 2.2%, 4.5% and 4.3% of our revenue, respectively, which was in line with the increasing number of our operational management imaging centers.

Imaging Solution Services

We transform our core capabilities accumulated through years of operating imaging centers into modular solutions to help medical institutions enhance their operations, service capabilities and medical expertise. Our one-stop imaging solution services mainly include equipment selections, infrastructure renovation, training, repair and maintenance and certain Rimag Cloud-related services. We primarily derive fee income from our imaging solution services provided to the medical institutions that we serve. In 2021, 2022 and 2023, our revenue generated from imaging solution services represented 23.5%, 34.4% and 30.0% of our revenue, respectively.

The amount of revenue generated from our imaging solution services increased from RMB139.3 million in 2021 to RMB269.6 million in 2022 and further increased to RMB278.4 million in 2023. The overall increase in the revenue of our imaging solution services from 2021 to 2023 was primarily due to (i) our increased marketing efforts for this business line in 2022, (ii) the global supply shortage of medical equipment in 2021, which was alleviated in 2022 and 2023 and (iii) an increase in the number of projects of our imaging solution services from 30 in 2021 to 49 in 2023.

Rimag Cloud Services

We offer technical platform services or one-time sales of software to our customers. 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.

In 2021, 2022 and 2023, our revenue generated from Rimag Cloud services represented 1.8%, 2.2% and 1.3% of our revenue, respectively. The revenue from Rimag Cloud services increased from RMB10.4 million in 2021 to RMB17.1 million in 2022, mainly attributable to (i) the revenue of RMB6.2 million from sales of software in 2022, while the revenue from the sales of software was RMB0.05 million in 2021 and (ii) an increase in the number of projects of Rimag Cloud services as we expanded the marketing team and increased marketing efforts for this business line to acquire more market share in 2022. The revenue from Rimag Cloud services decreased from RMB17.1 million in 2022 to RMB12.5 million in 2023, primarily because we mainly focused on the iteration of Rimag Cloud services in 2023, and we were also reviewing our offerings and our business strategies in relation to Rimag Cloud services, such as strategies of attracting new customers to our Rimag Cloud platform once the iteration is completed and better serving the market with upgraded functions.

Cost of Sales

The following table sets forth a breakdown of our cost of sales by nature for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	Amount	%	Amount	%	Amount	%
	(RMB in thousand, except for percentages)					
Trading medical equipment	115,106	27.6	228,332	41.8	228,961	38.4
Raw materials	40,677	9.8	38,185	7.0	39,714	6.7
Employee benefit expenses(1)	63,919	15.3	63,634	11.6	72,812	12.2
Depreciation of property, plant and equipment	124,314	29.8	138,273	25.3	148,776	24.9
Depreciation of right-of-use assets	20,109	4.8	19,680	3.6	25,445	4.3
Amortization of intangible assets	929	0.2	1,334	0.2	1,507	0.3
Repair and maintenance fees	30,289	7.3	38,378	7.0	53,821	9.0
Others	21,482	5.2	19,678	3.5	25,281	4.2
Total	**416,825**	**100.0**	**547,494**	**100.0**	**596,317**	**100.0**

Note:

(1) Employee benefit expenses under cost of sales include share-based payments expenses in relation to our medical professionals involved in our imaging center services, which were RMB1.0 thousand, RMB1.0 thousand and RMB1.0 thousand in 2021, 2022 and 2023, respectively.

Our cost of sales primarily consists of trading medical equipment, employee benefit expenses and depreciation of property, plant and equipment.

Trading medical equipment mainly refers to direct costs incurred for purchasing imaging equipment. Raw materials mainly refer to direct costs incurred for consumables used for imaging examination and diagnostic services, such as medical films, drugs used in nuclear medicine and high-pressure syringes.

Share-based payments expenses under cost of sales are mainly related to our medical professionals involved in our imaging center services, which represent several incentive schemes to reward participants for their contribution to our development. See "Appendix VI — Statutory and General Information — F. Employee Incentive Scheme." Participants in these incentive schemes obtained restricted shares, share awards or restricted share units under the relevant incentive schemes at a consideration lower than the then-assessed fair value, and the transactions were considered as equity-settled share-based payments to employees.

Depreciation of property, plant and equipment mainly relates to medical imaging equipment in our imaging center services.

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

	Year ended December 31,					
	2021		2022		2023	
	Amount	%	Amount	%	Amount	%
	(RMB in thousand, except for percentages)					
Imaging center services	293,975	70.5	308,473	56.4	350,516	58.8
Imaging solution services	116,526	28.0	231,130	42.2	236,034	39.6
Rimag Cloud services	6,324	1.5	7,891	1.4	9,767	1.6
Total	**416,825**	**100.0**	**547,494**	**100.0**	**596,317**	**100.0**

Gross Profit/loss and Gross Margins

The following table sets forth our gross profit/loss in absolute amounts and as a percentage of revenue, or gross margins, for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	Gross profit/(loss)	Gross margin	Gross profit/(loss)	Gross margin	Gross profit	Gross margin
	(RMB in thousand, except for percentages)					
Imaging center services	148,337	33.5	189,270	38.0	287,558	45.1
— Flagship imaging centers	(3,366)	(3.3)	(9,716)	(9.4)	15,078	11.3
— Regional collaborative imaging centers	102,637	41.1	125,111	46.3	182,908	51.5
— Specialized medical consortium imaging centers	42,704	55.7	53,828	60.3	66,518	60.7
— Operational management imaging centers	6,362	49.8	20,047	57.0	23,054	58.2
Imaging solution services	22,726	16.3	38,459	14.3	42,338	15.2
Rimag Cloud services	4,125	39.5	9,221	53.9	2,701	21.7
Total	**175,188**	**29.6**	**236,950**	**30.2**	**332,597**	**35.8**

Our gross profit/loss represents our revenue less our cost of sales. During the Track Record Period, our gross profit increased from RMB175.2 million in 2021 to RMB237.0 million in 2022, and further increased to RMB332.6 million in 2023, at a CAGR of 37.8% which was generally in line with the growth in our revenue. Our gross margin represents our gross profit/loss as a percentage of our revenue. Our gross profit margin was 29.6%, 30.2% and 35.8% in 2021, 2022 and 2023, respectively. Our gross profit margin increased from 29.6% in 2021 to 30.2% in 2022, and further increased to 35.8% in 2023, primarily due to the increase in our revenue during the Track Record Period and the economies of scale we have achieved for imaging center business due to our brand awareness, competitiveness achieved and chain-oriented development.

Imaging Center Services

The gross profit of imaging center services increased from RMB148.3 million in 2021 to RMB189.3 million in 2022, and further increased to RMB287.6 million in 2023, at a CAGR of 39.2% from 2021 to 2023, which was generally in line with the movement of revenue from imaging center services. The gross profit margin of the imaging center services business increased from 33.5% in 2021 to 45.1% in 2023, as a result of (i) the growth in revenue and the volume of examinations of regional collaborative centers and specialized medical consortium imaging centers that drove up the gross margins of these two businesses, given the cost of sales of such businesses did not increase significantly as revenue increased, (ii) the expansion and ramp-up of our specialized medical consortium imaging centers and operational management imaging centers in 2021, 2022 and 2023, which generally have a higher gross profit margin compared to flagship imaging centers and regional collaborative imaging centers, and (iii) the increase in the gross profit margin of our flagship imaging centers, as we have generally achieved economies of scale for our imaging center business due to our brand awareness, competitiveness achieved and chain-oriented development and with the gradual phasing-out of the COVID-19 pandemic since early 2023, our operation has resumed to the normal level in 2023.

Our flagship imaging centers incurred gross loss in 2021 and 2022, primarily because (i) all of our flagship imaging centers opened from 2018 to 2021 are still at ramp-up stage of development, while other centers have developed mature operational models with stable profits, and (ii) our flagship imaging centers were more adversely affected by the COVID-19 pandemic as compared to the other centers, since the other centers generally had normal operations by virtue of the stable cooperations with public medical institutions and thus were less affected by the COVID-19 pandemic, while our flagship imaging centers were required to close or suspend operations during the COVID-19 pandemic. Our flagship imaging centers generated gross profit in 2023 of RMB15.1 million, due to the maturity and operational improvement of our flagship imaging centers in 2023 with the gradual phasing-out of the COVID-19 pandemic.

Imaging Solution Services

The gross profit of imaging solution services increased from RMB22.7 million in 2021 to RMB38.5 million in 2022, and further increased to RMB42.3 million in 2023. The gross profit margin of the imaging solution services decreased from 16.3% in 2021 to 14.3% in 2022, primarily because we set relatively lower prices for such solutions to acquire more market share from medical institutions in 2022 as compared to 2021. The gross profit margin of the imaging solution services remained relatively stable at 14.3% in 2022 and 15.2% 2023, respectively.

Rimag Cloud Services

The gross profit margin of the Rimag Cloud services business fluctuated in 2021, 2022 and 2023, which was 39.5%, 53.9% and 21.7%, respectively. The increase in such gross profit margin in 2022 as compared to 2021 was mainly due to (i) an expansion of our service modules available for offering to customers in 2022, where such new service modules generally had higher gross margins than the existing ones, and (ii) RMB6.2 million of revenue being recorded from the sales of software in 2022, while the revenue from the sales of software was RMB0.05 million in 2021. The decrease in gross profit margin in 2023 as compared to 2022 was mainly because the revenue generated from Rimag Cloud services decreased, while the cost of sales of Rimag Cloud services remained relatively stable.

Selling Expenses

Our selling expenses primarily consist of employee benefit expenses and marketing fees. The following table sets forth a breakdown of our selling expenses for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	Amount	%	Amount	%	Amount	%
	(RMB in thousand, except for percentages)					
Employee benefit expenses[1]	37,583	49.4	13,058	26.8	16,824	25.6
Depreciation of property, plant and equipment	380	0.5	–	–	–	–
Traveling expenses	2,608	3.4	1,385	2.8	3,481	5.3
Office expenses	501	0.7	279	0.6	494	0.8
Entertainment fees	2,302	3.0	2,782	5.7	3,312	5.1
Marketing fees	32,576	43.0	31,221	64.1	41,427	63.2
Others	–	–	–	–	24	0.0
Total	**75,950**	**100.0**	**48,725**	**100.0**	**65,562**	**100.0**

Note:

(1) Employee benefit expenses under selling expenses include share-based payments expenses in relation to our personnel involved in business development and sales and marketing activities, which were RMB28.4 million, RMB17.0 thousand and RMB11.0 thousand in 2021, 2022 and 2023, respectively.

Our employee benefit expenses under selling expenses are mainly related to our personnel involved in business development and sales and marketing activities. Our marketing fees mainly include promotion service fees, advertising fees and conference fees. Our traveling expenses, entertainment fees and office expenses mainly include fees incurred for business trips and hospitality relating to our business development activities.

Research and Development Expenses

Our research and development expenses primarily consist of employee benefit expenses, rent expenses and property fees and traveling expenses. The following table sets forth a breakdown of our research and development expenses for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	Amount	%	Amount	%	Amount	%
	(RMB in thousand, except for percentages)					
Employee benefit expenses[(1)]	11,201	94.3	11,120	96.8	12,160	94.7
Rent expenses and property fees	375	3.2	–	–	–	–
Traveling expenses	166	1.4	182	1.6	362	2.8
Others[(2)]	127	1.1	181	1.6	322	2.5
Total	**11,869**	**100.0**	**11,483**	**100.0**	**12,844**	**100.0**

Notes:

(1) Employment benefit expenses under research and development expenses include share-based payments expenses in relation to our personnel involved in R&D activities and technical supportings, which were RMB3.0 thousand, RMB3.0 thousand and RMB2.0 thousand in 2021, 2022 and 2023, respectively.

(2) Others mainly include depreciation of property, plant and equipment, office expenses, professional service fees and amortization of intangible assets.

Our employee benefit expenses under research and development expenses are mainly related to our personnel involved in R&D activities and technical supportings. Our traveling expenses mainly include fees incurred for business trips by our employees for the purposes of R&D.

Administrative Expenses

Our administrative expenses primarily consist of employee benefit expenses, share-based payments expenses for strategic investors, depreciation of right-of-use assets, traveling expenses, office expenses and entertainment fees. The following table sets forth a breakdown of our administrative expenses for the years indicated:

	Year ended December 31,					
	2021		2022		2023	
	Amount	%	Amount	%	Amount	%
	(RMB in thousand, except for percentages)					
Employee benefit expenses[1]	271,542	69.7	91,797	63.4	99,855	55.0
Share-based payments expenses for strategic investors	67,702	17.4	—	—	—	—
Depreciation of right-of-use assets	5,681	1.5	7,128	4.9	7,711	4.2
Rent expenses and property fees	4,398	1.1	4,626	3.2	5,110	2.8
Traveling expenses	7,142	1.8	6,073	4.2	10,983	6.0
Office expenses	6,452	1.7	7,195	5.0	10,475	5.8
Entertainment fees	7,487	1.9	8,231	5.7	10,624	5.8
Professional service fees	5,719	1.5	3,423	2.4	2,275	1.3
[REDACTED]	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Others[2]	7,785	2.0	9,850	6.8	13,820	7.6
Total	**389,750**	**100.0**	**144,712**	**100.0**	**181,675**	**100.0**

Notes:

(1) Employee benefit expenses under administrative expenses include share-based payments expenses in relation to our personnel involved in administrative activities, which were RMB195.0 million, RMB3.2 million and RMB2.6 million in 2021, 2022 and 2023, respectively.

(2) Others mainly include depreciation of property, plant and equipment, amortization of intangible assets, repair and maintenance fees, electricity and water expenses and audit services.

Our employee benefit expenses under administrative expenses are mainly related to our personnel involved in administrative activities. For details, see note 27 to the Accountant's Report in Appendix I to this document. Our depreciation of right-of-use assets is mainly related to our leased properties for conducting imaging center services. Our professional service fees primarily comprise the service fees we paid to financial advisors, tax advisors and value appraisers engaged by us.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets primarily represent provisions made for impaired trade receivables and other receivables based on expected credit loss. We recorded net impairment losses on financial assets of RMB10.9 million, RMB3.5 million and RMB16.9 million, respectively, in 2021, 2022 and 2023, mainly in relation to the regular provision for expected credit loss based on trade receivables and the regular provision for account receivables impairment loss for certain projects.

Other Income

Our other income primarily consists of government grants and subsidies, interest income of instalment sales and tax refund. The following table sets forth a breakdown of our other income for the years indicated:

	Year ended December 31,		
	2021	2022	2023
		(RMB in thousand)	
Government grants and subsidies	4,128	2,315	4,108
Interest income of installment sales	1,892	2,150	2,778
Tax refund	766	2,189	3,384
Rental income of leasing equipment	279	478	478
Others	–	7	5
Total	**7,065**	**7,139**	**10,753**

Government grants and subsidies mainly included government grants from the local government in Jiangxi province in recognition of our contribution to local economies' development. The government grants and subsidies that we received during the Track Record Period mainly include (i) one-time cash grants and tax rebates by the local government due to the relocation of our headquarter to Nanchang, and (ii) job stability subsidies (穩崗補貼), primarily on the conditions that we maintain a relatively low dismissal rate during specific period. During the Track Record Period, there were no unfulfilled conditions or other contingencies attaching to these government grants.

Interest income of instalment sales mainly represents the interest income realized when the payments in relation to instalment selling are received under our imaging solution services.

Other Gains, Net

Our net other gains primarily consist of (i) net gains on disposal of property, plant and equipment and right-of-use assets in relation to certain property, plant and equipment sold to third-party medical institutions when we cease the operation of certain medical imaging centers, (ii) net losses of the remeasurement during step acquisition, (iii) net gain on disposal of a subsidiary, (iv) net fair value gains on financial assets at fair value through profit or loss and (v) deemed disposal of an associate. The following table sets forth a breakdown of our net other gains for the years indicated:

	Year ended December 31,		
	2021	2022	2023
		(RMB in thousand)	
Net gains on disposal of property, plant and equipment and right-of-use assets	8,356	757	202
Net losses of the remeasurement during step acquisition	(834)	–	–
Net gain on disposal of a subsidiary	–	3,169	1,618
Net fair value gains on financial assets at fair value through profit or loss	–	–	4,548
Deemed disposal of an associate	–	–	118
Others	821	(629)	(637)
Total	**8,343**	**3,297**	**5,849**

Finance Income and Costs

Finance income represents interest income on bank deposits. Finance costs primarily consist of (i) interest expenses of financial instruments issued to investors, (ii) interest expenses on bank borrowings, (iii) interest expenses on other borrowings, and (iv) finance expenses on lease liabilities.

The following table sets forth a breakdown of our finance income and costs for the years indicated:

	Year ended December 31,		
	2021	2022	2023
		(RMB in thousand)	
Finance income			
Interest income on bank deposits	1,039	4,730	3,263

	Year ended December 31,		
	2021	2022	2023
		(RMB in thousand)	
Finance costs			
Interest expenses of financial instruments issued to investors	(14,180)	–	–
Interest expenses on bank borrowings	(4,711)	(5,299)	(4,845)
Interest expenses on other borrowings	(32,379)	(22,754)	(11,552)
Finance expenses on lease liabilities	(11,110)	(9,888)	(8,815)
Amount Capitalised	210	603	421
Total finance costs	**(62,170)**	**(37,338)**	**(24,791)**
Finance costs — net	**(61,131)**	**(32,608)**	**(21,528)**

Share of Loss of Investments Accounted for Using the Equity Method

In 2021, 2022 and 2023, we recorded share of loss of investments accounted for using the equity method of RMB3.7 million, RMB5.4 million and RMB5.8 million, respectively. Such losses reflected our investments in joint ventures and associates and our share of these joint ventures' and associates' results of operations using the equity method of accounting. For details, see note 12 to the Accountant's Report in Appendix I to this document. None of our joint ventures and associates was individually material to our Group during the Track Record Period.

Impairment losses on investment in the joint venture accounted for using the equity method

Impairment losses on investment in the joint venture accounted for using the equity method represents the impairment occurred at the associates and joint ventures invested by us. Based on our overall impairment assessment, when comparing the recoverable amount calculated through discounted cash flow projections with the carrying amount of our investment in the associates and joint ventures, the impairment loss amounted to RMB1.5 million in 2023. For details, see note 12 to the Accountant's Report in Appendix I to this document.

Income Tax Expense

In 2021, 2022 and 2023, our income tax expense was RMB19.3 million, RMB16.0 million and RMB6.8 million, respectively. Our income tax expense in respect of our operations in the PRC was subject to the statutory tax rate of 25% on the assessable profits for the Track Record Period, based on the existing legislation, interpretations and practices in respect thereof. For details, see note 13 in the Accountant's Report in Appendix I to this document.

During the Track Record Period and up to the Latest Practicable Date, we paid all relevant taxes that were due and applicable to us and had no disputes or unresolved tax issues with relevant tax authorities.

(Loss)/Profit for the Year

Notwithstanding that we experienced significant growth in revenue and gross profit in 2021 and 2022, we had loss for the year of RMB382.0 million and RMB15.1 million, respectively, primarily due to (i) the negative impact of the COVID-19 pandemic, which adversely impacted our business operations and financial conditions in 2021 and 2022, (ii) all of our flagship imaging centers opened from 2018 to 2021 being at ramp-up stage of development, incurring gross loss in 2021 and 2022, (iii) the substantial amount of share-based payment expenses and interest expenses of financial instruments issued to investors, both of which we recorded in 2021, and (iv) expenses in relation to the **[REDACTED]** occurred in the same years. We experienced significant growth in revenue and gross profit in 2023 and recorded profit for the year 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 chain-oriented development; and (ii) with the gradual phasing-out of the COVID-19 pandemic since early 2023, our operation has resumed to the normal level in 2023.

Our accumulated losses amounted to RMB499.7 million as of January 1, 2021. We had recorded accumulated losses prior to the beginning of the Track Record Period since our inception in 2014, mainly because (i) we have expanded our medical imaging center network since our inception and incurred substantial costs and expenses before the commencement of operations of new imaging centers, including construction and renovation costs as well as equipment procurement costs; (ii) we have gradually established business lines of imaging solution services and Rimag Cloud services and incurred substantial research and development expenses accordingly; and (iii) newly-opened imaging centers generally have lower income and higher operating costs during the initial stages of their operations than ones with a longer operating history, each of which typically needs time before being able to reach its break-even point and positively contributing to our overall profitability.

Certain statements 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 various 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.

We expect to achieve increases in revenue, gross profit and gross profit margin and record profit in the near 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 profitability will improve along with our business expansion as a result of the economies of scale. Since our fixed costs per imaging center remain relatively stable, any additional revenue generated after reaching the break-even point will result in a higher level of profitability. Therefore, we expect to record profit in the near future. For details, see "Business — Business Sustainability."

Results of Operations

Comparisons Between 2023 and 2022

Revenue

Our revenue increased by 18.4% to RMB928.9 million in 2023 from RMB784.4 million in 2022, primarily due to increases in the revenue from our imaging center services and imaging solution services in 2023, partially offset by a slight decrease in the revenue from our Rimag Cloud services.

–Imaging Center Services

Revenue generated from our imaging center services increased by 28.2% to RMB638.1 million in 2023 from RMB497.7 million in 2022, primarily due to the following:

- revenue from flagship imaging center services increased by 29.6% from RMB103.0 million in 2022 to RMB133.5 million in 2023, mainly because with the gradual phasing-out of the COVID-19 pandemic since early 2023, our operations of flagship imaging center services have resumed to the normal level in 2023 and the volume of examinations increased significantly as compared to 2022;

- revenue from regional collaborative centers increased by 31.5% from RMB270.3 million in 2022 to RMB355.4 million in 2023, mainly due to (i) the organic growth of our business at our regional collaborative imaging centers and (ii) a regional collaborative imaging center we newly opened that contributed to our increasing patient visits in 2023;

- revenue from specialized medical consortium imaging centers increased by 22.8% from RMB89.3 million in 2022 to RMB109.6 million in 2023, mainly due to (i) the organic growth of our business at our specialized medical consortium imaging centers and (ii) a number of specialized medical consortium imaging centers we newly opened in 2023 that contributed to our increasing patient visits; and

- revenue from operational management imaging centers increased by 12.7% from RMB35.1 million in 2022 to RMB39.6 million in 2023, mainly due to (i) the organic growth of our business at our operational management imaging centers and (ii) serveral operational management imaging centers we newly opened in 2023 that contributed to our increasing patient visits.

–Imaging Solution Services

Revenue generated from our imaging solution services remained relatively stable at RMB269.6 million in 2022 and RMB278.4 million in 2023.

–Rimag Cloud Services

Revenue generated from our Rimag Cloud services decreased by 27.1% to RMB12.5 million in 2023 from RMB17.1 million in 2022, primarily because (i) we recorded revenue of RMB6.2 million for the sales of software in 2022 while there was no sales of software in 2023, and (ii) we were reviewing our offerings and our business strategies in relation to Rimag Cloud services to better serve the market.

Cost of sales

Our cost of sales increased by 8.9% to RMB596.3 million in 2023 from RMB547.5 million in 2022, primarily due to (i) increases in the repair and maintenance fees and depreciation of property, plant and equipment, mainly attributable to the additional fixed assets and equipment purchased for the new imaging centers opened in 2023 and (ii) an increase in employee benefit expenses mainly in response to the new imaging centers we opened as we expanded our business in 2023.

Gross Profit and Gross Profit Margins

As a result of the foregoing, our gross profit increased by 40.4% to RMB332.6 million in 2023 from RMB237.0 million in 2022. Our gross profit margin was 30.2% and 35.8% in 2022 and 2023, respectively, primarily due to the following:

−Imaging Center Services

The gross profit margin of our imaging center services increased to 45.1% in 2023 from 38.0% in 2022, primarily due to (i) the maturity and operational improvement of our imaging centers we have achieved in 2023, (ii) the emerging economies of scale for our imaging center business due to our brand awareness, competitiveness achieved and chain-oriented development and (iii) the gradual phasing-out of the COVID-19 pandemic since early 2023.

−Imaging Solution Services

The gross profit margin of our imaging solution services remained relatively stable at 14.3% and 15.2% in 2022 and 2023, respectively.

−Rimag Cloud Services

The gross profit margin of our Rimag Cloud services decreased to 21.7% in 2023 from 53.9% in 2022, mainly because while the revenue generated from Rimag Cloud services decreased, the cost of sales of Rimag Cloud services remained relatively stable as it mainly consist of staff costs.

Selling Expenses

Our selling expenses increased by 34.6% to RMB65.6 million in 2023 from RMB48.7 million in 2022 primarily due to (i) increases in marketing fees driven by our increasing business development activities and offline marketing activities in 2023 after the restrictions in response to the COVID-19 pandemic were generally lifted, and (ii) an increase in expenses in relation to business development, including traveling fees and employee benefit expenses occurred in 2023.

Research and Development Expenses

Our research and development expenses increased by 11.9% to RMB12.8 million in 2023 from RMB11.5 million in 2022 primarily due to an increase in employee benefit expenses as we improved our remuneration structure for our R&D team in 2023.

Administrative Expenses

Our administrative expenses increased by 25.5% to RMB181.7 million in 2023 from RMB144.7 million in 2022, primarily due to (i) an increase in **[REDACTED]**, and (ii) increases in travelling expenses and entertainment fees driven by increasing onsite activities by our management and back-office team in 2023 after the restrictions in response to COVID-19 pandemic were generally lifted.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets was RMB16.9 million in 2023, primarily due to the increase in the balance of the trade receivables as of December 31, 2023.

Other Income

Our other income increased from RMB7.1 million in 2022 to RMB10.8 million in 2023, primarily due to an increase in tax refund and tax benefit pursuant to relevant tax policies in the PRC.

Other Gains, Net

We recorded net other gains of RMB3.3 million in 2022 and RMB5.8 million in 2023, primarily due to (i) changes to financial asset at FVPL (for details, see note 7 in the Accountant's Report in Appendix I to this document), and (ii) our net gains on disposal of property, plant and equipment and right-of-use assets as a result of our disposal of 65% equity interest in Xinbin Rimag in April 2023.

Share of Loss of Investments Accounted for Using the Equity Method

We recorded share of loss of investments accounted for using the equity method of RMB5.8 million in 2023, primarily due to losses at associates and joint ventures in which we invested. For details, see note 12 in the Accountant's Report in Appendix I to this document.

Finance Costs, Net

Our net finance costs decreased by 34.0% from RMB32.6 million in 2022 to RMB21.5 million in 2023, primarily due to the decrease in interest expenses on borrowings because we repaid some bank borrowings and borrowings from financial leasing companies in 2023.

Income Tax Expenses

Our income tax expense decreased by 57.4% from RMB16.0 million in 2022 to RMB6.8 million in 2023, primarily due to (i) the utilization of previously unrecognized tax losses and (ii) an increase in our deferred income tax in 2023. For details, see note 13 in the Accountant's Report in Appendix I to this document.

(Loss)/Profit for the Year

As a result of the foregoing, we recorded loss for the year of RMB15.1 million in 2022 and profit for the year of RMB36.6 million in 2023, respectively.

Comparisons Between 2022 and 2021

Revenue

Our revenue increased by 32.5% to RMB784.4 million in 2022 from RMB592.0 million in 2021, primarily because all of our three business lines experienced revenue growth, particularly our imaging solution services.

–Imaging Center Services

Revenue generated from our imaging center services increased by 12.5% to RMB497.7 million in 2022 from RMB442.3 million in 2021, primarily due to the following:

- revenue from flagship imaging center services was RMB103.0 million in both 2021 and 2022, mainly due to the ramp-up of our existing flagship imaging centers, partially offset by the adverse impact of the COVID-19 pandemic;

- revenue from regional collaborative centers increased by 8.2% from RMB249.8 million in 2021 to RMB270.3 million in 2022, resulting from a significant increase in the revenue from certain existing regional collaborative imaging centers, such as the imaging center in Qiqihar (齊齊哈爾), as the regions where such imaging centers were located were less affected by the COVID-19 pandemic;

- revenue from specialized medical consortium imaging centers increased by 16.4% from RMB76.7 million in 2021 to RMB89.3 million in 2022, mainly due to the organic growth of existing specialized medical consortium imaging centers and five new specialized medical consortium imaging centers that commenced operations in 2022, as the regions where such imaging centers were located were less affected by the COVID-19 pandemic; and

- revenue from operational management imaging centers increased significantly from RMB12.8 million in 2021 to RMB35.1 million in 2022, resulting from an increase in the number of projects we served.

–Imaging Solution Services

Revenue generated from our imaging solution services increased by 93.6% to RMB269.6 million in 2022 from RMB139.3 million in 2021, primarily due to (i) an increase in the market demand for our imaging solution services as well as our marketing efforts for this line, resulting in an increase in the number of the imaging solutions projects we served and (ii) the global supply shortage of medical equipment in 2021, which was alleviated in 2022.

–Rimag Cloud Services

Revenue generated from our Rimag Cloud services increased by 63.8% to RMB17.1 million in 2022 from RMB10.4 million in 2021, primarily due to the growth in the number of projects of Rimag Cloud services in 2022, as we expanded the marketing team and enhanced marketing efforts for this business line to acquire further market share.

Cost of Sales

Our cost of sales increased by 31.4% to RMB547.5 million in 2022 from RMB416.8 million in 2021, which was generally in line with our business growth, primarily due to (i) an increase in trading medical equipment, resulting from an increase in our purchase costs of imaging equipment, which was generally in line with our revenue growth and (ii) an increase in the amount of depreciation of property, plant and equipment, which was mainly attributable to increased fixed assets related to the new imaging centers opened in 2022.

Gross Profit and Gross Margins

As a result of the foregoing, our gross profit increased by 35.3% to RMB237.0 million in 2022 from RMB175.2 million in 2021. Our gross profit margin was 29.6% and 30.2% in 2021 and 2022, respectively, primarily due to increases in the gross profit margins of imaging center services and Rimag Cloud services, partially offset by a decrease in the gross profit margin of imaging solution services.

–Imaging Center Services

The gross profit margin of our imaging center services increased to 38.0% in 2022 from 33.5% in 2021, primarily due to (i) the growth in revenue and the volume of imaging center services of regional collaborative centers, such as the imaging centers in Fuzhou (撫州) and Qiqihar, and specialized medical consortium imaging centers, such as the imaging center in Gengma (耿馬), that drove up the gross profit margins of these two businesses, given the cost of sales of such businesses did not increase significantly as revenue increased, (ii) an increase in the gross profit margin of the operational management imaging centers in 2022 as we offered additional high value-added services, including cloud film, maintenance and training services, to the operational management imaging centers that we started to serve in 2022, partially offset by (iii) an increase in the gross loss margin of flagship imaging centers in 2022, mainly because some of our flagship imaging centers were adversely affected by the COVID-19 pandemic.

–Imaging Solution Services

The gross margin of our imaging solution services decreased to 14.3% in 2022 from 16.3% in 2021, primarily because we accepted relatively lower prices for such solutions to acquire more market share from medical institutions in 2022 as compared to 2021.

–Rimag Cloud Services

The gross margin of our Rimag Cloud services increased to 53.9% in 2022 from 39.5% in 2021, mainly due to (i) an expansion of our service modules available for customers in 2022, where new service modules generally had higher gross margins than the existing ones and (ii) RMB6.2 million of revenue being recorded from the sales of software in 2022, while the revenue from the sales of software was RMB0.05 million in 2021.

In 2022, RMB2.7 million and RMB3.5 million of revenue was generated from the sales of software packages to Jiangxi Junheyun Information Technology Co., Ltd. (江西雋禾雲資訊科技有限公司) and Hunan CNNC Medical Co., Ltd. (湖南中核醫療有限公司), respectively, both of which engage in the R&D and sales of medical software and are Independent Third Parties. The software packages purchased by Jiangxi Junheyun Information Technology Co., Ltd. were specifically designed for People's Hospital of Xinjian District (新建區人民醫院) and Shangrao Maternal and Child Health Hospital (上饒市婦幼保健院), and the software packages purchased by Hunan CNNC Medical Co., Ltd. were specifically designed for the First Hospital of Qiqihar (齊齊哈爾市第一醫院). The aforementioned software packages were based on customers' customized need, as such the sales of which were only occurred in 2022.

Selling Expenses

Our selling expenses decreased by 35.8% to RMB48.7 million in 2022 from RMB76.0 million in 2021 due to an increase in share-based payments expenses for our employees in 2021 led by the 2021 Share Incentive Scheme, which did not occur in 2022.

Research and Development Expenses

Our research and development expenses remained relatively stable at RMB11.9 million and RMB11.5 million in 2021 and 2022, respectively.

Administrative Expenses

Our administrative expenses decreased by 62.9% to RMB144.7 million in 2022 from RMB389.8 million in 2021, primarily due to an increase in share-based payments expenses for our employees in 2021 led by the 2021 Share Incentive Scheme, which did not occur in 2022.

Net Impairment Losses on Financial Assets

Our net impairment losses on financial assets decreased from RMB10.9 million in 2021 to RMB3.5 million in 2022, primarily due to the provision we made for impairment of accounts receivable from certain projects in 2021, while we did not made substantial provision in 2022.

Other Income

Our other income remained stable at RMB7.1 million in both 2021 and 2022.

Other Gains, Net

Our net other gains decreased from RMB8.3 million in 2021 to RMB3.3 million in 2022, primarily due to a decrease in net gains on disposals of property, plant and equipment and right-of-use assets because we disposed of more project assets in 2021 as compared to 2022, partially offset by an increase in net gains on the disposal of a subsidiary in relation to a flagship imaging center in Wuhan in 2022.

Share of Loss of Investments Accounted for Using the Equity Method

We recorded share of loss of investments accounted for using the equity method of RMB5.4 million in 2022, primarily due to losses from an associate in which we invested, which mainly conducts medical imaging services in Shanghai, since it was at the development stage and was not fully put into operation in 2022.

We recorded share of loss of investments accounted for using the equity method of RMB3.7 million in 2021, primarily due to losses from an associate in which we invested, which mainly conducts imaging center related services in Ningde, since it was at the development stage and was not put into operation in 2021, and an associate in which we invested, which mainly conducts electronic component production, due to the adverse impact of the COVID-19 pandemic.

Finance Costs, Net

Our net finance costs decreased by 46.7% from RMB61.1 million in 2021 to RMB32.6 million in 2022, primarily due to (i) the derecognition of the financial instruments issued to investors as financial liabilities for which the redemption rights could be exercised by investors with preferred rights since February 2021, (ii) a decrease in interest expenses on other borrowings, resulting from continual repayments of the due amounts for finance leases and (iii) an increase in interest income resulting from an increase in the balance of cash held in our bank accounts with more favorable interest rates as compared to previous interest rates offered by banks.

Income Tax Expense

Our income tax expense decreased from RMB19.3 million in 2021 to RMB16.0 million in 2022, primarily due to a decrease in tax losses not recognized as deferred tax assets in 2022 and an increase in utilization of previously unrecognized tax losses in 2022.

Loss for the Year

As a result of the foregoing, our loss for the year decreased by 96.1% to RMB15.1 million in 2022 from RMB382.0 million in 2021.

Description of Certain Components of Our Consolidated Statements of Financial Position

The following table sets forth the components of our consolidated statements of financial position as of the dates indicated:

	As of December 31,		
	2021	2022	2023
		(RMB in thousand)	
Non-current assets			
Property, plant and equipment	822,300	766,846	741,122
Right-of-use assets	180,100	122,544	159,904
Intangible assets	30,988	31,976	46,214
Deferred income tax assets	4,680	7,197	24,208
Investments accounted for using the equity method	27,032	26,252	30,760
Prepayments, deposits and other receivables	105,276	217,566	132,887
Financial assets at fair value through other comprehensive income	–	–	4,772
Financial assets at fair value through profit or loss	–	50,341	53,869
Long-term trade receivables	37,604	29,692	58,339
Restricted cash	–	3,765	6,104
Total non-current assets	**1,207,980**	**1,256,179**	**1,258,179**
Current assets			
Inventories	6,952	6,684	5,333
Trade receivables	177,571	263,960	308,796
Long-term trade receivables — current portion	11,552	11,631	23,232
Prepayments, deposits and other receivables	161,670	110,768	86,087
Restricted cash	–	2	2
Cash and cash equivalents	490,007	340,194	188,835
Financial assets at fair value through other comprehensive income	–	–	3,491
Assets classified as held for sale	–	–	4,703
Total current assets	**847,752**	**733,239**	**620,479**
Total assets	**2,055,732**	**1,989,418**	**1,878,658**

	As of December 31,		
	2021	2022	2023
		(RMB in thousand)	
Equity			
Share capital	338,496	338,496	338,496
Paid-in capital	–	–	–
Treasury stock	–	–	–
Reserves	1,423,279	1,426,432	1,401,974
Accumulated losses	(492,622)	(492,258)	(447,843)
Equity attributable to owners of the Company	**1,269,153**	**1,272,670**	**1,292,627**
Non-controlling interests	34,102	43,569	42,487
Total equity	**1,303,255**	**1,316,239**	**1,335,114**
Non-current liabilities			
Borrowings	208,048	165,147	84,966
Lease liabilities	169,505	108,785	136,280
Financial instruments issued to investors	–	–	–
Deferred income tax liabilities	2,375	2,151	4,414
Other non-current liabilities	4,928	–	1,700
Total non-current liabilities	**384,856**	**276,083**	**227,360**
Current liabilities			
Trade payables	27,026	19,264	23,482
Other payables and accruals	64,855	69,532	75,869
Contract liabilities	59,591	69,160	8,959
Current tax liabilities	24,376	29,951	42,662
Borrowings	174,125	187,137	125,042
Lease liabilities	17,648	22,052	39,731
Other non current liability — current portion	–	–	439
Total current liabilities	**367,621**	**397,096**	**316,184**
Total liabilities	**752,477**	**673,179**	**543,544**

Inventories

Our inventories mainly represent raw materials such as medical film and high-pressure syringes.

As of December 31, 2021, 2022 and 2023, the balance of our inventories was RMB7.0 million, RMB6.7 million and RMB5.3 million, respectively. The movements in our inventories during the Track Record Period were in line with our business growth.

The table below sets out our inventory turnover days during the years indicated:

	Year ended December 31,		
	2021	2022	2023
		(days)	
Inventory turnover days[1]	6	5	4

Note:

(1) Inventory turnover days for each year equals the average of the beginning and ending balances of inventories for that year divided by cost of sales for that year and multiplied by 365 days for 2021, 2022 and 2023.

As of March 31, 2024, RMB4.9 million, or approximately 91.2% of our inventories as of December 31, 2023 had been delivered or consumed.

Property, Plant and Equipment

Our property, plant and equipment mainly consists of machinery, construction in progress and leasehold improvements. The table below sets forth the breakdown of the balance of property, plant and equipment by component:

	As of December 31,		
	2021	2022	2023
		(RMB in thousand)	
Machinery	501,119	509,876	537,564
Construction in progress	183,544	153,441	96,921
Leasehold improvements	123,708	92,691	96,929
Electronic equipment	8,312	6,786	6,050
Office furniture and fixtures	5,617	4,052	3,658
Total	**822,300**	**766,846**	**741,122**

As of December 31, 2021, 2022 and 2023, the balance of our property, plant and equipment was RMB822.3 million, RMB766.8 million and RMB741.1 million, respectively. The decrease in the balance of our property, plant and equipment as of December 31, 2022 compared to December 31, 2021 was primarily due to the depreciation, amortization and disposals of property, plant and equipment being higher than the additions in property, plant and equipment in 2022. The decrease in the balance of our property, plant and equipment as of December 31, 2023 compared to December 31, 2022 was primarily due to (i) the depreciation of the property, plant and equipment being higher than the additions in property, plant and equipment in 2023 and (ii) our disposal of 65% equity interest in Xinbin Rimag in April 2023, partially offset by the acquisition of Wenzhou Yiying in August 2023.

Right-of-use assets

Our right-of-use assets are related to imaging equipment that we use in our operations. As of December 31, 2021, 2022 and 2023, the balance of our right-of-use assets was RMB180.1 million, RMB122.5 million and RMB159.9 million, respectively. The decrease as of December 31, 2022 compared to December 31, 2021 was mainly due to our disposal of a flagship imaging center in Wuhan in 2022. The increase in the balance of our right-of-use assets as of December 31, 2023 compared to December 31, 2022 was primarily due to (i) the newly opened imaging centers in Suihua and Xiangtan in April and May 2023 and (ii) the acquisition of Wenzhou Yiying in August 2023.

Intangible assets

Our intangible assets are related to (i) goodwill, (ii) software, (iii) licence and (iv) client relationship. As of December 31, 2021, 2022 and 2023, our intangible assets was RMB31.0 million, RMB32.0 million and RMB46.2 million, respectively. Our intangible assets remained stable as of December 31, 2021 and 2022. Our intangible assets increased by 44.5% from RMB32.0 million as of December 31, 2022 to RMB46.2 million as of December 31, 2023, primarily due to (i) our acquisition of Wenzhou Yiying in August 2023 and (ii) our procurement of office softwares in 2023.

Impairment Tests for non-financial assets

As of December 31, 2021, 2022 and 2023 or whenever a change in circumstances occurs, both internal and external sources of information are considered to assess whether there is an indicator that non-financial assets are impaired, including property, plant and equipment, right-of-use assets, and intangible assets, which are subject to depreciation and amortization.

For the purposes of evaluating and assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets, which was defined as cash-generating units ("**CGUs**"). Therefore, the management considered one imaging center as one CGU which could independently generate cash flows.

We considered there were indicators of impairment of non-financial assets for the loss-making imaging centers which incurred successive losses for more than two years after the trial operation stage (i.e. within two years of their commencement of operations) during the Track Record Period ("**existing loss-making centers**"). For these existing loss-making imaging centers, we have performed impairment test on each CGU basis. We evaluated and assessed annually whether the non-financial assets of existing loss-making centers have suffered any impairment in accordance with the accounting policy stated in Note 2.9 to the Accountant's Report as set out in Appendix I to this document.

We did not identify the indicators of impairment for (i) newly established imaging centers that were still at trial operation stage because they are still in ramp up stage, and (ii) existing imaging centers that incurred losses for less than two consecutive years after their trial operation stage during the Track Record Period, because we considered such temporary loss was caused by one-off impact such as the adverse impacts brought by the COVID-19.

We performed the impairment test for non-financial assets of existing loss-making centers on each CGU basis by comparing its recoverable amounts to its carrying amounts as of December 31, 2021, 2022 and 2023. The recoverable amounts of those CGUs with impairment indicators were determined based on value-in-use calculations.

The value-in-use calculations, being the present value of the future cash flows expected to be derived from these CGUs, use cash flow projections based on business plan for the purpose of impairment reviews. The accuracy and reliability of the information is reasonably assured by the appropriate budgeting, forecast and control process established by us. Meanwhile, management engaged an independent external valuer as management's expert to assist in assessing the recoverable amounts of the non-financial assets of the existing loss-making imaging centers and leveraged their extensive experiences in the healthcare industry and provided forecast based on past performance and their expectation of future business plans and market developments. The values assigned to the key assumptions, including revenue annual growth rate, average gross profit margins and pre-tax discount rates, are consistent with external information sources.

The following table sets out the ranges of key assumptions adopted by management in the impairment assessment on the non-financial assets of existing loss-making centers:

	Year ended December 31,		
	2021	2022	2023
Revenue annual growth rate			
— average of the forecast period	6.8%~18.5%	13.9%~22.4%	6.8%~12.2%
Average gross profit margins	19.3%~45.4%	20.5%~48.8%	38.2%~49.2%
Pre-tax discount rate	14.8%~16.3%	15.1%~16.9%	15.2%~21.1%

Based on the results of the abovementioned assessments as conducted by management and the independent external valuer, our Directors concluded that no impairment loss on the aforementioned non-financial assets of existing loss-making centers are required to be recognized as of December 31, 2021, 2022 and 2023.

Impairment Tests for Goodwill related to Hubei Zhiying

Impairment review on the goodwill with indefinite useful life has been conducted by us as of December 31, 2021, 2022 and 2023, respectively, in accordance with International Accounting Standard 36 "Impairment of assets". We considered that the goodwill is attributable to one cash generating unit ("**CGU**"), which is the CGU for Hubei Zhiying. For the purpose of impairment review, the recoverable amount of the CGU is determined based on the higher amount of the fair value less cost of disposal and value-in-use calculations.

As of December 31, 2021, 2022 and 2023, the recoverable amount of aforementioned CGU was determined based on value-in-use calculations. The value-in-use calculations use cash flow projections based on business plan for the purpose of impairment reviews covering a five-year period. The accuracy and reliability of the information is reasonably assured by the appropriate budgeting, forecast and control process established by the Group. We engaged an independent external valuer to assess the recoverable amounts of the goodwill by leveraging their extensive experiences in the healthcare industry and provided forecast based on past performance and their expectation of future business plans and market developments. The values assigned to the key assumptions and discount rates are consistent with external information sources. As of December 31, 2021, 2022 and 2023, the estimated recoverable amount of approximately RMB33.9 million, RMB32.3 million and RMB53.0 million based on value-in-use calculations exceeded its carrying value by approximately RMB3.5 million, RMB4.2 million and RMB23.8 million, respectively, and we therefore concluded such goodwill was not impaired. We have considered and assessed that any reasonably possible changes in key parameters would not cause the carrying amount of the CGU of Hubei Zhiying exceed its recoverable amount.

For sensitivity analysis conducted during the impairment review as of December 31, 2021, had there been a reduction of the revenue compound annual growth rate of the first five years by 1.6%, a reduction of terminal growth rate by 2.4%, or an increase in pre-tax discount rate by 1.5% in the value-in-use calculations each in isolation, the recoverable amount of the CGU of Hubei Zhiying would be closed to the breakeven point. As of December 31, 2021, had there been a reduction of the revenue annual growth rate of the forecast period by negative 1.0%, a reduction of the terminal growth rate of the forecast period by negative 1.0% or an increase of the pre-tax discount rate of the forecast period by 1.0% each in isolation, the remaining headroom would be decreased to approximately RMB1.2 million, RMB1.9 million and RMB1.1 million, respectively.

For sensitivity analysis conducted during the impairment review as of December 31, 2022, had there been a reduction of the revenue compound annual growth rate of the first five years by 1.6%, a reduction of terminal growth rate by 3.3%, or an increase in pre-tax discount rate by 1.9% in the value-in-use calculations each in isolation, the recoverable amount of the CGU of Hubei Zhiying would be closed to the breakeven point. As of December 31, 2022, had there been a reduction of the revenue annual growth rate of the forecast period by negative 1.0%, a reduction of the terminal growth rate of the forecast period by negative 1.0% or an increase of the pre-tax discount rate of the forecast period by 1.0% each in isolation, the remaining headroom would be decreased to approximately RMB1.6 million, RMB2.7 million and RMB1.9 million, respectively.

For sensitivity analysis conducted during the impairment review as of December 31, 2023, had there been a reduction of the revenue compound annual growth rate of the first five years by 7.4%, a reduction of terminal growth rate by 33.7%, or an increase in pre-tax discount rate by 10.4% in the value-in-use calculations each in isolation, the recoverable amount of the CGU of Hubei Zhiying would be closed to the breakeven point. As of December 31, 2023, had there been a reduction of the revenue annual growth rate of the forecast period by negative 1.0%, a reduction of the terminal growth rate of the forecast period by negative 1.0% or an increase of the pre-tax discount rate of the forecast period by 1.0% each in isolation, the remaining headroom would be decreased to approximately RMB20.2 million, RMB21.3 million and RMB20.3 million, respectively.

Based on the results of the abovementioned assessments as conducted by us and the independent external valuer, our Directors concluded that no impairment loss on the aforementioned goodwill is required to be recognized as of December 31, 2021 and 2022 and 2023.

The following table sets out the key assumptions adopted in the impairment assessment:

	Year ended December 31,		
	2021	**2022**	**2023**
Revenue annual growth rate-average of the forecast period	16.5%	9.2%	2.6%
Average gross profit margins	41.3%	40.5%	49.0%
Long-term growth rate	2.3%	2.0%	2.0%
Pre-tax discount rate	17.4%	18.0%	18.0%

An operational management imaging center was put into operation under Hubei Zhiying in 2022 to meet the patients' demand in Hubei, contributing to the high revenue annual growth rate of Hubei Zhiying for the year of 2022 and leading to the fluctuation in the revenue annual growth rate, which we took into consideration for the profit forecast. The revenue of Hubei Zhiying in 2021 was relatively low, which increased significantly in 2022, resulting in a relatively high revenue annual growth rate of the profit forecast in 2021 and a relatively low revenue annual growth rate of the profit forecast in 2022.

Based on the results of the assessments as conducted by us and the independent external valuer, our Directors are of the view that no impairment loss on the goodwill shall be recognized as of December 31, 2021, 2022 and 2023.

Trade Receivables and Long-term Trade Receivables

Our trade receivables and long-term trade receivables primarily represent amounts due from third-party customers for services performed in the ordinary course of business. The following table sets forth our trade receivables as of the dates indicated:

	As of December 31,		
	2021	2022	2023
		(RMB in thousand)	
Current			
Trade receivables			
— due from third parties	192,766	256,760	333,720
— due from related parties	1,451	27,811	2,666
	194,217	284,571	336,386
Less: Provision for impairment	(16,646)	(20,611)	(27,590)
	177,571	263,960	308,796
Long-term trade receivables — current portion			
— due from third parties	11,927	11,927	25,533
— due from related parties	–	–	3,161
Less: Provision for impairment	(375)	(296)	(5,462)
	11,552	11,631	23,232
Non current			
Long-term trade receivables[1]			
— due from third parties	38,882	30,567	43,086
— due from related parties	–	–	20,696
Less: Provision for impairment	(1,278)	(875)	(5,443)
	37,604	29,692	58,339
Total	**226,727**	**305,283**	**390,367**

Note:

(1) The long-term trade receivables mainly represent trade receivables in relation to installment selling under our imaging solution services, according to relevant service agreements we entered into with our hospital customers.

As of December 31, 2021, 2022 and 2023, our trade receivables and long-term trade receivables were RMB226.7 million, RMB305.3 million and RMB390.4 million, respectively. The increase in our trade receivables and long-term trade receivables as of December 31, 2021, 2022 and 2023 were generally in line with our revenue growth.

The credit terms given to trade customers vary depending on the business lines and are determined on an individual basis. As of December 31, 2021, 2022 and 2023, the ageing analysis of our trade receivables based on invoice date is as follows:

	As of December 31,		
	2021	2022	2023
		(RMB in thousand)	
Up to 1 year	171,751	233,162	294,015
1 to 2 years	22,466	36,413	29,545
2 to 3 years	–	14,996	12,470
Over 3 years	–	–	356
Total	**194,217**	**284,571**	**336,386**

As of December 31, 2021, 2022 and 2023, the ageing analysis of our trade receivables based on due date is as follows:

	As of December 31,		
	2021	2022	2023
		(RMB in thousand)	
Within credit term	128,873	179,176	188,849
Up to 1 year	53,415	78,245	108,661
1 to 2 years	11,929	15,852	28,634
2 to 3 years	–	11,298	10,219
Over 3 years	–	–	23
Total	**194,217**	**284,571**	**336,386**

As of December 31, 2021, 2022 and 2023, the ageing analysis of the long-term trade receivables based on invoice date is as follows:

	As of December 31,		
	2021	**2022**	**2023**
		(RMB in thousand)	
Up to 1 year	30,366	–	40,382
1 to 2 years	16,221	26,540	17,377
2 to 3 years	4,222	12,211	30,740
Over 3 years	–	3,743	3,977
Total	**50,809**	**42,494**	**92,476**

As of December 31, 2021, 2022 and 2023, the ageing analysis of our long-term trade receivables based on due date is as follows:

	As of December 31,		
	2021	**2022**	**2023**
		(RMB in thousand)	
Within credit term	47,121	34,943	79,127
Up to 1 year	3,688	6,851	11,170
1 to 2 years	–	700	2,179
Total	**50,809**	**42,494**	**92,476**

The ageing analysis of our trade receivables and long-term trade receivables based on invoice date by customer type is as follows:

	As of December 31, 2021				
	Up to 1 year	**1 to 2 year**	**2 to 3 years**	**3 to 4 years**	**Total**
			(RMB in thousand)		
Public medical institutions[(1)]	180,249	28,381	4,222	–	**212,852**
Non-public medical institutions[(2)]	20,372	10,299	–	–	**30,671**
Individual customers	690	–	–	–	**690**
Intermediaries	–	–	–	–	**–**
Others[(3)]	806	7	–	–	**813**
Total	**202,117**	**38,687**	**4,222**	**–**	**245,026**

	As of December 31, 2022				
	Up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	Total
			(RMB in thousand)		
Public medical institutions[1]	152,727	52,966	20,020	3,743	**229,456**
Non-public medical institutions[2]	67,615	9,960	7,180	–	**84,755**
Individual customers	822	–	–	–	**822**
Intermediaries	9,362	–	–	–	**9,362**
Others[3]	2,636	27	7	–	**2,670**
Total	**233,162**	**62,953**	**27,207**	**3,743**	**327,065**

	As of December 31, 2023				
	Up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	Total
			(RMB in thousand)		
Public medical institutions[1]	261,666	23,691	36,569	4,334	**326,260**
Non-public medical institutions[2]	50,221	18,692	6,615	–	**75,528**
Individual customers	811	–	–	–	**811**
Intermediaries	17,600	2,750	–	–	**20,350**
Others[3]	4,099	1,788	26	–	**5,913**
Total	**334,397**	**46,921**	**43,210**	**4,334**	**428,862**

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.

As of December 31, 2023, our trade receivables and long-term trade receivables was RMB428.9 million, of which RMB160.9 million was overdue, representing 37.5% of our total trade receivables and long-term trade receivables. As of December 31, 2023, we had made provisions of RMB38.5 million in relation to our total trade receivables and long-term trade receivables. We generally review our recoverability of trade receivables and long-term trade receivables by taking into account factors including but not limited to (i) the on-going business performance and financial condition of our customers, (ii) the expected business performance and financial condition of our customers in the near future, (iii) the shareholding background of our customers, relevant credit supporting and their plan to settle the corresponding trade receivables and long-term trade receivables, and (iv) the negotiation results with the relevant customers. We may make relevant provisions of expected credit losses as necessary. We engaged an independent external valuer to assess the recoverable amounts of total trade receivables and long-term trade receivables as of December 31, 2021, 2022 and 2023, respectively, and we have made relevant provisions as advised by the independent external valuer in each corresponding year. In addition, historically, there were limited occasions where we made individually impaired provisions as a result of customers' non-repayment with extremely low willingness to repay. Furthermore, for the trade receivables and long-term trade receivables remained overdue as of December 31, 2023, we have arranged relevant discussions and communications with certain customers regarding their plans to settle relevant late payments and most of which have confirmed that they would settle the relevant late payments pursuant to relevant payment schedule agreed between us and those customers. As such, we believe that we have made sufficient provisions in relation to our total trade receivables and long-term trade receivables. As of March 31, 2024, RMB101.4 million, or approximately 23.6% of our trade receivables and long-term trade receivables as of December 31, 2023 had been settled. Based on the above, we believe that there is no recoverability issue in relation to trade receivables and long-term trade receivables that could have a material adverse effect on our business operations.

During the Track Record Period, most of our trade receivables were outstanding for less than one year. The following table sets forth the turnover days of our trade receivables, including: (i) trade receivables; (ii) long-term trade receivables — current portion; and (iii) long-term trade receivables, for the years indicated:

	Year ended December 31,		
	2021	2022	2023
		(days)	
Trade receivables turnover days[1]	125	124	137

Note:

(1) Trade receivables turnover days equal the average of the opening and closing balances of trade receivables, including: (i) trade receivables; (ii) long-term trade receivables — current portion; and (iii) long-term trade receivables, divided by total revenue for the same year and multiplied by 365 days for 2021, 2022 and 2023.

Our trade receivables turnover days remained relatively stable at 125 in 2021 and 124 and 2022, respectively. Our trade receivables turnover days increased from 124 in 2022 to 137 in 2023, due to an increase in the amount of our total trade receivables as of December 31, 2023 primarily because some outstanding trade receivables had not reached their due date by the end of 2023.

Prepayments, Deposits and Other Receivables

Our prepayments, deposits and other receivables primarily comprise (i) deposits, (ii) prepayment to suppliers, and (iii) prepayments for purchase of property, plant and equipment. The following table sets forth our prepayments, deposits and other receivables as of the dates indicated:

	As of December 31,		
	2021	2022	2023
		(RMB in thousand)	
Included in non-current assets			
Other receivables			
Deposits — non-current portion[1]	40,603	37,777	14,839
Less: provision for impairment	(587)	(579)	(740)
Loans to related party	–	–	3,450
Receivables from disposal of subsidiaries	–	–	9,302
	40,016	37,198	26,851
Prepayments			
Prepayments for equity investments	–	23,100	600
Prepayments for purchase of property, plant and equipment	38,208	135,834	87,970
Deductible value-added tax input	25,001	19,185	15,309
Prepayments for intangible assets	2,051	2,249	2,157
	65,260	180,368	106,036
Total	105,276	217,566	132,887
Included in current assets			
Other receivables			
Other receivables from related parties	–	–	236
Deposits-current portion[1]	19,663	15,426	23,465
Advances to employees	1,342	1,816	618
Loans to a third party	–	3,600	–
Receivables from disposal of subsidiaries	–	–	2,360
Others	438	458	829
	21,443	21,300	27,508
Less: provision for impairment	(38)	(80)	(80)
	21,405	21,220	27,428

	As of December 31,		
	2021	2022	2023
		(RMB in thousand)	
Prepayments			
Prepayment to a related party	24,700	4,546	3,240
Prepayment to suppliers(2)	61,665	53,774	5,217
Deductible value-added tax input(3)	36,851	14,273	23,601
Prepayment for **[REDACTED]**	**[REDACTED]**	**[REDACTED]**	**[REDACTED]**
Prepaid expenses	13,224	11,248	13,590
	140,265	89,548	58,659
Total	161,670	110,768	86,087

Notes:

(1) Deposits mainly represent security deposits for our borrowings from financial leasing companies, rental of buildings and the bidding.

(2) Prepayment to suppliers mainly represents advance payments to vendors to purchase raw material and machinery for the business.

(3) Input VAT to be deducted is mainly input VAT arising from the acquisition of property, plant and equipment, intangible assets and materials. According to the Announcement of the General Administration of Taxation and Customs of the Ministry of Finance on Policies for Deepening the Reform of Value-Added Tax (Announcement of the General Administration of Taxation and Customs of the Ministry of Finance, (2019) No. 39) (《財政部稅務總局海關總署關於深化增值稅改革有關政策的公告》(財政部稅務總局海關總署公告2019年第39號)), enterprises with value-added tax recoverable balances can, starting from April 1, 2019, apply for the refund with a percentage of 10% of the current deductible input tax.

We granted a loan to the Shanghai Zhengying Medical Imaging Diagnosis Center Co., Ltd. (上海正影醫學影像診斷中心有限公司) ("**Shanghai Zhengying**") in 2023. The principal of the loan was RMB3.45 million, which was fully granted in August 2023, bearing an effective interest rate of 5.0% per annum, and will be fully repayable in 2025. The purpose of the loan is to support Shanghai Zhengying's imaging center business operations. To measure the expected credit losses, the receivables have been individually assessed on credit risk characteristics. Based on the on-going business performance and financial conditions of Shanghai Zhengying and the analysis prepared by the independent valuer, we have made provisions of RMB12.0 thousand as expected credit losses as of December 31, 2023. As of the Latest Practicable Date, we believe that there was no material recoverability issue with respect to the remaining amount of the loan, because (i) the loan agreement expressly sets out our rights and Shanghai Zhengying's obligations, and (ii) Shanghai Zhengying is an associate of our Company in which we hold 15.0% equity interest. We had no plan to grant any further loan to Shanghai Zhengying or any other related parties. As advised by our PRC Legal Advisor, such loan arrangement between us and Shanghai Zhengying does not violate the currently effective mandatory laws and regulations of the PRC based on the following:

(i) According to the General Lending Provisions (《貸款通則》), an administrative regulation promulgated by the PBOC in 1996, only financial institutions may legally engage in the business of extending loans, and enterprises shall not engage in lending or disguised lending and financing businesses in violation of laws and regulations. According to the PBOC's response to the inquiry on the PBOC headquarters' website, it was confirmed that the General Lending Provisions regulate lending behaviors between a borrower and a lender (which, according to the General Lending Provisions, refers to a Chinese-invested financial institution lawfully established in the PRC that is engaged in the loan business), and the loan arrangement described in the inquiry (where a private company using its own funds to support its business partners while receiving compensation in return) does not constitute behaviors regulated under the General Lending Provisions.

(ii) According to the Provisions of the Supreme People's Court on Several Issues concerning the Application of Law in the Trial of Private Lending Cases (《最高人民法院關於審理民間借貸案件適用法律若干問題的規定》) (the "**Judicial Interpretations on Private Lending Cases**") promulgated on August 6, 2015, last revised on December 29, 2020 and effective on January 1, 2021, in terms of a private lending contract concluded between legal persons or non-legal-person organizations or between a legal person and a non-legal-person organization for their production and operational need with interest rates that do not exceed four times the market interest rate for loans with a maturity of one year or less at the conclusion of the contract, except under any of the circumstances as prescribed in Articles 146, 153 and 154 of the Civil Code of the PRC and Article 13 thereof, relevant people's court shall recognize the validity of the private lending contract.

(iii) The facts that (a) the loan arrangement is made for the purpose of Shanghai Zhengying's imaging center business operations, and we do not conduct the loan arrangement as a money-lending business, (b) the loan arrangement did not involve the circumstances as set forth in Articles 146, 153 and 154 of the Civil Code of the PRC or Article 13 of the Judicial Interpretations on Private Lending Cases, (c) the interest rates of the loan arrangement did not exceed four times the market interest rate for loans with a maturity of one year or less at the conclusion of the contract.

(iv) As of the Latest Practicable Date, we had not been subject to any administrative penalties, investigations, enforcement actions or received any notice from any regulatory authority as a result of the loan arrangement with Shanghai Zhengying.

We granted a loan to the Wenzhou Yiying Health Clinic Hospital Co., Ltd. (溫州頤影健診醫院有限公司) ("**Wenzhou Yiying**") in 2022 as part of the acquisition transaction in relation to Wenzhou Yiying. We entered into a share transfer agreement on September 28, 2022 with Wenzhou Yiying Health Clinic Hospital Co., Ltd. (溫州頤影健診醫院有限公司) (the "**Wenzhou Yiying Vendor**"), pursuant to which we agreed to acquire 60% equity interest in Wenzhou Yiying from the Wenzhou Yiying Vendor at a consideration of RMB26.4 million (the "**Acquisition of Wenzhou Yiying**"), with the remaining equity interest being held by the Wenzhou Yiying Vendor. Wenzhou Yiying is a company incorporated in the PRC primarily engaged in the provision of medical imaging and diagnostic service in Zhejiang Province. As part of the Acquisition of Wenzhou Yiying, we granted a loan to Wenzhou Yiying. The principal of the loan was RMB3.6 million, which was fully granted on December 15, 2022 on an interest-free basis for a period of 12 months and the purpose of the loan is to fund the Wenzhou Yiying's working capital, mainly to purchase PET-CT equipment. As of the Latest Practicable Date, the Acquisition of Wenzhou Yiying had been fully completed and we had no plan to grant any further loan to the Wenzhou Yiying or any other third parties.

As of December 31, 2021, 2022 and 2023, our prepayments, deposits and other receivables were RMB266.9 million, RMB328.3 million and RMB219.0 million, respectively. The increase in our prepayments, deposits and other receivables as of December 31, 2022 compared to December 31, 2021 was primarily due to an increase in prepayments for purchase of property, plant and equipment as a result of our procurement projects for the construction of imaging centers. The decrease in our prepayments, deposits and other receivables as of December 31, 2023 compared to December 31, 2022 was primarily due to (i) the decrease in prepayments for purchase of property, plant and equipment, (ii) the decrease in prepayment to suppliers, because our procurement projects for imaging centers were completed in 2023 and the relevant prepayment for equipment were accounted as assets or construction in progress and the advance payment to vendors to purchase raw material and machinery for the business decreased correspondingly.

Financial assets at FVPL

The financial asset at FVPL was generated from the disposal of the equity interest in Wuhan Rimag in 2022. For details of the disposal of Wuhan Rimag, see "Business — Imaging Center Services — Overview."

On September 28, 2022, we entered into an equity transfer agreement with Shangyi Bangkang Hospital Management Co., Ltd. ("**Bangkang**"), a related party of the non-controlling shareholder which then held 40% equity interest in Wuhan Rimag. Established in September 2016, Bangkang has been primarily engaging in health management and medical services in Wuhan. Mr. LI Xinyun, the ultimate beneficial owner of Bangkang, is also the director of Yichang Rimag Medical Imaging Diagnosis Center Co., Ltd., one of our subsidiaries. Bangkang was renamed Youyihui Hospital Management (Hubei) Group Co., Ltd. in March 2023.

Pursuant to the equity transfer agreement, we agreed to dispose of our entire 60% equity interest in Wuhan Rimag to Bangkang. In addition, Mr. LI Xinyun provided credit support in forms of asset-based mortgages of two properties with joint and several liability for the repayment arrangement as below.

Wuhan Rimag originally had an amount of RMB121.7 million due to us, while at the time of the disposal, Wuhan Rimag recorded net liabilities and had limited capacity to repay the due amount prior to the disposal. We engaged an independent appraiser for Wuhan Rimag's business and the expected recoverability of the due amount. The consideration of the equity transfer and the repayment arrangement by Wuhan Rimag were determined by taking reference to Wuhan Rimag's financial condition at the time of the disposal and its expected business performance in the future.

We agreed that Wuhan Rimag shall settle the due amount by the following repayment arrangement: upon completion of the equity transfer, Wuhan Rimag shall repay RMB41.1 million immediately and RMB25.6 million over the following 10 years, in addition, Wuhan Rimag should continue to pay us at the amount of certain percentages of its annual sales over the following 10 years. Given the total cash flow from the above payment would vary according to future sales, it is accounted for as financial asset at FVPL excluding the first repayment of RMB41.1 million, the fair value of the remaining repayment schedule is RMB50.3 million. The sum of the first repayment and fair value of the remaining payment schedule was RMB91.4 million, which shall be regarded as the consideration for the equity transfer.

For detailed information on the financial asset at FVPL, please refer to note 11(b) in the Accountant's Report in Appendix I to this document, and for fair value measurement of financial instruments, please refer to note 3.3(e) to the Accountant's Report in Appendix I to this document.

We will comply with the appropriate disclosure requirements under the Chapter 14 of the Listing Rules in relation to the financial assets at FVPL.

Trade Payables

Our trade payables represent obligations to pay for goods or services that have been acquired by us in the ordinary course of business from suppliers. The following table sets forth an ageing analysis of our trade payables as of the dates indicated:

	As of December 31,		
	2021	**2022**	**2023**
		(RMB in thousand)	
Within 1 year	24,187	16,549	20,018
1-2 years	2,753	1,093	2,692
2-3 years	86	1,536	–
Over 3 years	–	86	772
Total	**27,026**	**19,264**	**23,482**

As of March 31, 2024, RMB14.7 million, or approximately 62.6% of our trade payables as of December 31, 2023 had been settled.

As of December 31, 2021, 2022 and 2023, our trade payables were RMB27.0 million, RMB19.3 million and RMB23.5 million, respectively. The decrease in our trade payables from December 31, 2021 to 2022 was primarily because we made more advance payments to imaging equipment suppliers in 2021 as compared to 2022. The increase in our trade payables as of December 31, 2023 compared to December 31, 2022 was mainly in line with our revenue growth.

The following table sets forth the turnover days of our trade payables for the years indicated:

	Year ended December 31,		
	2021	**2022**	**2023**
		(days)	
Trade payables turnover days[(1)]	26	15	13

Note:

(1) Trade payables turnover days equal the average of the opening and closing balances of trade payables divided by total cost of sales for the same year and multiplied by 365 days for 2021, 2022 and 2023.

Our trade and other payables turnover days decreased from 26 in 2021 to 15 in 2022, and further decreased to 13 in 2023, primarily due to a continual increase in the revenue of our imaging solution services, while its turnover days were generally lower than our other business lines.

Contract Liabilities

Our contract liabilities represent prepayments we received from imaging center services, imaging solution services and Rimag Cloud services. We have recognized the following contract liabilities as of the dates indicated:

	As of December 31,		
	2021	2022	2023
		(RMB in thousand)	
Contract liabilities related to imaging center services	1,770	5,038	3,492
Contract liabilities related to imaging solution services	57,821	63,793	5,139
Contract liabilities related to Rimag Cloud services	–	329	328
Total	**59,591**	**69,160**	**8,959**

As of December 31, 2021, 2022 and 2023, our contract liabilities were RMB59.6 million, RMB69.2 million and RMB9.0 million, respectively. The increase in our contract liabilities as of December 31, 2022 as compared to December 31, 2021 was primarily due to an increase in contract liabilities related to imaging solution services resulting from increases in prepayments received under this business line. The decrease in our contract liabilities as of December 31, 2023 as compared to December 31, 2022 was primarily because we recognized revenue for the relevant imaging solution projects.

Net Current Assets

The following table sets forth the components of our current assets and liabilities as of the dates indicated:

	As of December 31,			As of March 31,
	2021	2022	2023	2024
	(RMB in thousand)			
				(Unaudited)
Current assets				
Inventories	6,952	6,684	5,333	6,832
Long-term trade receivables	11,552	11,631	23,232	23,277
Trade receivables	177,571	263,960	308,796	355,519
Prepayments, deposits and other receivables	161,670	110,768	86,087	91,419
Restricted cash	–	2	2	–
Cash and cash equivalents	490,007	340,194	188,835	149,926
Financial assets at fair value through other comprehensive income	–	–	3,491	3,491
Assets classified as held for sale	–	–	4,703	4,703
Total current assets	**847,752**	**733,239**	**620,479**	**635,167**
Current liabilities				
Trade payables	27,026	19,264	23,482	36,631
Other payables and accruals	64,855	69,532	75,869	50,751
Contract liabilities	59,591	69,160	8,959	19,712
Current tax liabilities	24,376	29,951	42,662	42,004
Borrowings	174,125	187,137	125,042	126,693
Lease liabilities	17,648	22,052	39,731	50,202
Other non current liability — current portion	–	–	439	439
Total current liabilities	**367,621**	**397,096**	**316,184**	**326,432**
Net current assets[1]	**480,131**	**336,143**	**304,295**	**308,735**
Net assets[2]	**1,303,255**	**1,316,239**	**1,335,114**	**1,337,697**

Notes:

(1) Net current assets equal total current assets less total current liabilities as of the dates indicated.

(2) Net assets equal total assets less total liabilities as of the dates indicated.

We had net current assets of RMB308.7 million as of March 31, 2024 compared to net current assets of RMB304.3 million as of December 31, 2023, primarily due to (i) an increase in trade receivables generally in line with our business growth, partially offset by (ii) a decrease in cash and cash equivalents mainly as we used cash for the purchase of equipment for our imaging centers.

We had net current assets of RMB304.3 million as of December 31, 2023 compared to net current assets of RMB336.1 million as of December 31, 2022, primarily due to (i) a decrease in cash and cash equivalents as we repaid some bank borrowings and borrowings to financial leasing companies, (ii) a decrease in prepayments, deposits and other receivables primarily as a result of the decrease in prepayment to suppliers, partially offset by (iii) an increase in trade receivables as a result of the increase in trade receivables due from third parties, (iv) a decrease in contract liabilities related to imaging solution services, (v) an decrease in borrowings as we repaid some bank borrowings and borrowings to financial leasing companies.

We had net current assets of RMB336.1 million as of December 31, 2022 compared to net current assets of RMB480.1 million as of December 31, 2021, primarily due to (i) a decrease in cash and cash equivalents, mainly due to an increase in repayment of debt and capital expenditures, and (ii) an increase in borrowings, mainly as a result of an increase in the balances of bank loans and borrowings from financial leasing companies to meet the needs of our business growth, partially offset by (iii) an increase in trade receivables generally in line with our business growth.

Our net assets remained relatively stable at RMB1,337.7 million as of March 31, 2024 and RMB1,335.1 million as of December 31, 2023.

We had net assets of RMB1,335.1 million as of December 31, 2023 compared to net assets of RMB1,316.2 million as of December 31, 2022, primarily due to (i) profit for the year of RMB36.6 million, (ii) capital injection of RMB3.6 million from non-controlling interests, (iii) share-based payments for our employees of RMB2.6 million, partially offset by (iii) transactions with non-controlling interests of RMB39.7 million.

We had net assets of RMB1,316.2 million as of December 31, 2022 compared to net assets of RMB1,303.3 million as of December 31, 2021, primarily due to (i) the disposal of subsidiaries of RMB22.3 million, (ii) capital injection of RMB3.7 million, (iii) share-based payments expenses for our employees of RMB3.2 million, and partially offset by (iv) loss for the year of RMB15.1 million in 2022 and (v) dividend distribution of RMB1.2 million.

Indebtedness

The table below sets forth some details of our indebtedness as of the dates indicated:

	As of December 31,			As of March 31,
	2021	2022	2023	2024
		(RMB in thousand)		
				(Unaudited)
Current				
Borrowings	174,125	187,137	125,042	126,693
Lease liabilities	17,648	22,052	39,731	50,202
Non-trade other payables to related parties	5,436	5,945	13	–
Non-current				
Borrowings	208,048	165,147	84,966	113,425
Lease liabilities	169,505	108,785	136,280	116,294
Total indebtedness	**574,762**	**489,066**	**386,032**	**406,614**

Our Directors confirm that as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenant during the Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that our Group did not experience any difficulty in obtaining credit facilities or other borrowings, default in payment of credit facilities or other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Save as disclosed in the table above, we did not have any material mortgages, charges, debentures, loan capital, debt securities, loans, bank overdrafts or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances (other than normal trade bills), acceptance credits, which are either guaranteed, unguaranteed, secured or unsecured, or guarantees or other contingent liabilities as of the Latest Practicable Date. Our Directors confirm that there has not been any material change in our indebtedness since the Latest Practicable Date up to the date of this document.

Borrowings

The table below sets forth some details of our borrowings as of the dates indicated:

	As of December 31,			As of March 31,
	2021	2022	2023	2024
	(RMB in thousand)			
				(Unaudited)
Non-current:				
Long-term bank borrowings	45,311	80,073	55,904	56,884
Loans from financial leasing companies	291,033	228,211	130,302	160,417
Less: Current portion of long-term bank borrowings	(15,587)	(35,990)	(28,324)	(25,646)
Current portion of loans from financial leasing companies	(112,709)	(107,147)	(72,916)	(78,230)
	208,048	**165,147**	**84,966**	**113,425**
Current:				
Short-term bank borrowings	45,000	44,000	23,280	22,280
Current portion of long-term bank borrowings	15,587	35,990	28,324	25,646
Current portion of loans from financial leasing companies	112,709	107,147	72,916	78,230
Loans from a third party	829	–	522	537
	174,125	**187,137**	**125,042**	**126,693**
Total borrowings	**382,173**	**352,284**	**210,008**	**240,118**

As of December 31, 2021, 2022 and 2023 and March 31, 2024, the aggregate balance of our borrowings was RMB382.2 million, RMB352.3 million, RMB210.0 million and RMB240.1 million, respectively. As of March 31, 2024, all of our borrowings had been fully drawdown, and there was no unutilized loan facilities from banks or financial leasing companies.

As of March 31, 2024, bank borrowings of RMB35.4 million were guaranteed by an employee of our Company. According to the relevant banks' internal policies in relation to granting facilities to private companies, it is a compulsory requirement to have a personal guarantee as a form of credit support. We and the relevant banks believe that the aforementioned employee, being our shareholder and a member of our senior management, has appropriate capacity to provide such credit support, who was willing to facilitate those transactions. As of the Latest Practicable Date, other than being our shareholder and a vice president of our internet hospital, the aforementioned employee was not the family member (as defined under Rule 14A.12(2)(a) of the Listing Rules) and had no employment, business, financing or other relationship with our Company and our subsidiaries, their current shareholders, directors, senior management or any of their respective associates, and there was no side agreements or arrangements among the shareholders, our Company, our subsidiaries, their shareholders, directors, senior management or any of their respective associates, with respect to those bank borrowings guaranteed by such employee. Our Directors believe that the aforementioned bank borrowings will not materially and adversely affect our financial condition or results of operations because (i) we have sufficient net cash generated from operating activities, bank borrowings, finance leases and equity financing to fund our working capital, (ii) as of March 31, 2024, we had cash and cash equivalent amounted to RMB149.9 million, and (iii) during the period from January 1, 2024 to the Latest Practicable Date, we have obtained facilities from a bank of RMB10.0 million and a financing company of RMB40 million without relying on any personal guarantee granted by any employee or shareholder of us. The aforementioned guarantees will be released, or the corresponding bank borrowings will be fully repaid, within six months after the **[REDACTED]**.

Our bank borrowings agreements contain standard terms, conditions and covenants that are customary for commercial bank loans. As of the Latest Practicable Date, the agreements under our borrowings did not contain any covenant that would have a material adverse effect on our ability to make additional borrowings or issue debt or equity securities in the future. For details, see note 31 to the Accountant's Report in Appendix I to this document.

Lease Liabilities

Our lease liabilities primarily arise from leases of certain office and imaging centers properties from third parties. As of December 31, 2021, 2022 and 2023 and March 31, 2024, the aggregate balance of our lease liabilities was RMB187.2 million, RMB130.8 million, RMB176.0 million and RMB166.5 million, respectively.

Contingent Liabilities

As of December 31, 2023, we did not have any material contingent liabilities, guarantees, legal, arbitration or administrative proceedings that were expected to materially and adversely affect our financial condition or results of operations, although there can be no assurance that this will be the case in the future. Our Directors confirm that there has been no material change in our contingent liabilities since December 31, 2023 to the date of this document.

Liquidity and Capital Resources

Overview

Historically, we funded our working capital primarily from net cash generated from operating activities, bank borrowings, finance leases and equity financing. We expect to use a portion of the **[REDACTED]** from the **[REDACTED]** to fund our working capital requirements.

Working Capital Sufficiency

Taking into account the net **[REDACTED]** from the **[REDACTED]** and the financial resources available to us, our Directors believe that we have sufficient working capital for our present requirements, that is, for at least 12 months from the date of this document.

Cash Flows

The following table sets forth selected cash flow statement information for the years indicated:

	Year ended December 31,		
	2021	2022	2023
	(RMB in thousand)		
Cash generated from operations	28,008	206,598	209,768
Interest received	1,039	4,730	2,897
Income tax paid	(11,047)	(13,159)	(11,230)
Net cash generated from operating activities	**18,000**	**198,169**	**201,435**
Net cash used in investing activities	**(151,033)**	**(251,536)**	**(117,072)**
Net cash generated from/(used in) financing activities	**452,921**	**(96,446)**	**(235,722)**
Net increase/(decrease) in cash and cash equivalents	**319,888**	**(149,813)**	**(151,359)**
Cash and cash equivalents at the beginning of the year	**170,119**	**490,007**	**340,194**
Cash and cash equivalents at the end of the year	**490,007**	**340,194**	**188,835**

Net Cash Generated from Operating Activities

Our net cash generated from or used in operating activities mainly consists of profit/loss before income tax adjusted for (i) non-cash items, such as net finance costs, depreciation of property, plant and equipment and depreciation of right-of-use assets, (ii) the effects of changes in working capital, such as contract liabilities, trade payables, other payables and accruals, trade receivables and other receivables and prepayments, and (iii) the effects of interest received and income tax paid.

In 2023, we had net cash generated from operating activities of RMB201.4 million, primarily attributable to our profit before income tax of RMB43.4 million, as adjusted for non-cash items, and changes in working capital including trade receivables, other receivables and prepayments, trade payable, other payables and accruals and contract liabilities.

In 2022, we had net cash generated from operating activities of RMB198.2 million, primarily attributable to our profit before income tax of RMB0.9 million, as adjusted for non-cash items, and changes in working capital including an increase in trade receivables, other receivables and prepayments, an increase in trade payables, other payables and accruals and an increase in inventories.

In 2021, we had net cash generated from operating activities of RMB18.0 million, primarily attributable to our loss before income tax of RMB362.7 million, as adjusted by non-cash items, and changes in working capital including decreases in trade receivables, other receivables and prepayments, contract liabilities, trade payables, other payables and accruals and inventories.

Net Cash Used in Investing Activities

Our cash used in investing activities primarily consists of proceeds from write-off subsidiaries and proceeds from the disposal of property, plant and equipment. Our cash outflows from investing activities primarily consist of purchases of property, plant and equipment, investment in associates and the acquisition of a subsidiary.

In 2023, we had net cash used in investing activities of RMB117.1 million, which was primarily attributable to (i) payment of our purchases of property, plant and equipment of RMB92.3 million and (ii) investment in associates and joint ventures of RMB17.3 million.

In 2022, we had net cash used in investing activities of RMB251.5 million, which was primarily attributable to (i) payment of our purchases of property, plant and equipment of RMB267.2 million, (ii) prepayment on equity investment of RMB23.1 million, and (iii) investment in associates and joint ventures of RMB8.6 million.

In 2021, we had net cash used in investing activities of RMB151.0 million, which was primarily attributable to (i) payment of our purchases of property, plant and equipment of RMB138.0 million, (ii) investment in associates and joint ventures of RMB26.0 million, and (iii) acquisition of a subsidiary of RMB8.3 million, partially offset by (iv) the proceeds from disposal of property, plant and equipment of RMB25.9 million.

Net Cash Generated from/Used in Financing Activities

Our cash generated from financing activities primarily includes a capital injection from our Company's shareholders and borrowings from banks and financial leasing companies. Our cash used in financing activities primarily includes repayments of borrowings to banks and financial leasing companies.

In 2023, we had net cash used in financing activities of RMB235.7 million, which was primarily attributable to (i) repayment of loans from financial leasing companies of RMB127.5 million and (ii) repayment of bank borrowings of RMB82.8 million, partially offset by (iii) proceeds from loans from financial leasing companies of RMB29.6 million.

In 2022, we had net cash used in financing activities of RMB96.4million, which was primarily attributable to (i) repayments of borrowings to financial leasing companies of RMB115.3 million, and (ii) repayment of borrowings to banks of RMB68.4 million, partially offset by (iii) borrowings from financial leasing companies of RMB52.5 million.

In 2021, we had net cash generated from financing activities of RMB452.9 million, which was primarily attributable to (i) a capital injection from our Company's shareholders of RMB616.4 million, (ii) borrowings from banks of RMB115.3 million, and (iii) borrowings from financial leasing companies of RMB61.8 million, partially offset by (iv) repayments of borrowings to financial institution of RMB152.5 million, and (v) repayment of borrowings to banks of RMB132.4 million.

Selected Financial Ratios

The following table sets forth our key financial ratios for the years or as of the dates indicated:

	Year ended December 31,		
	2021	2022	2023
		(%)	
Profitability ratios			
Gross profit margin[1]	29.6	30.2	35.8
Net (loss)/profit margin[2]	(64.5)	(1.9)	3.9
Non-IFRS measures			
Adjusted EBITDA margin (non-IFRS measure)[3]	25.1	27.1	29.8
Adjusted net (loss)/profit margin (non-IFRS measure)[4]	(12.0)	(0.7)	6.5

	As of December 31,		
	2021	2022	2023
Liquidity ratios			
Current ratio[5] *(times)*	2.31	1.85	1.96
Quick ratio[6] *(times)*	2.29	1.83	1.95
Capital adequacy ratio			
Gearing ratio[7] *(%)*	29.3[8]	26.8	15.7

Notes:

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

(2) Net (loss)/profit margin is calculated based on (loss)/profit for the year divided by revenue and multiplied by 100%.

(3) Adjusted EBITDA margin (non-IFRS measure) is calculated based on adjusted EBITDA (non-IFRS measure) divided by revenue and multiplied by 100%. See "— Principal Components of Our Consolidated Statements of Profit or Loss — Non-IFRS Measures" for a reconciliation from our (loss)/profit before income tax to EBITDA (non-IFRS measure) and adjusted EBITDA (non-IFRS measure).

(4) Adjusted net (loss)/profit margin (non-IFRS measure) is calculated based on adjusted net (loss)/profit (non-IFRS measure) divided by revenue and multiplied by 100%. See "— Principal Components of Our Consolidated Statements of Profit or Loss — Non-IFRS Measures" for a reconciliation from our (loss)/profit for the year to adjusted net (loss)/profit (non-IFRS measure).

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

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

(7) Gearing ratio is calculated based on total borrowings divided by total equity and multiplied by 100%.

(8) The higher gearing ratio in 2021 as compared to 2022 was mainly due to the lower outstanding borrowings as a result of our repayments in 2022.

Gross Profit Margin and Net (Loss)/Profit Margin

See "— Results of Operations" for a discussion of the factors affecting our gross margins during the Track Record Period.

Current Ratio

Our current ratio decreased from 2.31 as of December 31, 2021 to 1.85 as of December 31, 2022, primarily because our current liabilities increased while our current assets decreased in 2022. The increase in our current liabilities was primarily due to an increase in borrowings of RMB13.0 million and contract liabilities of RMB9.6 million. Our current ratio increased from 1.85 as of December 31, 2022 to 1.96 as of December 31, 2023, primarily because while (i) our total current assets decreased primarily due to a decrease in cash and cash equivalents, partially offset by an increased in trade receivables, (ii) our total current liabilities decreased primarily due to a decrease in our borrowings, the decrease rate of total current liabilities was higher than that of total current assets.

Quick Ratio

Consistent with the changes in our current ratio, our quick ratio decreased from 2.29 as of December 31, 2021 to 1.83 as of December 31, 2022 and then increased to 1.95 as of December 31, 2023.

Capital Expenditures and Commitments

Capital Expenditures

During the Track Record Period, we incurred capital expenditures mainly for the purchase of property, plant and equipment as well as purchases of intangible assets such as software and goodwill. The following table sets forth a breakdown of our capital expenditures for the years indicated:

	Year ended December 31,		
	2021	2022	2023
		(RMB in thousand)	
Purchases of property, plant and equipment	(137,984)	(267,193)	(92,320)
Purchases of intangible assets	(4,695)	(4,440)	(4,197)

Capital Commitments

The table below sets forth our capital commitments as of the dates indicated:

	As of December 31,		
	2021	2022	2023
		(RMB in thousand)	
Contracted but not recognized as liabilities			
— Commitments for acquisition of property, plant and equipment and intangible assets	14,206	16,770	10,987

We funded and expect to continue to fund our capital commitments by cash generated from our operations and borrowings. During the Track Record Period, our capital commitments were mainly attributable to purchases of imaging equipment.

Related Party Transactions and Balances

During the Track Record Period, we entered into a number of related party transactions, pursuant to which, among others, (i) we purchased goods from certain related parties, (ii) we sold services and goods to certain related parties, and (iii) we paid compensation to key management personnel who are related parties of our Company, among other things. In particular, other payables and the outstanding contracts relating to non-trade balances of prepayments are non-trade in nature and will be settled or utilized before the **[REDACTED]**. For further details, see note 39 to the Accountant's Report in Appendix I to this document.

Our Directors believe that our transactions with related parties during the Track Record Period were conducted on normal commercial terms and on an arm's-length basis, and would not distort our results of operations or make our historical results not reflective of our future performance.

Off-balance Sheet Arrangements

As of the Latest Practicable Date, we did not have any outstanding off-balance sheet arrangements.

Quantitative and Qualitative Disclosures About Financial Risks

Our activities expose us to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. Our overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance. Risk management is carried out by our senior management.

Market Risk

Cash Flow and Fair Value Interests Rate Risk

Our interest rate risk arises from bank deposits and borrowings. Borrowings obtained at variable rates expose us to cash flow interest rate risk which is partially offset by cash at bank with variable interest rates. Borrowings obtained at fixed rates expose us to fair value interest rate risk. During the Track Record Period, our borrowings bore interest both at variable rates and fixed rates.

Bank deposits carried at prevailing market interest rates expose us to cash flow interest rate risk. We closely monitor interest rate trends and their impact on our interest rate risk exposure to ensure it is within an acceptable level. During the Track Record Period, we have not used any interest rate swap arrangements.

As of December 31, 2021, 2022 and 2023, if our interest rate on borrowings had been higher/lower by 50 basis points of the current interest rate, with other variables held constant, profit in 2021, 2022 and 2023 would have been approximately RMB1,002,000, RMB860,000 and RMB509,000 lower/higher, respectively.

Credit Risk

Credit risk arises from cash and cash equivalents and restricted cash, trade receivables, long-term trade receivables and other receivables. The carrying amount of each class of the above financial assets and liabilities represents our maximum exposure to credit risk in relation to the corresponding class of financial assets.

Credit Risk of Cash and Cash Equivalents and Restricted Cash

To manage this risk, cash deposits at bank are mainly placed with state-owned and reputable financial leasing companies in the PRC. There has been no recent history of default in relation to these financial leasing companies. These instruments are considered to have low credit risk because they have a low risk of default and the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term. The identified credit losses are immaterial.

Impairment of Financial Assets

We have the following three types of financial assets and liabilities that are subject to the expected credit loss model.

−Trade Receivables

We apply the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure expected credit losses, trade receivables have been grouped based on shared credit risk characteristics. The expected loss rates are based on the ageing profiles of trade receivables over a period of 36 months before December 31, 2021, 2022 and 2023, respectively. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of customers to settle such receivables.

We assessed that the expected credit loss rate for trade receivables from related parties were low since related parties have a strong capacity to meet their contractual cash flow obligations in the near term. We have assessed that the expected credit loss rate for trade receivables from related parties is immaterial and consider them to have a low credit risk, and thus the loss allowance is immaterial.

Individually impaired trade receivables are related to the deterioration of the customer's financial position or the customer's extremely low willingness to repay, thus some trade receivables cannot be collected. We expect that the amounts of such receivables will be partially or entirely difficult to recover, and have recognized impairment losses.

−Long-term Trade Receivables

We apply the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all long-term trade receivables. To measure expected credit losses, long-term trade receivables have been individually assessed on credit risk characteristics. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of customers to settle such receivables.

The expected credit loss rate for long-term trade receivables remained relatively stable at 3.3% and 2.8% as of December 31, 2021 and 2022, respectively, and increased to 11.8% as of December 31, 2023, mainly due to the increased provision of long-term trade receivables of a hospital customer in 2023. See "— Description of Certain Components of Our Consolidated Statements of Financial Position — Trade Receivables and Long-term Trade Receivables" and note 21 to the Accountant's Report in Appendix I to this document

−Other Receivables

Other receivables have been assessed for impairment on a collective basis based on different credit risk characteristics.

For other receivables, management makes periodic collective assessments as well as individual assessments on the recoverability of other receivables based on historical settlement records, past experience, existing market conditions as well as forward-looking estimates at the end of each reporting period. Our Directors believe that there is no material credit risk inherent in our outstanding balance of other receivables.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

We have assessed that there was no significant increase in credit risk for other receivables. Thus, we used the 12-month expected credit losses model to assess credit loss of other receivables.

Liquidity Risk

To manage liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance our operations and mitigate the effects of fluctuations in cash flows. We expect to fund our future cash flow needs through internally generated cash flows from operations and borrowings from financial leasing companies. Management believes that there is no significant liquidity risk in view of the expected cash flows from operations and continuous support from banks in the coming 12 months.

For details, see note 3 to the Accountant's Report in Appendix I to this document.

Dividend Policy

Our Company is a joint stock company incorporated in the People's Republic of China with limited liability. The payment and amount of any future dividend depend on the availability of dividends received from our subsidiaries.

During the Track Record Period, no dividend was declared or paid by our Company. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

Pursuant to the relevant provisions of the Company Law of the PRC, prior to the allocation of post-tax profits to shareholders, a company is mandated to make up any accrued losses and adhere to the prescribed extraction of statutory reserves as per regulatory requirements. Consequently, if the post-tax profits of a company prove insufficient to adequately offset extant losses, the company remains proscribed from distributing post-tax profits amongst its shareholders.

Any proposed distribution of dividends shall be formulated by our Board and will be subject to approval in our Shareholders' meeting. We do not currently have any pre-determined dividend payout ratio. A decision to declare or to pay any dividends in the future, and the amount of any such dividends, will depend on a number of factors, including our results of operations, cash flows, financial condition, payments by our subsidiaries of cash dividends to us, business prospects, statutory, regulatory and contractual restrictions on our declaration and payment of dividends and other factors that our Board may consider important. No dividend will be declared or payable except out of our profits and reserves lawfully available for distribution. There can be no assurance that dividends of any amount will be declared or distributed in any year.

As advised by our PRC Legal Advisor, we may pay dividends only out of our accumulated profit and is not permitted to distribute any profits until any losses from prior fiscal years have been offset and statutory reserves for the current year have been drawn. Therefore, we do not expect to be able to pay dividends in 2024 given our accumulated losses of RMB447.8 million as of December 31, 2023.

Distributable Reserves

As of December 31, 2023, our Company did not have any distributable reserves available for distribution to our shareholders in view of our accumulated losses.

Unaudited [REDACTED] Adjusted Consolidated Net Tangible Assets

Please refer to Appendix II to this document for details.

Disclosure Required Under the Listing Rules

Our Directors confirm that, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

No Material Adverse Change

Our Directors have confirmed that up to the date of this document there has been no material adverse change in our financial or trading position or prospects since December 31, 2023 (being the date of our latest audited financial statements) and there has been no event since December 31, 2023 which would materially affect the information shown in the Accountant's Report set out in Appendix I to this document.

[REDACTED]

[REDACTED] represent professional fees, **[REDACTED]** and other fees incurred in connection with the **[REDACTED]**. We estimate that our **[REDACTED]** will be approximately RMB**[REDACTED]** million (assuming an **[REDACTED]** of HK$**[REDACTED]** per **[REDACTED]** (being the mid-point of the indicative **[REDACTED]**)), representing **[REDACTED]**% of the gross **[REDACTED]** (based on the mid-point of our indicative **[REDACTED]** for the **[REDACTED]**) of the **[REDACTED]**. During the Track Record Period, we incurred **[REDACTED]** of RMB**[REDACTED]** million, of which approximately RMB**[REDACTED]** million was charged to the consolidated statements of profit or loss as administrative expenses and approximately RMB**[REDACTED]** million was recorded as prepayment for **[REDACTED]** in the consolidated statements of financial position as of December

31, 2023 to be charged against equity upon the **[REDACTED]**]. We expect to incur additional **[REDACTED]** of approximately RMB**[REDACTED]** million, of which approximately RMB**[REDACTED]** million is expected to be recognized in the consolidated statements of profit or loss as administrative expenses and approximately RMB**[REDACTED]** million is expected to be recognized as a deduction in equity directly upon the **[REDACTED]**. Our Directors do not expect such expenses to materially impact our results of operations in the year ending December 31, 2024. By nature, our **[REDACTED]** are composed of (i) **[REDACTED]** of approximately RMB**[REDACTED]** million, and (ii) non-**[REDACTED]** related expenses of approximately RMB**[REDACTED]** million, which consist of fees and expenses of legal advisors and Reporting Accountant of approximately RMB**[REDACTED]** million and other fees and expenses of approximately RMB**[REDACTED]** million.