

**NEUSOFT XIKANG HOLDINGS INC.**

(Incorporated in the Cayman Islands with limited liability)

**AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS**

**FOR EACH OF THE YEARS ENDED 31 DECEMBER 2020, 2021 AND 2022 AND THE THREE MONTHS ENDED 31 MARCH 2023**



羅兵咸永道

## ***Independent Auditor's Report***

To the Board of Directors of NEUSOFT XIKANG HOLDINGS INC.

### **Opinion**

#### *What we have audited*

The consolidated financial statements of NEUSOFT XIKANG HOLDINGS INC. (the "Company") and its subsidiaries (the "Group") set out on pages 5 to 109, which comprise:

- the consolidated statements of financial position as at 31 December 2020, 2021 and 2022, and 31 March 2023;
- the company statements of financial position as at 31 December 2020, 2021 and 2022, and 31 March 2023;
- the consolidated statements of comprehensive income for the years ended 31 December 2020, 2021 and 2022 and the three months ended 31 March 2023 (the "Relevant Periods");
- the consolidated statements of changes in equity for the Relevant Periods;
- the consolidated statements of cash flows for the Relevant Periods; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

#### *Our opinion*

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, 2021 and 2022 and 31 March 2023 and the consolidated financial position of the Group as at 31 December 2020, 2021 and 2022 and 31 March 2023, and of its consolidated financial performance and its consolidated cash flows for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

### **Basis for Opinion**

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

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



*Independence*

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

**Other Matter**

The comparative consolidated financial statements as at 1 January 2020 and for the three months period ended 31 March 2022 have not been audited.

**Responsibilities of Directors for the Consolidated Financial Statements**

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

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

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

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



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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the consolidated financial statements of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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



羅兵咸永道

### **Restriction on Distribution and Use**

The consolidated financial statements are prepared for the purpose of the preparation of financial information for inclusion in the prospectus of the Company in connection with the initial public offering of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited. As a result, the consolidated financial statements may not be suitable for another purpose. Our report is intended solely for the board of directors of the Company and should not be distributed to or used by any other parties for any purpose.

*PricewaterhouseCoopers*

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 18 September 2023

NEUSOFT XIKANG HOLDINGS INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December			Three months ended 31 March	
		2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (Unaudited)	2023 RMB'000
Revenue from contracts with customers	5	503,008	614,302	687,415	106,495	82,169
Cost of sales and services	5,8	(368,900)	(444,073)	(518,965)	(94,402)	(59,636)
<b>Gross profit</b>		<u>134,108</u>	<u>170,229</u>	<u>168,450</u>	<u>12,093</u>	<u>22,533</u>
Selling and marketing expenses	8	(96,728)	(135,777)	(126,066)	(30,547)	(22,095)
Research and development expenses	8	(66,761)	(86,421)	(78,959)	(22,251)	(14,040)
Administrative expenses	8	(113,474)	(213,275)	(139,396)	(43,618)	(27,910)
Net impairment losses on financial assets		(23,685)	(23,629)	(36,652)	(1,475)	(197)
Other income	6	34,265	14,365	18,926	2,861	455
Other (losses)/gains- net	7	(23,682)	20,912	(1,780)	8,981	1,745
<b>Operating loss</b>		<u>(155,957)</u>	<u>(253,596)</u>	<u>(195,477)</u>	<u>(73,956)</u>	<u>(39,509)</u>
Finance income		1,051	1,209	4,811	1,009	1,405
Finance costs		(44,206)	(36,312)	(42,880)	(9,694)	(7,301)
Finance costs - net	10	(43,155)	(35,103)	(38,069)	(8,685)	(5,896)
Share of losses from investments accounted for using the equity method	12	(3,909)	(4,148)	(4,762)	(1,344)	(1,126)
<b>Loss before income tax</b>		<u>(203,021)</u>	<u>(292,847)</u>	<u>(238,308)</u>	<u>(83,985)</u>	<u>(46,531)</u>
Income tax credit/(expense)	13	4,252	(1,896)	(4,952)	(793)	(692)
<b>Loss for the year/period</b>		<u>(198,769)</u>	<u>(294,743)</u>	<u>(243,260)</u>	<u>(84,778)</u>	<u>(47,223)</u>
<b>Loss attributable to:</b>						
Owners of the Company		(196,431)	(296,537)	(241,967)	(83,467)	(47,241)
Non-controlling interests		(2,338)	1,794	(1,293)	(1,311)	18
		<u>(198,769)</u>	<u>(294,743)</u>	<u>(243,260)</u>	<u>(84,778)</u>	<u>(47,223)</u>
<b>Other comprehensive income:</b>						
<i>Items that will be reclassified to profit or loss:</i>						
Currency translation differences of the Company's subsidiaries		(2,032)	(88)	778	1,774	216
<i>Items that will not be reclassified to profit or loss:</i>						
Currency translation differences of the Company		14,965	4,041	(15,226)	645	2,732
<b>Other comprehensive income/(loss) for the year, net of tax</b>		<u>12,933</u>	<u>3,953</u>	<u>(14,448)</u>	<u>2,419</u>	<u>2,948</u>
<b>Total comprehensive loss for the year/period</b>		<u>(185,836)</u>	<u>(290,790)</u>	<u>(257,708)</u>	<u>(82,359)</u>	<u>(44,275)</u>
<b>Total comprehensive loss for the year/period attributable to:</b>						
Owners of the Company		(183,476)	(292,511)	(256,415)	(81,048)	(44,293)
Non-controlling interests		(2,360)	1,721	(1,293)	(1,311)	18
		<u>(185,836)</u>	<u>(290,790)</u>	<u>(257,708)</u>	<u>(82,359)</u>	<u>(44,275)</u>
<b>Loss per share, basic and diluted (RMB)</b>	14	<u>(1.58)</u>	<u>(2.39)</u>	<u>(1.95)</u>	<u>(0.67)</u>	<u>(0.38)</u>

NEUSOFT XIKANG HOLDINGS INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 1 January	As at 31 December		As at 31 March	
		2020 RMB'000 (Unaudited)	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000
<b>Assets</b>						
<b>Non-current assets</b>						
Property, plant and equipment	15	84,090	132,022	33,868	28,789	25,425
Right-of-use assets	16	131,891	100,206	47,098	52,271	54,820
Intangible assets	17	3,555	2,935	4,428	3,847	3,596
Deferred income tax assets	37	668	5,160	3,331	1,189	1,182
Investments accounted for using the equity method	12	7,634	101,344	196,680	191,918	190,792
Long-term trade receivables	19,20	-	-	34,468	19,309	17,395
Prepayments	18	780	1,453	636	718	732
<b>Total non-current assets</b>		<b>228,618</b>	<b>343,120</b>	<b>320,509</b>	<b>298,041</b>	<b>293,942</b>
<b>Current assets</b>						
Inventories	23	2,510	8,805	21,886	18,453	22,531
Assets recognized from costs to fulfil contracts	5	21,120	1,140	7,526	8,768	10,713
Contract assets	5	1,863	7,781	4,773	6,621	4,922
Trade receivables	20,22	113,703	124,441	167,958	151,143	155,610
Financial assets at fair value through profit or loss	20,24	33,380	27,690	-	-	-
Other receivables	20,21	15,982	38,694	43,660	31,766	32,125
Prepayments	18	2,426	4,934	11,105	12,059	5,957
Other current assets	26	350	4,154	4,522	55,830	31,988
Cash and cash equivalents	20,25	414,297	391,681	364,737	350,748	275,503
Restricted deposits	20,25	641	495	171	1,016	982
Assets classified as held for sale		-	1,706	-	-	-
<b>Total current assets</b>		<b>606,272</b>	<b>611,521</b>	<b>626,338</b>	<b>636,404</b>	<b>540,331</b>
<b>Total assets</b>		<b>834,890</b>	<b>954,641</b>	<b>946,847</b>	<b>934,445</b>	<b>834,273</b>
<b>Shareholders' deficit</b>						
<b>Deficit attributable to owners of the Company</b>						
Share capital	27	867	940	940	940	940
Share premium	27	1,650,768	1,929,226	1,928,654	1,928,654	1,928,654
Treasury shares	28	(247,607)	(368,913)	(368,913)	(368,913)	(368,913)
Other reserves	29	24,241	64,887	220,442	284,978	291,162
Accumulated losses		(1,562,700)	(1,759,131)	(2,055,668)	(2,297,635)	(2,344,876)
		(134,431)	(132,991)	(274,545)	(451,976)	(493,033)
<b>Non-controlling interests</b>		<b>13,327</b>	<b>2,585</b>	<b>6,909</b>	<b>5,808</b>	<b>5,460</b>
<b>Total shareholders' deficit</b>		<b>(121,104)</b>	<b>(130,406)</b>	<b>(267,636)</b>	<b>(446,168)</b>	<b>(487,573)</b>

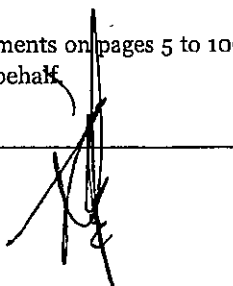
NEUSOFT XIKANG HOLDINGS INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION(Continued)

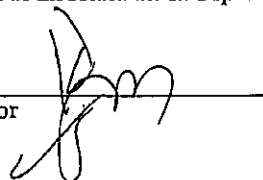
	Notes	As at 1 January	As at 31 December			As at 31 March
		2020 RMB'000 (Unaudited)	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000
<b>Liabilities</b>						
<b>Non-current liabilities</b>						
Borrowings	20,35	160,930	239,870	389,590	509,420	509,360
Other payables	20,33	13,777	300	-	-	-
Long-term trade payables	20	-	-	-	1,900	-
Lease liabilities	16,20	129,458	101,662	30,451	35,114	40,915
Contract liabilities	5	-	-	12,233	10,951	11,364
Deferred income	34	32,127	15,704	11,898	6,680	6,880
Deferred income tax liabilities	37	323	477	516	267	489
Financial liability for redeemable rights	20,30	183,864	301,417	309,914	356,228	351,751
<b>Total non-current liabilities</b>		<b>520,479</b>	<b>659,430</b>	<b>754,602</b>	<b>920,560</b>	<b>920,759</b>
<b>Current liabilities</b>						
Short-term borrowings	20,35	100,237	71,118	460	280	280
Contract liabilities	5	37,127	41,647	38,496	40,857	36,005
Trade payables	20,32	95,038	117,274	199,996	234,110	193,829
Other payables and accruals	20,33	169,555	163,260	186,153	158,263	149,535
Lease liabilities	16,20	33,311	31,128	34,718	26,510	21,374
Advances from third parties		-	1,000	-	-	-
Other current liabilities		247	190	58	33	64
<b>Total current liabilities</b>		<b>435,515</b>	<b>425,617</b>	<b>459,881</b>	<b>460,053</b>	<b>401,087</b>
<b>Total liabilities</b>		<b>955,994</b>	<b>1,085,047</b>	<b>1,214,483</b>	<b>1,380,613</b>	<b>1,321,846</b>
<b>Total shareholders' deficit and liabilities</b>		<b>834,890</b>	<b>954,641</b>	<b>946,847</b>	<b>934,445</b>	<b>834,273</b>

The financial statements on pages 5 to 109 were approved by the board of directors on 18 September 2023 and were signed on its behalf

Name of director



Name of director






NEUSOFT XIKANG HOLDINGS INC.

COMPANY STATEMENTS OF FINANCIAL POSITION

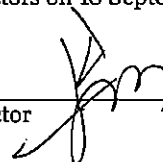
	Notes	As at 1 January	As at 31 December		As at 31 March	
		2020 RMB'000 (Unaudited)	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000
<b>Assets</b>						
<b>Non-current assets</b>						
Investments in subsidiaries	36	586,017	1,851,837	2,005,398	2,111,977	2,090,588
Other receivables	21	887,891	206,190	204,917	220,026	217,862
<b>Total non-current assets</b>		<b>1,473,908</b>	<b>2,058,027</b>	<b>2,210,315</b>	<b>2,332,003</b>	<b>2,308,450</b>
<b>Current assets</b>						
Other receivables	21	13,325	12,463	14,090	12,258	12,094
Prepayments		-	-	6,089	8,438	3,774
Other current assets		749	839	896	-	-
Cash and cash equivalents	25	309,116	59,335	38,051	29,285	28,166
<b>Total current assets</b>		<b>323,190</b>	<b>72,637</b>	<b>59,126</b>	<b>49,981</b>	<b>44,034</b>
<b>Total assets</b>		<b>1,797,098</b>	<b>2,130,664</b>	<b>2,269,441</b>	<b>2,381,984</b>	<b>2,352,484</b>
<b>Shareholders' equity</b>						
Share capital		867	940	940	940	940
Share premium		1,653,342	1,932,070	1,932,070	1,932,070	1,932,070
Treasury shares	28	(183,864)	(305,170)	(305,170)	(305,170)	(305,170)
Other reserves	29	23,983	67,156	224,757	320,142	300,493
Retained earnings		89,153	96,504	64,723	31,821	24,550
<b>Total shareholders' equity</b>		<b>1,583,481</b>	<b>1,791,500</b>	<b>1,917,320</b>	<b>1,979,803</b>	<b>1,952,883</b>
<b>LIABILITIES</b>						
<b>Non-current liabilities</b>						
Financial liability for redeemable rights	30	183,864	301,417	309,914	356,228	351,751
Other payables		13,777				
<b>Total non-current liabilities</b>		<b>197,641</b>	<b>301,417</b>	<b>309,914</b>	<b>356,228</b>	<b>351,751</b>
<b>Current liabilities</b>						
Other payables and accruals	33	15,976	37,747	42,207	45,953	47,850
<b>Total liabilities</b>		<b>213,617</b>	<b>339,164</b>	<b>352,121</b>	<b>402,181</b>	<b>399,601</b>
<b>Total equity and liabilities</b>		<b>1,797,098</b>	<b>2,130,664</b>	<b>2,269,441</b>	<b>2,381,984</b>	<b>2,352,484</b>

The financial statements on pages 5 to 109 were approved by the board of directors on 18 September 2023 and were signed on its behalf.

Name of director



Name of director



NEUSOFT XIKANG HOLDINGS INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

		Attributable to owners of the Company						Non-	
		Share	Share	Treasury	Other	Accumulated	Subtotal	controlling	Total
Notes		capital	premium	shares	reserves	losses		interests	
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	<b>Balance at 1 January 2020(Unaudited)</b>	867	1,650,768	(247,607)	24,241	(1,562,700)	(134,431)	13,327	(121,104)
	<b>Comprehensive losses</b>								
	Loss for the year	-	-	-	-	(196,431)	(196,431)	(2,338)	(198,769)
	Currency translation differences	29	-	-	12,955	-	12,955	(22)	12,933
	<b>Total comprehensive losses for the year</b>				12,955	(196,431)	(183,476)	(2,360)	(185,836)
	<b>Transactions with owners</b>								
	Contributions from shareholders	27,28	73	278,728	(121,306)	-	157,495	-	157,495
	Capital injection from non-controlling interests		-	-	-	-	-	2,868	2,868
	Share-based payments	29	-	-	27,691	-	27,691	517	28,208
	Transactions with non-controlling interests		-	(270)	-	-	(270)	(3,230)	(3,500)
	Disposal/liquidation of subsidiaries	41	-	-	-	-	-	(8,537)	(8,537)
	<b>Total transactions with owners</b>		73	278,458	(121,306)	27,691	184,916	(8,382)	176,534
	<b>Balance at 31 December 2020</b>	940	1,929,226	(368,913)	64,887	(1,759,131)	(132,991)	2,585	(130,406)
	<b>Balance at 1 January 2021</b>	940	1,929,226	(368,913)	64,887	(1,759,131)	(132,991)	2,585	(130,406)
	<b>Comprehensive losses</b>								
	Loss for the year	-	-	-	-	(296,537)	(296,537)	1,794	(294,743)
	Currency translation differences	29	-	-	4,026	-	4,026	(73)	3,953
	<b>Total comprehensive losses for the year</b>				4,026	(296,537)	(292,511)	1,721	(290,790)

NEUSOFT XIKANG HOLDINGS INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)

	Notes	Attributable to owners of the Company					Subtotal	Non-controlling interests	Total
		Share capital	Share premium	Treasury shares	Other reserves	Accumulated losses			
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000			
<b>Transactions with owners</b>									
Share-based payments	29	-	-	-	151,529	-	151,529	2,031	153,560
Transactions with non-controlling interests		-	(572)	-	-	-	(572)	572	-
<b>Total transactions with owners</b>		-	(572)	-	151,529	-	150,957	2,603	153,560
<b>Balance at 31 December 2021</b>		<u>940</u>	<u>1,928,654</u>	<u>(368,913)</u>	<u>220,442</u>	<u>(2,055,668)</u>	<u>(274,545)</u>	<u>6,909</u>	<u>(267,636)</u>
<b>Balance at 1 January 2022</b>		<u>940</u>	<u>1,928,654</u>	<u>(368,913)</u>	<u>220,442</u>	<u>(2,055,668)</u>	<u>(274,545)</u>	<u>6,909</u>	<u>(267,636)</u>
<b>Comprehensive losses</b>									
Loss for the year		-	-	-	-	(241,967)	(241,967)	(1,293)	(243,260)
Currency translation differences	29	-	-	-	(14,448)	-	(14,448)	-	(14,448)
<b>Total comprehensive losses for the year</b>		-	-	-	(14,448)	(241,967)	(256,415)	(1,293)	(257,708)
<b>Transactions with owners</b>									
Share-based payments	29	-	-	-	78,984	-	78,984	192	79,176
<b>Total transactions with owners</b>		-	-	-	78,984	-	78,984	192	79,176
<b>Balance at 31 December 2022</b>		<u>940</u>	<u>1,928,654</u>	<u>(368,913)</u>	<u>284,978</u>	<u>(2,297,635)</u>	<u>(451,976)</u>	<u>5,808</u>	<u>(446,168)</u>

NEUSOFT XIKANG HOLDINGS INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)

	Notes	Attributable to owners of the Company					Subtotal	Non-controlling interests	Total
		Share capital	Share premium	Treasury shares	Other reserves	Accumulated losses			
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000			
<b>Balance at 1 January 2023</b>		940	1,928,654	(368,913)	284,978	(2,297,635)	(451,976)	5,808	(446,168)
<b>Comprehensive losses</b>									
Loss for the period		-	-	-	-	(47,241)	(47,241)	18	(47,223)
Currency translation differences	29	-	-	-	2,948	-	2,948	-	2,948
<b>Total comprehensive losses for the period</b>		-	-	-	2,948	(47,241)	(44,293)	18	(44,275)
<b>Transactions with owners</b>									
Share-based payments	29	-	-	-	3,236	-	3,236	(366)	2,870
<b>Total transactions with owners</b>		-	-	-	3,236	-	3,236	(366)	2,870
<b>Balance at 31 March 2023</b>		940	1,928,654	(368,913)	291,162	(2,344,876)	(493,033)	5,460	(487,573)
<b>Balance at 1 January 2022</b>		940	1,928,654	(368,913)	220,442	(2,055,668)	(274,545)	6,909	(267,636)
<b>Comprehensive losses</b>									
Loss for the period		-	-	-	-	(83,467)	(83,467)	(1,311)	(84,778)
Currency translation differences	29	-	-	-	2,419	-	2,419	-	2,419
<b>Total comprehensive losses for the period</b>		-	-	-	2,419	(83,467)	(81,048)	(1,311)	(82,359)
<b>Transactions with owners</b>									
Share-based payments	29	-	-	-	22,433	-	22,433	321	22,754
<b>Total transactions with owners</b>		-	-	-	22,433	-	22,433	321	22,754
<b>Balance at 31 March 2022 (Unaudited)</b>		940	1,928,654	(368,913)	245,294	(2,139,135)	(333,160)	5,919	(327,241)

NEUSOFT XIKANG HOLDINGS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December			Three months ended 30 March	
		2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
<b>Cash flows from operating activities</b>						
Cash used in operations	38	(18,092)	(84,520)	(75,542)	(136,834)	(55,816)
Interest received		1,051	1,209	1,959	437	614
Income taxes paid		(257)	(73)	(245)	-	(2,182)
<b>Net cash used in operating activities</b>		<u>(17,298)</u>	<u>(83,384)</u>	<u>(73,828)</u>	<u>(136,397)</u>	<u>(57,384)</u>
<b>Cash flows from investing activities</b>						
Purchases for property, plant and equipment and intangible assets		(106,836)	(18,382)	(7,339)	(1,179)	(39)
Proceeds from disposal of property, plant and equipment		582	185	331	87	75
Purchase of wealth management products		(27,900)	(4,500)	-	-	-
Proceeds from sale of wealth management products		33,590	32,190	-	-	-
Receipt of investments income on wealth management products		829	306	-	-	-
Net proceeds/(payments)from disposal of subsidiaries	41	1,448	(16,716)	(1,437)	(1,437)	-
Payments for investments in associates		(100,000)	-	-	-	-
Proceeds from disposal of investments in associates		3,127	1,450	-	-	-
<b>Net cash (used in)/ generated from investing activities</b>		<u>(195,160)</u>	<u>(5,467)</u>	<u>(8,445)</u>	<u>(2,529)</u>	<u>36</u>
<b>Cash flows from financing activities</b>						
Contributions from shareholders		278,800	-	-	-	-
Contributions from non-controlling interests		2,868	-	-	-	-
Proceeds from restricted shares issued to employees	31	-	33,255	-	-	-
Refund of restricted shares subscription paid by employees	31	(5,980)	(739)	(2,250)	(763)	(3,354)
Payment for acquisition of equity from non-controlling interests		(3,500)	-	-	-	-
Proceeds from bank borrowings		150,000	240,804	270,000	-	-
Repayments of bank borrowings		(100,169)	(161,040)	(150,170)	(80)	(60)
Repayments of shareholders' borrowings		(56,400)	(706)	-	-	-
Payments for interests		(17,631)	(15,790)	(23,038)	(4,857)	(6,268)
Payments of lease liabilities		(31,700)	(26,731)	(28,000)	(9,980)	(7,646)
Prepayments of listing expenses		-	(4,156)	(1,918)	(25)	(65)
<b>Net cash generated from/(used in) financing activities</b>		<u>216,288</u>	<u>64,897</u>	<u>64,624</u>	<u>(15,705)</u>	<u>(17,393)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u>3,830</u>	<u>(23,954)</u>	<u>(17,649)</u>	<u>(154,631)</u>	<u>(74,741)</u>
Cash and cash equivalents at the beginning of the year/period		414,297	391,681	364,737	364,737	350,748
Effects of exchange rate changes on cash and cash equivalents		(26,446)	(2,990)	3,660	(248)	(504)
<b>Cash and cash equivalents at the end of the year/period</b>		<u>391,681</u>	<u>364,737</u>	<u>350,748</u>	<u>209,858</u>	<u>275,503</u>



## **1 General information, reorganisation and basis of presentation**

### **1.1 General information**

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

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

## **2 Summary of material accounting policy information**

This note provides a list of material accounting policy information adopted in the preparation of the consolidated financial statements. These policies have been consistently applied throughout the Relevant Period, unless otherwise stated. The consolidated financial statements are for the Group consisting of the Company and its subsidiaries.

### **2.1 Basis of Preparation**

#### **(i) Contractual arrangements**

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

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

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

- Exercise effective financial and operational control over VIE companies;
- Exercise equity holders’ voting rights of VIE companies;
- Receive substantially all of the economic interest returns generated by VIE companies in consideration for the business support, technical and consulting services provided by Xikang China;
- Obtain an irrevocable and exclusive right to purchase all or part of equity interests in VIE companies from the respective equity holders at a minimum purchase price permitted under PRC laws and regulations. Xikang China may exercise such options at any time until they have acquired all equity interests and/or all assets of VIE companies. In addition, VIE companies are not allowed to sell, transfer, or dispose of any assets, or make any distributions to their equity holders without prior consent of Xikang China; and
- Obtain a pledge over the entire equity interest of VIE companies from their equity holders as collateral security for payments of VIE companies due to Xikang China and to secure performance of VIE companies’ obligations under the Contractual Arrangements.

## NEUSOFT XIKANG HOLDINGS INC.

### 2 Summary of material accounting policy information(Continued)

#### 2.1 Basis of Preparation(Continued)

##### (i) Contractual arrangements(Continued)

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

##### (ii) Going Concern

For the years ended 31 December 2020, 2021, 2022 and for the three months ended 31 March 2023, the Group incurred net loss of approximately RMB198.8 million, RMB294.7 million, RMB243.3 million and RMB47.2 million respectively. As at 31 March 2023, the Group had net liabilities of approximately RMB487.6 million, including the financial liability for redeemable rights of RMB351.8 million and other payables to eligible employees of RMB93.1 million (Note 33) which are classified as liabilities and would be re-classified to equity upon the Listing, the net liabilities position will change to net assets as a result.

In view of the net current assets position and based on the Group's available funds and banking facilities, the directors of the Company believe that the Group will have sufficient working capital to support its operation, debt repayments and capital expenditure for the twelve months from the period end date of the Historical Financial Information, and hence have prepared the consolidated financial statements on a going concern basis.

##### (iii) First time adoption of HKFRS

These financial statements are the first consolidated financial statements prepared by the Group in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA, with transition date being 1 January 2020. HKFRS 1 "First-time Adoption of Hong Kong Financial Reporting Standards" has been applied in preparing the consolidated financial statements.

The Group has prepared consolidated financial statements in accordance with the Accounting Standard for Business Enterprises - Basic Standard, the specific accounting standards and other relevant regulations issued by the Ministry of Finance of PRC on 15 February 2006 and in subsequent periods (hereafter collectively referred to as "the Accounting Standard for Business Enterprises" or "CAS") prior to issuance of this report, for the purpose of reporting to one of its shareholders incorporated in PRC.

Below table sets the reconciliation of the Group's equity and its total comprehensive income reported under CAS to its equity and total comprehensive income reported under HKFRS:

NEUSOFT XIKANG HOLDINGS INC.

2 Summary of material accounting policy information(Continued)

2.1 Basis of Preparation(Continued)

(iii) First time adoption of HKFRS(Continued)

	As at 1 January	As at 31 December	Note
	2020 RMB'000	2020 RMB'000	
Total Equity/(deficit) reported under CAS Reconciliation:	214,598	(54,260)	
<i>GAAP difference</i>	(27,199)	(29,897)	(a)
—GAAP difference under HKFRS16	(27,486)	(29,959)	(a-1)
—GAAP difference under Amendments to HKAS 12	287	62	(a-2)
<i>Other differences</i>	(308,503)	(46,249)	(b)
—Adjustments on share-based payment	(93,437)	(63,743)	(b-1)
—Recognition of financial liabilities for the redeemable rights	(183,864)	20,748	(b-2)
—Adjustments relating to the impairment of the financial assets	(18,619)	(3,462)	(b-3)
—Cut-off adjustments on revenue and cost	(5,819)	-	(b-4)
—Others	(6,764)	208	
Total Deficit reported under HKFRS	<u>(121,104)</u>	<u>(130,406)</u>	
		Year ended 31 December 2020 RMB'000	
Total comprehensive loss under CAS Reconciliation:		(203,893)	
<i>GAAP difference</i>		(2,698)	(a)
—GAAP difference under HKFRS16		(2,473)	(a-1)
—GAAP difference under Amendments to HKAS 12		(225)	(a-2)
<i>Other differences</i>		20,755	(b)
—Recognition of financial liabilities for the redeemable rights		19,587	(b-2)
—Adjustments relating to the impairment of the financial assets		(5,159)	(b-3)
—Cut-off adjustments on revenue and cost		2,162	(b-4)
—Others		4,165	
Total comprehensive loss under HKFRS		<u>(185,836)</u>	

There is no other difference between the Group's equity and its total comprehensive income reported under CAS and those reported under HKFRS in the Relevant period.

## NEUSOFT XIKANG HOLDINGS INC.

### 2 Summary of material accounting policy information(Continued)

#### 2.1 Basis of Preparation(Continued)

##### (iii) Compliance with HKFRS(Continued)

(a) The GAAP differences mainly include the impact of HKFRS 16 and Amendments to HKAS 12:

(a-1) The new accounting policy CAS21 for leases which is basically consistent with HKFRS 16 is not adopted until 1 January 2021. The financial statements prepared under HKFRS has applied HKFRS 16 Leases for the first time for the annual reporting period commencing 1 January 2020.

(a-2) The financial statements prepared under HKFRS has applied Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single transaction for the first time for the annual reporting period commencing 1 January 2020. The first item of Interpretation No. 16 of Accounting Standards for Business Enterprises which is basically consistent with Amendments to HKAS 12 is not adopted until 1 January 2023.

(b) Some of the amounts reported for the previous period under CAS were not properly accounted for. Detailed information about these adjustments is as below.

(b-1) As disclosed in Note 27(i), 5,440,000 shares issued to employees under the restricted share units (“RSUs”) scheme on June 2016 were held by KangRich Investment Limited and some other special vehicles with principal activities of employee stock ownership plans special purpose vehicle (“ESOP SPV”), which are controlled by the Company. The outstanding proceeds from ESOP SPV were recorded as receivables at the Company level and was eliminated after consolidating these ESOP SPV. Since such shares are still subject to service condition, and are not fully vested, they were treated as treasury shares. On the other hand, the ESOP SPV was not consolidated in the previous financial statements under CAS. These resulted in the difference in net assets with RMB63.74 million as at each balance sheet date.

Moreover, the restricted shares granted by the Company are treated as equity-settled share-based payment as a whole in the previous financial statements under CAS. However, as disclosed in Note 31(a), certain restricted shares are treated as compound instrument, including both cash-settled share-based payment component and equity-settled share-based payment component in accordance with the terms of the incentive plan as disclosed in Note 2.23. Therefore, the portion of cash-settled share-based payment component with amount to RMB29.69 million was reclassified as liability from the equity as at 1 January 2020.

(b-2) As disclosed in Note 30, certain investors in round C investments were granted redeemable rights which was recognized as a financial liability as at 1 January 2020 with amount of RMB183.86 million. This financial liability was not reflected in the financial statements under CAS.

The difference with RMB20.75 million as at 31 December 2020 was in relation to the foreign exchange differences from the aforementioned financial liability which was denominated in USD dollars in the Company’s financial statements and need to be translated into the presentation currency of RMB in the Group’s consolidated financial statements. This difference was properly reflected in the financial statements prepared under HKFRS.

(b-3) The factors relating to determine the expected credit loss ratio for the impairment to financial assets were comprehensively reassessed, including the historical collection of outstanding balances of receivables and the forward-looking information in the financial statements prepared under HKFRS, which resulted in differences of the impairment on financial assets by RMB18.62 million and RMB3.46 million as at 1 January 2020 and 31 December 2020, respectively.

(b-4) For some of the contract relating to cloud hospital platform services, the revenue was recognized based on the money being received from the customer in the financial statements prepared under CAS. However, when preparing the financial statements under HKFRS, the revenue was properly recognized when the customer inspected and accepted the deliverables based on the terms of the contract which is consistent with accounting policies of revenue recognition disclosed in Note 2.25.

(c) The material adjustments on the statement of cash flows under HKFRS are primarily due to the adoption of HKFRS 16. The Group has reclassified the cash payments by the Group for the reduction of the outstanding liabilities relating to leases RMB31.70 million for the year ended 31 December 2020, from cash flows from operating activities to cash flows from financing activities.

## NEUSOFT XIKANG HOLDINGS INC.

### 2 Summary of material accounting policy information(Continued)

#### 2.1 Basis of Preparation(Continued)

(iv) Compliance with HKFRS

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the HKICPA.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

(v) Historical cost convention

The consolidated financial statements have been prepared on a historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

(vi) New and amended standards adopted by the Group

All effective standards, amendments to standards and interpretations, which are mandatory for the financial year beginning on or after 1 January 2020 are consistently applied to the Group throughout the years ended 31 December 2020, 2021 and 2022 and for the three months ended 31 March 2023.

(vii) *New standards and interpretations not yet adopted*

Standards, amendments and interpretations that have been issued but not yet effective and not been early adopted by the Group during the Relevant Period are as follows:

		<b>Effective for accounting periods beginning on or after</b>
Amendments to HKAS 1	Classification of liabilities as current or non-current	1 January 2024
Amendments to HKAS 1	Non-current liabilities with covenants	1 January 2024
Amendments to HKFRS 16	Lease liability in a sale and leaseback	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier finance arrangements	1 January 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined



## NEUSOFT XIKANG HOLDINGS INC.

### 2 Summary of material accounting policy information(Continued)

#### 2.1 Basis of Preparation(Continued)

##### (vii) *New standards and interpretations not yet adopted(Continued)*

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

#### 2.2 Principles of consolidation and equity accounting

##### (i) Subsidiaries

Subsidiaries are all entities (including VIE companies and the companies indirectly controlled by the Group pursuant to the employee incentive plans) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.3).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown in the consolidated statements of comprehensive income, consolidated balance sheets, and consolidated statements of changes in equity respectively.

##### (ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iii) below), after initially being recognised at cost.

##### (iii) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.9.

## NEUSOFT XIKANG HOLDINGS INC.

### 2 Summary of material accounting policy information(Continued)

#### 2.2 Principles of consolidation and equity accounting(Continued)

##### (iv) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRS.

If the ownership interest in an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

#### 2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

**2 Summary of material accounting policy information (Continued)**

**2.3 Business combinations (Continued)**

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree at the acquisition date is remeasured to fair value at the acquisition date; any gain or loss arising from such remeasurement is recognised in profit or loss.

The Group uses the concentration test, a simplified assessment to identify whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. For the concentrate test:

- gross assets acquired shall exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities;
- the fair value of the gross assets acquired shall include any consideration transferred in excess of the fair value of net identifiable assets acquired;
- a single identifiable asset shall include any asset or group of assets that would be recognised and measured as a single identifiable asset in a business combination;
- if a tangible asset is attached to, and cannot be physically removed and used separately from, another tangible asset, those assets shall be considered a single identifiable asset;
- when assessing whether assets are similar, an entity shall consider the nature of each single identifiable asset and the risks associated with managing and creating outputs from the assets.

**2.4 Separate financial statements**

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

**2.5 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker ("CODM"). The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company.

**2.6 Foreign currency translation**

**(a) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The function currency of the Company is United States Dollar ("USD"). The Company's primary subsidiaries were incorporated in the PRC, Hong Kong and Israel, and these subsidiaries considered RMB, HKD and NIS as their functional currencies respectively. As the major operations of the Group are within the PRC, the Group determined to present the consolidated financial statements in RMB.

## NEUSOFT XIKANG HOLDINGS INC.

### 2 Summary of material accounting policy information(Continued)

#### 2.6 Foreign currency translation(Continued)

##### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. They are deferred in equity if they are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within other gains/(losses).

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

##### (c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for balance sheets presented are translated at the closing rate at the date of that balance sheets;
- income and expenses for statements of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

##### (d) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences is re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the group's ownership interest in associates or joint ventures that do not result in the group losing significant influence or joint control), the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

## NEUSOFT XIKANG HOLDINGS INC.

### 2 Summary of material accounting policy information (Continued)

#### 2.7 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements as follows:

- Building	29 years
- Electronic equipment	3-5 years
- Office furniture and others	3-5 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 2.9).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

#### 2.8 Intangible assets

##### (a) Software

Software is initially recorded at historical cost. They have the finite useful lives and is subsequently carried at cost less accumulated amortization and impairment losses (if any).

Intangible assets are amortised over their estimated useful lives (generally 10 years based on management's expectation on the technological lives of the computer software), using the straight-line method which reflects the pattern in which the intangible asset's future economic benefits are expected to be consumed.

##### (b) Patents

Separately acquired patents are shown at historical cost. Patents have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. Patents are amortized over their estimated useful lives (generally 10 years) using the straight-line method, which represent the time periods that the Group expects these assets will generate economic benefits to internet medical services and health management services.



## NEUSOFT XIKANG HOLDINGS INC.

### 2 Summary of material accounting policy information (Continued)

#### 2.8 Intangible assets (Continued)

##### (c) Research and development

Research expenditure and development expenditure that do not meet below criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use or sell it;
- the ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development project and use or sell the software; and
- the expenditure attributable to the software during its development can be reliably measured.

#### 2.9 Impairment of non-financial assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

#### 2.10 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognized for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognized for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognized. A gain or loss not previously recognized by the date of the sale of the non-current assets is recognized at the date of derecognition.

#### 2.11 Financial assets

##### (a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

## NEUSOFT XIKANG HOLDINGS INC.

### 2 Summary of material accounting policy information(Continued)

#### 2.11 Financial assets(Continued)

##### (a) Classification(Continued)

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

##### (b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

##### (c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

##### Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

**2 Summary of material accounting policy information(Continued)**

**2.11 Financial assets(Continued)**

(c) Measurement(Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in profit or loss and presented within other gains/(losses) in the statement of comprehensive income as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

During the Relevant Period, no amount is recognised in respect of financial assets at fair value through other comprehensive income.

(d) Impairment

The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, contract assets and long-term trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 22, Note 5 and Note 19 for further details.

For other receivables, the Group keep considers whether there has been any significant increase in credit risk since initial recognition, see Note 21 for further details.

**2.12 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the consolidated balance sheets where the Group currently has a legally enforceable right to offset the recognise amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

**2.13 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

**2.14 Trade receivables**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within one year and therefore all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See note 21 for further information about the Group's accounting for trade receivables and note 2.11 for a description of the Group's impairment policies.

## NEUSOFT XIKANG HOLDINGS INC.

### **2 Summary of material accounting policy information(Continued)**

#### **2.15 Cash and cash equivalents**

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### **2.16 Share capital and shares held for employee share scheme**

Ordinary shares are classified as equity(Note 27).

Incremental costs directly attributable to the issue of equity instruments are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity instruments, for example as the result of a share buy-back or a share-based payment plan, the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the owners of the Company as treasury shares until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the owners of the Company.

Shares held by the Company's employee option plan are disclosed as treasury shares and deducted from contributed equity.

#### **2.17 Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 180 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

#### **2.18 Financial liability for redeemable rights**

Redeemable rights issued by the Company to certain investors contains an obligation to purchase its own shares upon occurrence of certain future events, such redeemable rights will be automatically cancelled upon the initial public offering.

The potential cash payments related to the redeemable right are accounted for as financial liabilities. The liabilities are initially recognised at the present value of the redemption amount with a corresponding charge directly to equity. The financial liabilities shall be subsequently measured at amortised cost.

If the redeemable rights expire without delivery, the carrying amount of the financial liability is reclassified to equity.

The Financial liability are classified as non-current liabilities if the Company doesn't need to redeem for at least 12 months after the end of the reporting period.

#### **2.19 Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the costs and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

**2 Summary of material accounting policy information (Continued)**

**2.20 Borrowing costs**

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

**2.21 Current and deferred income tax**

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

**(a) 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 Company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

**(b) 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 recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

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



## NEUSOFT XIKANG HOLDINGS INC.

### 2 Summary of material accounting policy information (Continued)

#### 2.22 Employee benefits

##### (a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheets.

##### (b) Post-employment obligations

##### (i) Pension obligations

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

##### (ii) Medical and other benefits

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

##### (iii) Housing benefits

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

##### (c) Termination benefits

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

#### 2.23 Share-based payments

##### (a) Equity-settled share-based payment transaction

The Group operates share incentive plan, under which it receives services from employees as consideration for equity instruments (RSUs and options) of the Company. The fair value of the services received in exchange for the grant of the equity instruments (RSUs and options) is recognized as an expense on the consolidated income statement with a corresponding increase in equity.

In terms of RSUs and options awarded to employees, the total amount to be expensed is determined by reference to the fair value of equity instruments (RSUs and options) granted:

- including any market performance conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

Service and non-marketing performance conditions are included in calculation of the number of options that are expected to vest. The total amount expensed is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

## NEUSOFT XIKANG HOLDINGS INC.

### 2 Summary of material accounting policy information(Continued)

#### 2.23 Share-based payments(Continued)

##### (a) Equity-settled share-based payment transaction(Continued)

At the end of each Relevant Period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the consolidated statements of comprehensive income, with a corresponding adjustment to equity.

In some circumstances, employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognizing the expense during the period between service commencement period and grant date.

When the options are exercised, the Company issues new ordinary shares. The proceeds received net of any directly attributable transaction costs are credited to share capital and share premium. Where there is any modification of terms and conditions which increases the fair value of the equity instruments granted, the Group includes the incremental fair value granted in the measurement of the amount recognised for the services received over the remainder of the vesting period. The incremental fair value is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated as at the date of the modification. An expense based on the incremental fair value is recognised over the period from the modification date to the date when the modified equity instruments vest in addition to any amount in respect of the original instrument, which should continue to be recognised over the remainder of the original vesting period.

##### (b) Cash-settled RSUs

Under the RSUs scheme of the Company, the Group commits to refund all of the cash received from the employees who were granted the RSUs but would be resigned within three years after the grant day. The Group recorded the full amount of cash received ("Subscription price") as liabilities at the grant day.

For the employees who were granted the RSUs but would be resigned in between the three years after the granted day and the date of initial public offering, the Group commits to refund twice of the cash received from these employees. The difference between the grant date present value of the repurchase price at USD2.94 and the Subscription price at USD1.47 paid by Grantees A and Grantees B is treated as cash-settled share-based payment, and is recognized over the three-year service period after the grant date.

#### 2.24 Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

**2 Summary of material accounting policy information(Continued)**

**2.25 Revenue recognition**

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

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

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

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

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

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

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

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

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

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

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

## NEUSOFT XIKANG HOLDINGS INC.

### 2 Summary of material accounting policy information (Continued)

#### 2.25 Revenue recognition (Continued)

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

##### (a) Cloud hospital platform service

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

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

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

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

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

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

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

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

##### (b) Internet medical services

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

##### (c) Health management services

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

##### (d) Smart healthcare products

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

## NEUSOFT XIKANG HOLDINGS INC.

### 2 Summary of material accounting policy information(Continued)

#### 2.25 Revenue recognition(Continued)

##### (d) Smart healthcare products(Continued)

T For some of the smart healthcare products sales, the Group performs as an agent and has no control to the products before it is transferred to the customers, and the related revenue is presented in the net amount.

#### 2.26 Earnings/(loss) per share

##### (a) Basic earnings/(loss) per share

Basic earnings/(loss) per share is calculated by dividing:

- the profit/(loss) attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares,
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

##### (b) Diluted earnings/(loss) per share

Diluted earnings/(loss) per share adjusts the figures used in the determination of basic earnings/(loss) per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

#### 2.27 Leases

The Group leases buildings as lessee. Rental contracts are typically made for fixed periods of 2 to 10 years.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

## 2 Summary of material accounting policy information (Continued)

### 2.27 Leases (Continued)

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture.

Initial direct costs incurred in obtaining a lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The right-of-use assets and the lease liabilities are present separately on the consolidated statement of financial position.

### 2.28 Dividend distribution

Dividend distribution to the shareholders is recognized as a liability in the consolidated financial statements in the year in which the dividends are approved by the entities' shareholders or directors, where appropriate.

## NEUSOFT XIKANG HOLDINGS INC.

### 2 Summary of material accounting policy information (Continued)

#### 2.29 Government grants

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

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

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets. Note 6 provides further information on how the Group accounts for government grants.

#### 2.30 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets, see Note 24 below.

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

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see note 10 below. Any other interest income is included in other income.

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

### 3 Financial risk management

#### 3.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognized assets and liabilities are denominated in a currency that is not the Group entities' functional currency. The functional currency of the Company and the subsidiaries operate in the PRC are USD and RMB, respectively. The Group manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and tries to minimize these exposures through natural hedges, wherever possible, and may enter into forward foreign exchange contracts, when necessary.

NEUSOFT XIKANG HOLDINGS INC.

3 Financial risk management(Continued)

3.1 Financial risk factors(Continued)

(a) Market risk(Continued)

(i) Foreign exchange risk(Continued)

The Group's exposure to foreign currency risk for the years ended 31 December 2020, 2021 and 2022, and three months ended 31 March 2023, expressed in RMB, was as follows:

	As at 1 January	As at 31 December			As at 31 March
	2020	2020	2021	2022	2023
	RMB'000 (Unaudited)	RMB'000	RMB'000	RMB'000	RMB'000
<b>USD</b>					
- Cash and bank balances	1,785	151,665	10,112	1,290	1,259
- Trade receivables	-	4,083	-	-	-
- Contract liabilities	20	-	-	-	-

For the years ended 31 December 2020, 2021 and 2022, and three months ended 31 March 2023, the relationship between loss before income tax and USD to RMB exchange rate is as follows:

	As at 1 January	As at 31 December			As at 31 March
	2020	2020	2021	2022	2023
	RMB'000 (Unaudited)	RMB'000	RMB'000	RMB'000	RMB'000
USD to RMB exchange rate strengthened	88	7,787	506	65	9
/weakened by 5%	Lower/higher	Lower/higher	Lower/higher	Lower/higher	Lower/higher

Other than aforementioned, management considers that the business is not exposed to any other significant foreign exchange risk relating to loss before income tax for the years ended 31 December 2020, 2021 and 2022, and three months ended 31 March 2023.

(ii) Cash flow and fair value interest rate risk

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

The exposure of the Group's borrowings to interest rate changes for the years ended 31 December 2020, 2021 and 2022, and three months ended 31 March 2023 are as follows:

	As at 1 January		As at 31 December				As at 31 March	
	2020	%	2020	2021	2022	2023	%	
	RMB'000	%	RMB'000	RMB'000	RMB'000	RMB'000	%	
<b>(Unaudited)</b>								
Variable rate borrowings								
Less than 1								
year	100,237	38%	71,118	23%	460	0%	280	0%
1 – 5 years	160,930	62%	239,870	77%	389,590	100%	509,420	100%
	<u>261,167</u>	<u>100%</u>	<u>310,988</u>	<u>100%</u>	<u>390,050</u>	<u>100%</u>	<u>509,700</u>	<u>100%</u>
			<u>509,640</u>	<u>100%</u>				



## NEUSOFT XIKANG HOLDINGS INC.

### 3 Financial risk management(Continued)

#### 3.1 Financial risk factors(Continued)

(b) Credit risk

(i) Risk management

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

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

(ii) Impairment of financial assets

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

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

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

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

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

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

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

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Impairment losses			
Impairment losses on trade receivables (Note 22)	(15,561)	(22,114)	(28,072)
Impairment losses on contract assets (Note 5)	(640)	(40)	(1,556)
Impairment (losses)/reversal on long-term trade receivables (Note 19)	-	(5,318)	3,264
Impairment (losses)/reversal on other receivables (Note 21)	(7,484)	3,843	(10,288)
Net impairment losses on financial assets	(23,685)	(23,629)	(36,652)

NEUSOFT XIKANG HOLDINGS INC.

3 Financial risk management(Continued)

3.1 Financial risk factors(Continued)

(b) Credit risk(Continued)

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

During the year/period, the following losses were recognised in profit or loss in relation to impaired financial assets(Continued):

	Three months ended 31 March	
	2022	2023
	RMB'000	RMB'000
	(Unaudited)	
Impairment losses		
Reversal on trade receivables (Note 22)	821	1,242
Impairment (losses)/reversal on contract assets (Note 5)	(585)	356
Impairment losses on long-term trade receivables (Note 19)	(1,438)	(1,756)
Impairment losses on other receivables (Note 21)	(273)	(39)
Net impairment losses on financial assets	<u>(1,475)</u>	<u>(197)</u>

(c) Liquidity risk

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

The table below analyses the Group's non-derivative financial liabilities into relevant maturity grouping based on the remaining period at the end of each reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>As at 1 January 2020 (Unaudited)</b>					
Borrowings	111,496	77,689	90,311	-	279,496
Trade payables	95,038	-	-	-	95,038
Other payables (excluding tax payables and salary and welfare payables)	139,981	-	-	-	139,981
Financial liability for redeemable rights (Note 30)	-	-	226,368	-	226,368
Lease liabilities	<u>34,434</u>	<u>36,267</u>	<u>70,188</u>	<u>46,982</u>	<u>187,871</u>
<b>Total</b>	<u>380,949</u>	<u>113,956</u>	<u>386,867</u>	<u>46,982</u>	<u>928,754</u>
<b>As at 31 December 2020</b>					
Borrowings	85,564	98,035	151,440	-	335,039
Trade payables	117,274	-	-	-	117,274
Other payables (excluding tax payables and salary and welfare payables)	120,038	300	-	-	120,338
Financial liability for redeemable rights (Note 30)	-	-	352,656	-	352,656
Lease liabilities	<u>40,204</u>	<u>35,855</u>	<u>58,304</u>	<u>35,241</u>	<u>169,604</u>
<b>Total</b>	<u>363,080</u>	<u>134,190</u>	<u>562,400</u>	<u>35,241</u>	<u>1,094,911</u>

NEUSOFT XIKANG HOLDINGS INC.

3 Financial risk management(Continued)

3.1 Financial risk factors(Continued)

(c) Liquidity risk(Continued)

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	RMB'ooo	RMB'ooo	RMB'ooo	RMB'ooo	RMB'ooo
<b>As at 31 December 2021</b>					
Borrowings	20,322	164,064	249,359	-	433,745
Trade payables	199,996	-	-	-	199,996
Other payables (excluding tax payables and salary and welfare payables)	129,526	-	-	-	129,526
Financial liability for redeemable rights (Note 30)	-	-	344,592	-	344,592
Lease liabilities	37,153	15,524	18,049	2,904	73,630
<b>Total</b>	<b>386,997</b>	<b>179,588</b>	<b>612,000</b>	<b>2,904</b>	<b>1,181,489</b>
<b>As at 31 December 2022</b>					
Borrowings	25,695	262,528	276,281	-	564,504
Trade payables	234,110	-	-	-	234,110
Long-term trade payables	-	1,900	-	-	1,900
Other payables (excluding tax payables and salary and welfare payables)	118,216	-	-	-	118,216
Financial liability for redeemable rights (Note 30)	-	376,420	-	-	376,420
Lease liabilities	28,930	14,704	22,343	2,445	68,422
<b>Total</b>	<b>406,951</b>	<b>655,552</b>	<b>298,624</b>	<b>2,445</b>	<b>1,363,572</b>
<b>As at 31 March 2023</b>					
Borrowings	25,761	259,436	272,979	-	558,176
Trade payables	193,829	-	-	-	193,829
Other payables (excluding tax payables and salary and welfare payables)	114,860	-	-	-	114,860
Financial liability for redeemable rights (Note 30)	-	374,835	-	-	374,835
Lease liabilities	23,866	13,356	29,705	2,181	69,108
<b>Total</b>	<b>358,316</b>	<b>647,627</b>	<b>302,684</b>	<b>2,181</b>	<b>1,310,808</b>

3.2 Capital management

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

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

NEUSOFT XIKANG HOLDINGS INC.

3 Financial risk management(Continued)

3.1 Financial risk factors(Continued)

3.2 Capital management(Continued)

The Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debt divided by deficits on total equity. Net debt calculated as total liabilities which are considered as borrowings less cash and cash equivalents. As of 1 January 2020, 31 December 2020, 31 December 2021, 31 December 2022 and 31 March 2023, the Group has a net debt position and the gearing ratio is 179%, 250%, 150%, 129% and 133% respectively.

	As at 1	As at 31 December			As at 31
	January	2020	2021	2022	March
	2020	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
Net debt (Note 38(b))	216,523	325,824	400,396	576,804	648,177
Deficits on total equity	(121,104)	(130,406)	(267,636)	(446,168)	(487,573)
Gearing ratio	179%	250%	150%	129%	133%

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the consolidated financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

	As at 1 January 2020			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Financial assets</b>				
Wealth management products	-	-	33,380	33,380
	As at 31 December 2020			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial assets</b>				
Wealth management products	-	-	27,690	27,690
	As at 31 December 2021			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial assets</b>				
Wealth management products	-	-	-	-
	As at 31 December 2022			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial assets</b>				
Wealth management products	-	-	-	-
	As at 31 March 2023			
	Level 1	Level 2	Level 3	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial assets</b>				
Wealth management products	-	-	-	-

## NEUSOFT XIKANG HOLDINGS INC.

### 3 Financial risk management(Continued)

#### 3.3 Fair value estimation(Continued)

##### (i) Fair value hierarchy(Continued)

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

Level 2: The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

##### (ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

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

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

The following table presents the changes in level 3 items for the years ended 31 December 2020,2021, 2022 and the three months ended 31 March 2022 and 2023:

	<b>Financial assets at fair value through profit or loss RMB'000</b>
<b>Opening balance as at 1 January 2020 (Unaudited)</b>	33,380
Acquisitions	27,900
Redemption	(33,590)
<b>Closing balance as at 31 December 2020</b>	<u>27,690</u>
Acquisitions	4,500
Redemption	(32,190)
<b>Closing balance as at 31 December 2021</b>	<u>-</u>
Acquisitions/ redemption	<u>-</u>
<b>Closing balance as at 31 December 2022</b>	<u>-</u>
Acquisitions/ redemption	<u>-</u>
<b>Closing balance as at 31 March 2023</b>	<u>-</u>
<b>Opening balance as at 1 January 2022</b>	-
Acquisitions/ redemption	-
<b>Closing balance as at 31 March 2022 (Unaudited)</b>	<u>-</u>

There were no transfers between level 1, 2 and 3 of fair value hierarchy classifications during the years ended 31 December 2020, 2021 and 2022, and the three months ended 31 March 2022 and 2023.

## NEUSOFT XIKANG HOLDINGS INC.

### 3 Financial risk management(Continued)

#### 3.3 Fair value estimation(Continued)

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

The following table summarized the qualitative and quantitative information about the significant unobservable input used in level 3 fair value measurements.

Description	Fair Value at					Un-observable inputs	Range of inputs					Relationship of unobservable inputs to fair value
	1 January		31 December		31 March		1 January		31 December		31 March	
	2020	2020	2021	2022	2023		2020	2020	2021	2022	2023	
	RMB'000						(Unaudited)					
	(Unaudited)											
Wealth management products	33,380	27,690	-	-	-	Expected rate of return	2.00% - 3.70%	2.00% - 3.70%	-	-	-	The higher the expected rate of return, the higher the fair value

If the fair values of wealth management products measured at fair value through profit or loss held by the Group had been 5% lower/higher, the loss before income tax for the year ended 31 December 2020 would have been approximately RMB1.38 million higher/lower, respectively.

The Group's wealth management products can be redeemed on demand, and the interest income is settled at least quarterly. The fair value changes of the Group's wealth management products are minimum throughout the Relevant Period. And there is no outstanding balance for the wealth management products by 31 December 2021, 31 December 2022 and 31 March 2023.

##### (iv) Valuation processes

The finance department of the Group manages the valuations of level 3 instruments for financial reporting purposes. The team manages the valuation exercise of the investments on a case by case basis. At least once a year, the team uses valuation techniques to determine the fair value of the Group's level 3 instruments. External valuers will be involved when necessary.

### 4 Critical accounting estimates and judgements

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

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

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

The Group has used provision matrix to calculate Expected Credit Loss ("ECL") for the trade receivables, other receivables, contract assets and long-term trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates, taking into consideration forward-looking information that is reasonable and supportable, available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered. In addition, trade receivables, other receivables, contract assets and long-term trade receivables with significant balances and credit impaired are assessed for ECL individually.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables, other receivables, contract assets and long-term trade receivables is disclosed in Note 22, Note 21, Note 5 and Note 19.

## NEUSOFT XIKANG HOLDINGS INC.

### 4 Critical accounting estimates and judgements(Continued)

#### (b) Revenue recognition

##### (i) Identify the performance obligations

The promise is accounted for as a single performance obligation when the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer; and the promise to transfer the good or service to the customer is separately identifiable from other promises in the contract.

##### (ii) Principal versus agent considerations

Determining whether the Group is acting as a principal or as an agent in the provision of certain services to its clients requires judgment and consideration of all relevant facts and circumstances. In evaluation of the Group's role as a principal or agent, the Group considers, individually or in combination, whether the Group controls the specified goods or services before they are transferred to the client, is primarily responsible for meeting client specifications, is subject to the risk associated with inventory, and has discretion in establishing prices.

##### (c) Recognition of share-based compensation expenses

As mentioned in Note 31, equity-settled share-based compensation plans were granted to the employees. The directors have used the Black-Scholes model to determine the total fair value of the share options and used back-solve method to determine the total fair value of the restricted shares granted to employees, which are to be expensed over the vesting period. Significant estimate on assumptions, such as the risk-free interest rate, expected volatility, estimation of vesting period and dividend yield, is required to be made by the directors in applying the methods.

##### (d) Financial liability for redeemable rights

As mentioned in Note 30, the Company has issued ordinary shares with Redeemable rights to certain investor in round C investments, the potential cash payments related to the redeemable rights are accounted for as financial liabilities. The liabilities are initially recognized at present value of the redemption amount, which is determined by the management in accordance with the terms under investment agreement and involved the use of significant accounting estimates and judgments.

### 5 Segment information

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

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

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

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

**NEUSOFT XIKANG HOLDINGS INC.**

**5 Segment information(Continued)**

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

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

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

The revenue segment information reported to CODM for the Relevant Period is as follows:

	<b>Year ended 31 December 2020</b>				
	<b>Cloud hospital platform services</b>	<b>Internet medical services</b>	<b>Health management services</b>	<b>Smart healthcare products</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Revenue from contracts with customers	78,611	55,057	222,465	146,875	503,008
Cost of sales and services	(48,645)	(50,982)	(150,295)	(118,978)	(368,900)
Gross profit	29,966	4,075	72,170	27,897	134,108

	<b>Year ended 31 December 2021</b>				
	<b>Cloud hospital platform services</b>	<b>Internet medical services</b>	<b>Health management services</b>	<b>Smart healthcare products</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Revenue from contracts with customers	127,967	93,407	240,918	152,010	614,302
Cost of sales and services	(68,536)	(86,038)	(152,518)	(136,981)	(444,073)
Gross profit	59,431	7,369	88,400	15,029	170,229

	<b>Year ended 31 December 2022</b>				
	<b>Cloud hospital platform services</b>	<b>Internet medical services</b>	<b>Health management services</b>	<b>Smart healthcare products</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Revenue from contracts with customers	122,369	137,834	209,199	218,013	687,415
Cost of sales and services	(65,830)	(121,021)	(131,606)	(200,508)	(518,965)
Gross profit	56,539	16,813	77,593	17,505	168,450



NEUSOFT XIKANG HOLDINGS INC.

5 Segment information(Continued)

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

	Three months ended 31 March 2023				
	Cloud hospital platform services	Internet medical services	Health management services	Smart healthcare products	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from contracts with customers	9,274	33,018	35,411	4,466	82,169
Cost of sales and services	(4,815)	(28,418)	(22,589)	(3,814)	(59,636)
Gross profit	4,459	4,600	12,822	652	22,533

	Three months ended 31 March 2022				
	Cloud hospital platform services	Internet medical services	Health manageme nt services	Smart healthcare products	Total
	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Revenue from contracts with customers	13,659	29,353	20,702	42,781	106,495
Cost of sales and services	(7,290)	(25,524)	(21,202)	(40,386)	(94,402)
Gross profit	6,369	3,829	(500)	2,395	12,093

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

As at 31 December 2020, 2021, 2022, and three months ended 31 March 2022 and 2023 substantially all of the non-current assets of the Group were located in the PRC.

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

	Year ended 31 December			Three months ended 31 March	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (Unaudited)	2023 RMB'000
Segment revenue					
- recognized over time	15,748	15,889	19,700	3,140	2,910
- recognized at a point in time	487,260	598,413	667,715	103,355	79,259
	503,008	614,302	687,415	106,495	82,169

**NEUSOFT XIKANG HOLDINGS INC.**

**5 Segment information(Continued)**

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

The major customers which contributed more than 5% of the total revenue of the Group for the years ended 31 December 2020, 2021 and 2022 and three months ended 31 March 2022 and 2023 are listed as below:

	Year ended 31 December			Three months ended 31 March	
	2020	2021	2022	2022	2022
Percentage of revenue from the major customers to the total revenue of the Group				(Unaudited)	
Client A (Smart healthcare products)	5.01%	*	*	*	*
Client B (Smart healthcare products)	*	*	11.20%	*	*
Client C (Smart healthcare products)	*	*	*	9.81%	*
Client D (Smart healthcare products)	*	*	*	7.37%	*
Client E (Smart healthcare products)	*	*	*	6.45%	*

\* represents that the amount of aggregate revenue from such customer is less than 5% of the total revenue for respective year/period.

(b) Contract related assets and contract liabilities

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

	As at 1 January	As at 31 December			As at 31 March
	2020	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
Contract assets (i)					
Cloud hospital platform services	811	5,783	1,321	4,694	4,615
Smart healthcare products	1,200	2,786	4,280	4,311	2,335
Less: allowance for impairment of contract assets	(148)	(788)	(828)	(2,384)	(2,028)
	1,863	7,781	4,773	6,621	4,922
Contract liabilities (ii)					
Cloud hospital platform services	7,343	3,436	4,513	5,156	5,215
Internet medical services	479	1,812	2,113	2,485	1,546
Health management services	25,817	31,407	38,800	41,448	36,561
Smart healthcare products	3,488	4,992	5,303	2,719	4,047
Less: contract liabilities(non-current)	-	-	(12,233)	(10,951)	(11,364)
	37,127	41,647	38,496	40,857	36,005
Assets recognized from costs to fulfil a contract (iii)					
Cloud hospital platform services	21,120	1,140	7,526	8,768	10,713

(i) Contract assets are the Company's right to consideration in exchange for goods or services that the Company has transferred to the customer.

(ii) Contract liabilities mainly arise from the advanced payments from customers of the i) cloud hospital platform services, ii) internet medical services, iii) health management services, and iv) smart healthcare products upon which the performance obligations have been established while the underlying services are yet to be provided.

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**5 Segment information(Continued)**

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

(iii) The costs relate directly to the contract, generate resources that will be used in satisfying the contract and are expected to be recovered. They were therefore recognized as asset from costs to fulfil contracts. For the years ended 31 December 2020, 2021, 2022 and three months ended 31 March 2022 and 2023, assets recognized as cost are RMB 45.55 million, RMB 45.75 million, RMB 47.9 million, RMB 5.1 million and RMB 2.4 million, respectively.

(c) Revenue recognized in relation to contract liabilities

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

	Year ended 31 December			Three months ended 31 March	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Cloud hospital platform services	7,327	3,210	4,107	2,278	2,204
Internet medical services	494	1,391	1,641	769	628
Health management services	25,419	22,717	15,864	5,194	7,533
Smart healthcare products	3,195	4,319	4,376	3,202	1,700
<b>Total</b>	<b>36,435</b>	<b>31,637</b>	<b>25,988</b>	<b>11,443</b>	<b>12,065</b>

(d) Unsatisfied performance obligations

The following table shows unsatisfied performance obligations as at 31 December 2020, 2021, 2022 and 31 March 2023:

	As at 31 December			As at 31 March
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
Cloud hospital platform services	100,344	85,131	86,282	89,942
Internet medical services	7,696	847	795	377
Health management services	3,551	-	-	-
Smart healthcare products	254,297	187,715	54,001	52,794
<b>Total</b>	<b>365,888</b>	<b>273,693</b>	<b>141,078</b>	<b>143,113</b>

Management expects that 30%, 30%, 30%, 30% of the transaction price allocated to the unsatisfied contracts as at December 31, 2020, 2021, 2022 and 31 March 2023 will be recognized as revenue within one year. The remaining 70%, 70%, 70%, 70% will be recognized over one to eight years.

(e) Impairment and risk exposure

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

On the basis as described in Note 2.11(d), the loss allowance for contract assets as at 31 December 2020, 2021, 2022 and 31 March 2023 are determined as follows.

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5 Segment information(Continued)

(e) Impairment and risk exposure(Continued)

(i) As at 1 January 2020, 31 December 2020, 2021 and 2022 and 31 March 2023, the loss allowance of impaired contract assets is determined as follows:

	<u>As at 1</u> <u>January</u>	<u>As at 31 December</u>			<u>As at 31</u> <u>March</u>	
	<u>2020</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	
	<u>RMB'000</u> <u>(Unaudited)</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	
Expected loss rate	7%	9%	15%	26%	29%	
Gross carrying amount – contract assets	2,011	8,569	5,601	9,005	6,950	
Loss allowance	(148)	(788)	(828)	(2,384)	(2,028)	
		No more than 1 year	1 year to 2 years	2 years to 3 years	3 years to 4 years	Total
<b>At 1 January 2020 (Unaudited)</b>						
Expected loss rate		5%	40%	-	-	7%
Gross carrying amount – contract assets		1,886	125	-	-	2,011
Loss allowance		(98)	(50)	-	-	(148)
<b>At 31 December 2020</b>						
Expected loss rate		8%	31%	-	-	9%
Gross carrying amount – contract assets		8,284	285	-	-	8,569
Loss allowance		(701)	(87)	-	-	(788)
<b>At 31 December 2021</b>						
Expected loss rate		12%	41%	41%	-	15%
Gross carrying amount – contract assets		5,129	369	103	-	5,601
Loss allowance		(635)	(151)	(42)	-	(828)
<b>At 31 December 2022</b>						
Expected loss rate		18%	36%	100%	100%	26%
Gross carrying amount – contract assets		5,300	3,541	154	10	9,005
Loss allowance		(932)	(1,288)	(154)	(10)	(2,384)
<b>At 31 March 2023</b>						
Expected loss rate		16%	52%	100%	100%	29%
Gross carrying amount – contract assets		4,599	2,230	111	10	6,950
Loss allowance		(737)	(1,170)	(111)	(10)	(2,028)

As disclosed in Note 3.1(b)(ii), to measure the expected credit loss, contract assets have been grouped based on shared credit risk characteristics and the aging.

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

	<u>Year ended</u> <u>31 December</u>			<u>Three months ended</u> <u>31 March</u>	
	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2022</u>	<u>2023</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
				<u>(Unaudited)</u>	
At beginning of the year/period (Provision for)/reversal of impairment of contract assets	(148)	(788)	(828)	(828)	(2,384)
	(640)	(40)	(1,556)	(585)	356
At end of the year/period	<u>(788)</u>	<u>(828)</u>	<u>(2,384)</u>	<u>(1,413)</u>	<u>(2,028)</u>

NEUSOFT XIKANG HOLDINGS INC.

6 Other income

	Year ended			Three months ended	
	31 December			31 March	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
Government grants (i)	32,251	13,737	17,811	2,191	349
Value added tax ("VAT") refund and VAT reduction	840	-	775	489	-
Investment income on wealth management products	829	306	-	-	-
Refund of service fee for withholding IIT	123	73	106	106	82
Additional deduction of input VAT	102	207	233	75	24
Other items	120	42	1	-	-
	<u>34,265</u>	<u>14,365</u>	<u>18,926</u>	<u>2,861</u>	<u>455</u>

(i) Government grants

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

7 Other (losses)/gains - net

	Year ended			Three months ended	
	31 December			31 March	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
Net (losses)/gains on disposal of subsidiaries or associates (Note 41)	(4,972)	17,194	8,532	8,532	-
Net (losses)/gains on disposal of long-term assets	(542)	2,864	2,549	-	223
Net foreign exchange (losses)/gains	(19,623)	1,709	(13,023)	510	1,957
Other items	1,455	(855)	162	(61)	(435)
	<u>(23,682)</u>	<u>20,912</u>	<u>(1,780)</u>	<u>8,981</u>	<u>1,745</u>

NEUSOFT XIKANG HOLDINGS INC.

**8 Expenses by nature**

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

	Year ended			Three months ended	
	31 December			31 March	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Employee benefits expenses (Note 9)	210,346	244,476	223,506	62,232	52,505
Cost of sales of hardware, software, raw materials and others	277,053	353,063	450,100	78,305	44,028
Share-based compensation expenses (Note 9)	34,044	153,560	79,176	22,754	2,870
Travelling, entertainment, service fee and general office expenses	27,837	33,039	33,251	6,876	3,393
Depreciation of property, plant and equipment	30,886	17,518	12,138	3,045	2,892
Depreciation of right-of-use assets	25,398	23,470	21,096	5,377	5,663
Taxes and surcharges	698	2,340	1,140	550	51
Amortization of intangible assets	598	710	786	194	188
Auditors' remuneration	1,155	1,233	516	-	-
- Audit services	977	1,163	455	-	-
- Non-audit services	178	70	61	-	-
Other professional services expenses	1,962	3,511	2,352	48	40
Short-term leases expenses	4,479	1,530	5,293	31	1,094
Other property service expenses	12,887	11,165	7,845	2,768	1,259
Promotion and advertising expenses	2,859	2,845	8,783	464	120
Listing expenses	-	17,630	9,560	5,049	7,748
Others	15,661	13,456	7,844	3,125	1,830
	<u>645,863</u>	<u>879,546</u>	<u>863,386</u>	<u>190,818</u>	<u>123,681</u>

**9 Employee benefits expenses**

	Year ended			Three months ended	
	31 December			31 March	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Wages, salaries and bonuses	179,270	197,620	173,912	49,839	40,177
Share-based compensation expenses (Note 31)	34,044	153,560	79,176	22,754	2,870
Social security costs and housing benefits	26,746	42,222	43,892	11,236	10,528
Other employee benefits	4,330	4,634	5,702	1,157	1,800
	<u>244,390</u>	<u>398,036</u>	<u>302,682</u>	<u>84,986</u>	<u>55,375</u>

- (i) Employees of the Group are members of a state-managed pension scheme operated by the local government. The Group is required to contribute a specified percentage of payroll costs as determined by local government authority to the pension obligations to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contribution under the scheme.
- (ii) The five individuals whose emoluments were the highest in the Group for the years ended December 31, 2020, 2021, 2022 and for the three months ended March 31, 2022 and 2023 include 1, 1, 1, 1 and 1 director respectively whose emoluments are reflected in the analysis shown in Note 44.

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9 Employee benefits expenses(Continued)

(iii) Employee benefits expenses by function

	Year ended			Three months ended	
	31 December			31 March	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Cost of sales and services	47,133	61,980	43,557	10,505	9,982
Selling and marketing expenses	72,431	107,443	96,599	25,178	18,768
Research and development expenses	54,794	73,046	58,990	17,893	12,252
Administrative expenses	70,032	155,567	103,536	31,410	14,373
	<u>244,390</u>	<u>398,036</u>	<u>302,682</u>	<u>84,986</u>	<u>55,375</u>

10 Finance income and costs

	Year ended			Three months ended	
	31 December			31 March	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
<b>Finance income</b>					
- Interest income	<u>1,051</u>	<u>1,209</u>	<u>4,811</u>	<u>1,009</u>	<u>1,405</u>
<b>Finance costs</b>					
- Interest costs on bank borrowings	(17,431)	(16,393)	(23,417)	(4,988)	(6,324)
- Interest costs on lease liabilities	(8,723)	(4,357)	(2,301)	(695)	(703)
- Interest expenses for payables to eligible employees	(2,218)	-	-	-	-
- Interest expenses for financial liability for redeemable rights	(15,834)	(15,562)	(17,162)	(4,011)	(274)
	<u>(44,206)</u>	<u>(36,312)</u>	<u>(42,880)</u>	<u>(9,694)</u>	<u>(7,301)</u>
<b>Finance costs - net</b>	<u>(43,155)</u>	<u>(35,103)</u>	<u>(38,069)</u>	<u>(8,685)</u>	<u>(5,896)</u>

## NEUSOFT XIKANG HOLDINGS INC.

### 11 Subsidiaries

The Group's principal subsidiaries at 31 December 2020, 2021, 2022 and 31 March 2023 are set out below. Unless otherwise stated, the proportion of ownership interests held equals to the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name of entity	Place of incorporation and type of legal entity	Date of incorporation	Principal activities and place of operation	Paid in capital RMB	Attributable equity interest of the Group as at				Note	
					31 December		31 March			
					2020 %	2021 %	2022 %	2023 %		date of report %
<b>Directly held -</b>										
Neusoft Xikang International Co., Ltd.	Hong Kong Limited liability company	19/05/2011	Investment holding Hong Kong	1,791,251,000	100	100	100	100	100	(b)(i)
<b>Indirectly held -</b>										
Aerotel Medical Systems (1998) Limited	ISRAEL Limited Liability Company	02/03/1998	Medical device sales Israel	45,101,565	68.55	68.55	-	-	-	(b)(ii)
Neusoft Xikang Healthcare Technology Co., Ltd.	PRC Limited Liability Company	12/08/2011	Computer technology R&D PRC	1,746,794,900	100	100	100	100	100	(b)(i)
Liaoning Neusoft Xikang Healthcare Management Co., Ltd.	PRC Limited Liability Company	13/10/2011	Healthcare PRC	50,000,000	100	100	100	100	100	(b)(i)
Dalian Xikang Health Management Consulting Co., Ltd. (Dalian Neusoft Xikang Yida Healthcare Management Co., Ltd.)	PRC Limited Liability Company	08/11/2012	Healthcare PRC	50,000,000	100	-	-	-	-	(b)(iv)
Dalian Neusoft Xikang Comprehensive Clinic Co., Ltd.	PRC Limited Liability Company	27/02/2019	Healthcare PRC	7,600,000	100	-	-	-	-	(b)(iv)
Dandong Jinhai Xikang Clinic Co., Ltd.	PRC Limited Liability Company	28/08/2015	Healthcare PRC	20,000,000	60	60	60	60	60	(b)(i)
Shenyang Neusoft Xikang Medical System Co., Ltd.	PRC Limited Liability Company	24/11/2011	Medical device sales PRC	150,000,000	100	100	100	100	100	(b)(i)
Heilongjiang Neusoft XiKang Technology Co., Ltd.	PRC Limited Liability Company	22/10/2014	Technology service PRC	5,000,000	100	100	100	100	-	(b)(i)
Harbin XiKang Antarctic Comprehensive Outpatient Department Co., Ltd.	PRC Limited Liability Company	04/11/2016	Healthcare PRC	3,800,000	100	-	-	-	-	(b)(iv)
Shenyang Neusoft Xikang Medical Enterprise Management Co., Ltd.	PRC Limited Liability Company	24/01/2018	Technology service PRC	30,000,000	100	100	100	100	100	(b)(i)
Ningbo (Neusoft XiKang) Smart Healthcare Research Institute Co., Ltd.	PRC Limited Liability Company	25/07/2014	Technology service PRC	1,000,000	100	100	100	100	100	(b)(i)
Ningbo Cloud Hospital Co., Ltd.	PRC Limited Liability Company	26/06/2015	Healthcare PRC	35,000,000	100	100	100	100	100	(b)(i)
Shanghai Xikang Healthcare Management Co., Ltd.	PRC Limited Liability Company	11/01/2013	Healthcare PRC	35,000,000	100	100	100	100	100	(b)(i)



NEUSOFT XIKANG HOLDINGS INC.

11 Subsidiaries(Continued)

Name of entity	Place of incorporation and kind of legal entity	Date of incorporation	Principal activities and place of operation	Paid in capital	Ownership interest held by the Group as at				date of report %	Note
					31 December 2020 %	2021 %	2022 %	31 March 2023 %		
<b>Indirectly held(Continued) -</b>										
Shanghai Xikang Clinic Co., Ltd.	PRC Limited Liability Company	24/09/2015	Healthcare PRC	10,000,000	100	100	100	100	100	(b)(i)
Shanxi XiKang Healthcare Management Co., Ltd.	PRC Limited Liability Company	04/05/2014	Healthcare PRC	5,000,000	100	100	100	100	100	(b)(i)
Chengdu Neusoft XiKang Health Management Service Co., Ltd.	PRC Limited Liability Company	14/05/2014	Healthcare PRC	5,000,000	100	100	100	100	100	(b)(i)
Shenyang Xikang Cloud Hospital Co., Ltd.	PRC Limited Liability Company	21/09/2015	Healthcare PRC	5,000,000	100	100	100	100	100	(b)(i)
Beijing Neusoft Xikang Health Management Co., Ltd.	PRC Limited Liability Company	14/06/2018	Healthcare PRC	-	100	-	-	-	-	(b)(iv)
Neusoft XiKang (Ningbo) Smart Wearable Equipment Co., Ltd.	PRC Limited Liability Company	21/10/2015	Medical device sales PRC	-	100	100	100	100	100	(b)(i)
Hunan Xikang Health Management Co., Ltd.	PRC Limited Liability Company	28/04/2012	Healthcare PRC	10,100,000	100	100	100	100	100	(b)(i)
Hubei Xikang Health Management Co., Ltd.	PRC Limited Liability Company	30/05/2012	Healthcare PRC	1,000,000	100	100	100	100	100	(b)(iii)
Wuhan Jinghan XiKang Comprehensive Clinic Co., Ltd.	PRC Limited Liability Company	03/11/2014	Healthcare PRC	5,000,000	100	100	100	100	100	(b)(iii)
Anhui Xikang Health Management Co., Ltd.	PRC Limited Liability Company	09/05/2012	Healthcare PRC	1,000,000	100	100	100	100	100	(b)(i)
Hefei Shushan XiKang Health Examination Outpatient Department Co., Ltd.	PRC Limited Liability Company	24/11/2014	Healthcare PRC	30,000,000	100	100	100	100	100	(b)(i)
Hefei Baohe Xikang Comprehensive Clinic Co., Ltd.	PRC Limited Liability Company	27/12/2018	Healthcare PRC	13,500,000	100	-	-	-	-	(b)(iv)
Hainan XiKang Health Management Co., Ltd.	PRC Limited Liability Company	13/07/2012	Healthcare PRC	5,000,000	100	100	-	-	-	(b)(iii)
Guangzhou Xikang Health Technology Co., Ltd.	PRC Limited Liability Company	20/09/2012	Healthcare PRC	1,000,000	100	-	-	-	-	(b)(iv)
Guangzhou Haizhu XiKang Clinic Co. Ltd.	PRC Limited Liability Company	05/08/2014	Healthcare PRC	11,000,000	100	-	-	-	-	(b)(iv)
Fujian XiKang Health Management Co., Ltd.	PRC Limited Liability Company	18/04/2014	Healthcare PRC	5,000,000	100	100	100	100	100	(b)(i)
Fuzhou Cangshan Xikang Comprehensive Clinic Co., Ltd.	PRC Limited Liability Company	18/11/2014	Healthcare PRC	35,000,000	100	100	100	100	100	(b)(i)
Chongqing Jinxi Health Management Co., Ltd.	PRC Limited Liability Company	04/07/2016	Healthcare PRC	20,000,000	51	51	51	51	51	(b)(iii)

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11 Subsidiaries(Continued)

Name of entity	Place of incorporation and kind of legal entity	Date of incorporation	Principal activities and place of operation	Paid in capital	Ownership interest held by the Group as at				date of report %	Note
					31 December		31 March			
					2020 %	2021 %	2022 %	2023 %		
<b>Indirectly held(Continued) -</b>										
Chongqing Jinxi Traditional Chinese and Western Medicine Clinic Co., Ltd.	PRC Limited Liability Company	07/12/2017	Healthcare PRC	15,000,000	51	51	51	51	51	(b)(iii)
Taiyuan XiKang Cloud Hospital Management Co., Ltd.	PRC Limited Liability Company	05/12/2016	Healthcare PRC	1,000,000	90	100	100	100	100	(b)(i)
Qigihar XiKang Cloud hospital management services Co., Ltd.	PRC Limited Liability Company	19/04/2017	Healthcare PRC	-	72	-	-	-	-	
Handan Xikang Cloud Hospital Management Co., Ltd.	PRC Limited Liability Company	19/03/2018	Healthcare PRC	21,040,816	-	-	-	-	-	
Handan Xikang Hospital Co., Ltd.	PRC Limited Liability Company	10/08/2018	Healthcare PRC	12,600,000	-	-	-	-	-	
Chongqing Xikang Health Technology Co., Ltd.	PRC Limited Liability Company	24/12/2019	Technology service PRC	-	100	-	-	-	-	
Neusoft Management Consulting (Shanghai) Co., Ltd.	PRC Limited Liability Company	07/01/2015	Technology service PRC	94,547,238	100	49	49	49	49	(b)(iii)(e)
Shanghai Lingang Xikang Cloud Hospital Co., Ltd.	PRC Limited Liability Company	30/09/2020	Healthcare PRC	4,500,000	100	-	-	-	-	(b)(iii)
Fuzhou Xikang Healthcare Examination Center Co., Ltd.	PRC Limited Liability Company	15/12/2020	Healthcare PRC	50,000,000	100	-	-	-	-	(c)
<b>Indirectly controlled by the Company pursuant to the Contractual Agreements -</b>										
Xikang Information	PRC Limited Liability Company	27/03/2015	Technology service PRC	10,000,000	100	100	100	100	100	(b)(i)
Xikang Medical	PRC Limited Liability Company	26/12/2017	Investment holding PRC	100,000	100	100	100	100	100	(b)(i)
<b>Indirectly controlled by the Company pursuant to the employee incentive plan (Note 31)-</b>										
KangRich Investments Limited	BVI	08/07/2015	ESOP SPV	-	-	-	-	-	-	(a)
Hefei Investments Co., Ltd.	BVI	11/08/2015	ESOP SPV	-	-	-	-	-	-	(a)
Shanghai Kangji Investments Center (Limited Partnership)	PRC Limited Partnership	18/11/2015	ESOP SPV	-	-	-	-	-	-	(a)
Beijing Kangji Management Consulting Partnership (Limited Partnership)	PRC Limited Partnership	25/02/2021	ESOP SPV	-	-	-	-	-	-	(a)

NEUSOFT XIKANG HOLDINGS INC.

11 Subsidiaries(Continued)

Name of entity	Place of incorporation and kind of legal entity	Date of incorporation	Principal activities and place of operation	Paid in capital	Ownership interest held by the Group as at				date of report %	Note
					2020 %	31 December 2021 %	2022 %	31 March 2023 %		
<b>Indirectly controlled by the Company pursuant to the employee incentive plan (Note 31)(Continued) -</b>										
Tianjin Kangqian Enterprise Management Center (Limited Partnership)	PRC Limited Partnership	07/04/2016	ESOP SPV	-	-	-	-	-	-	(a)
Tianjin Kangcheng Enterprise Management Center (Limited Partnership)	PRC Limited Partnership	07/04/2016	ESOP SPV	-	-	-	-	-	-	(a)
Tianjin Kangjin Enterprise Management Center (Limited Partnership)	PRC Limited Partnership	01/04/2016	ESOP SPV	-	-	-	-	-	-	(a)
Tianjin Kangxiu Enterprise Management Center (Limited Partnership)	PRC Limited Partnership	07/04/2016	ESOP SPV	-	-	-	-	-	-	(a)
Tianjin Kangfa Enterprise Management Center (Limited Partnership)	PRC Limited Partnership	07/04/2016	ESOP SPV	-	-	-	-	-	-	(a)
XiRich Investments Limited	BVI	24/03/2021	ESOP SPV	-	-	-	-	-	-	(a)

- (a) No audited financial statements were issued for these companies as they are not required to issue audited financial statements under the statutory requirements of their respective places of incorporation.
- (b) The statutory auditors of these companies for the Relevant Record Period were as follows:
- (i) The statutory financial statements were audited by PricewaterhouseCoopers Zhong Tian LLP for the years ended December 31, 2020, 2021 and 2022.
- (ii) The financial statement was audited by RSM Shiff Hazenfatz&Co. C.P.A. for the years ended December 31, 2020 and 2021.
- (iii) The statutory financial statements were audited by PricewaterhouseCoopers Zhong Tian LLP for the years ended December 31, 2020 and 2021.
- (iv) The statutory financial statements were audited by PricewaterhouseCoopers Zhong Tian LLP for the year ended December 31, 2020.
- (c) No audited financial statements were issued for these companies as they are not operated.
- (d) The English names of certain subsidiaries referred herein represent the management's best effort at translating the Chinese names of these companies as no English names have been registered.
- (e) As at 31 December 2021, the Group's interest in Neusoft Management Consulting (Shanghai) Co., Ltd. decreased from 100% to 49%, and Neusoft Management Consulting (Shanghai) Co., Ltd. became an associate of the Group (Note 12(b)(i)).
- (f) On January 2, 2022, the Group transferred 68.55% equity interest in Aerotel Medical Systems (1998) Limited to Aerotel Ltd. As at the date of transfer, Aerotel Medical Systems (1998) Limited had a net liabilities of RMB11.6 million, and the Group paid USD219,999 as the consideration to Aerotel Ltd. After this transaction, Aerotel Ltd. will bear all debts and any legal liability of Aerotel Medical Systems (1998) Limited that have occurred and are likely to occur in future (Note 41).

NEUSOFT XIKANG HOLDINGS INC.

12 Investments accounted for using the equity method

	Year ended			Three months ended	
	31 December			31 March	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
					(Unaudited)
At beginning of the year/period	7,634	101,344	196,680	196,680	191,918
Additions (a)	100,000	99,484	-	-	-
Share of loss from investments in associates	(3,164)	(4,148)	(4,762)	(1,344)	(1,126)
Disposal of associates ((b)(ii))	(3,126)	-	-	-	-
At end of the year/period	<u>101,344</u>	<u>196,680</u>	<u>191,918</u>	<u>195,336</u>	<u>190,792</u>

(a) Additions

(i) Dalian Xikang Yunshe Development Co., Ltd. ("Dalian Yunshe")

On 17 February 2020, the Group entered into an investment agreement with Dalian Yunshe and the Group subscribed for 11.83% equity interests of Dalian Yunshe. The cash consideration equivalent to approximately RMB 100 million was fully paid by the Group on 28 December 2020.

Since the Group has appointed one member in the Board of Directors (the "BOD") of Dalian Yunshe, the Group is considered to have significant influence but not control over this associate.

(ii) Neusoft Management Consulting (Shanghai) Co., Ltd. ("Neusoft Management")

On 20 April 2021, Jiangsu Lixin Technology Development Co., Ltd. ("Jiangsu Lixin") entered into an investment agreement with the Group and Neusoft Management. Jiangsu Lixin subscribed for 51% equity interests of Neusoft Management through capital increase of RMB 98.41 million. As a result, the Group's interest in Neusoft Management decreased from 100% to 49%, and Neusoft Management became an associate of the Group since then. There was gain of RMB 3.6 million arising from disposal of the 51% equity interest of Neusoft Management.

NEUSOFT XIKANG HOLDINGS INC.

12 Investments accounted for using the equity method(Continued)

- (b) Set out below are the joint venture and associates of the Group as at 31 December 2020, 2021, 2022 and 31 March 2023. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business/ country of incorporation	% of ownership interest as at					Nature of relationship	Measurement method	Carrying amount as at				
		1 January	31 December		31 March	1 January			31 December		31 March		
		2020 %	2020 %	2021 %	2022 %	2023 %			2020 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	2023 RMB'000
Shanghai Lanxi Health Service Co., Ltd. Shanghai Lanxi)(i)	PRC	16.92	16.92	16.92	16.92	16.92	Associate	Equity method	4,308	2,427	1,753	599	335
Shanghai Shuoyuan Health Management Co., Ltd. ("Shanghai Shuoyuan")(ii)	PRC	50.00	-	-	-	-	Joint Venture	Equity method	3,326	-	-	-	-
Dalian Xikang Yunshe Development Co., Ltd. ("Dalian Yunshe")(iii)	PRC	-	11.83	11.83	11.83	11.83	Associate	Equity method	-	98,917	95,703	92,560	91,761
Neusoft Management Consulting (Shanghai) Co., Ltd. ("Neusoft Management")(12(a)(ii))	PRC	-	-	49.00	49.00	49.00	Associate	Equity method	-	-	99,224	98,759	98,696
<b>Total equity account investments</b>									<b>7,634</b>	<b>101,344</b>	<b>196,680</b>	<b>191,918</b>	<b>190,792</b>

- (i) In accordance with the Shareholders Agreement of Shanghai Lanxi, the Group is entitled to nominate 1 director to Shanghai Lanxi's board of directors which consisted of a total of 5 directors. The other 4 directors are the representatives as nominated by the other investors of Shanghai Lanxi.
- (ii) In accordance with the Shareholders Agreement of Shanghai Shuoyuan, the Group is entitled to nominate 1 director to Shanghai Shuoyuan's board of directors which consisted of a total of 6 directors. The other 5 directors are the representatives as nominated by the other investors of Shanghai Shuoyuan. On 17 March 2020, Shanghai Shuoyuan was liquidated.
- (iii) In accordance with the Shareholders Agreement of Dalian Yunshe, the Group is entitled to nominate 1 director to Dalian Yunshe's board of directors which consisted of a total of 7 directors. The other 6 directors are the representatives as nominated by the other investors of Dalian Yunshe.

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

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12 Investments accounted for using the equity method(Continued)

(b) Set out below are the joint venture and associates of the Group as at 31 December 2020, 2021, 2022 and 31 March 2023. The entities listed below have share capital consisting solely of ordinary shares, which are held directly by the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.(Continued)

(iv) Individually immaterial associates

The group has interests in a number of individually immaterial associates that are accounted for using the equity method.

	Year ended			Three months ended	
	31 December			31 March	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Aggregate carrying amount of individually immaterial associates	101,344	196,680	191,918	195,336	190,792
Aggregate amounts of the group's share of:					
-profit or loss from continuing operations	(3,164)	(4,148)	(4,762)	(1,344)	(1,126)
-Post-tax profit or loss from discontinued operations	-	-	-	-	-
-Other comprehensive income	-	-	-	-	-
-Total comprehensive income	(3,164)	(4,148)	(4,762)	(1,344)	(1,126)

13 Income tax (credit)/expense

	Year ended			Three months ended	
	31 December			31 March	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current income tax expense/(credit)	61	28	3,059	(5)	463
Deferred income tax (credit)/expense	(4,313)	1,868	1,893	798	229
	(4,252)	1,896	4,952	793	692

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

*Cayman Islands*

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

*Hong Kong*

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

No Hong Kong profit tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the Relevant Period.

*Israel*

Subsidiary incorporated in Israel is subject to Israel profit tax at a rate of 23% for taxable income earned in Israel from 2018 and thereafter according to the Economic Efficiency Law published on December 29, 2016.

**NEUSOFT XIKANG HOLDINGS INC.**

**13 Income tax (credit)/expense(Continued)**

(a) The Group's principal applicable taxes and tax rates are as follows(Continued):

No income tax was provided for as there was no estimated assessable profit that was subject to Israel profit tax during the Relevant Period.

*Mainland China*

The income tax provision of the Group in respect of its operations in the PRC was subject to statutory tax rate of 25% on the assessable profits for the Relevant Period, based on the existing legislation, interpretations and practices in respect thereof.

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

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

(b) Numerical reconciliation of income tax expense

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

	Year ended 31 December			Three months ended 31 March	
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000 (Unaudited)	2023 RMB'000
Loss before income tax	(203,021)	(292,847)	(238,308)	(83,985)	(46,531)
Tax credits calculated at statutory tax rate of 25%	(50,755)	(73,212)	(59,577)	(20,996)	(11,633)
Expenses not deductible for taxation purposes	5,766	11,690	52,605	21,168	3,340
Super deduction of research and development expenses	(6,396)	(13,048)	(8,453)	(2,309)	(2,424)
Income not subject to tax	(3,060)	(5,533)	(6,986)	(9,369)	(116)
Tax losses and temporary differences not recognized as deferred tax assets	59,534	90,833	45,854	21,961	14,978
Utilization of previously unrecognized tax losses	(9,722)	(8,485)	(17,188)	(8,467)	(3,461)
Effect of preferential tax rates	251	(356)	(350)	(8)	-
Effect of different tax rate	130	7	(953)	(1,187)	8
Income tax (credit)/expense	(4,252)	1,896	4,952	793	692

**NEUSOFT XIKANG HOLDINGS INC.**

**13 Income tax (credit)/expense(Continued)**

(b) Numerical reconciliation of income tax expense(Continued)

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

	<b>As at 31 December</b>			<b>As at 31 March</b>
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Year ended 31 December 2021	141,040	-	-	-
Year ended 31 December 2022	128,206	102,535	-	-
Year ended 31 December 2023	138,062	128,302	116,076	115,388
Year ended 31 December 2024	170,942	161,297	147,605	147,605
Year ended 31 December 2025	46,939	52,338	46,435	46,435
Year ended 31 December 2026	-	80,943	77,296	76,728
Year ended 31 December 2027	-	-	55,009	55,009
Year ended 31 December 2028	-	-	-	41,807
Year ended 31 December 2029	-	-	-	-
Year ended 31 December 2030	96,355	96,355	96,355	96,355
Year ended 31 December 2031	-	67,936	67,936	67,936
Year ended 31 December 2032	-	-	86,343	86,343
Year ended 31 December 2033	-	-	-	19,049
	<b>721,544</b>	<b>689,706</b>	<b>693,055</b>	<b>752,655</b>

**14 Loss per share**

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to the owners of the Company by the weighted average number of ordinary shares (exclude treasury share) in issue during the years ended 31 December 2020, 2021, 2022 and the three months ended 31 March 2023.

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

	<b>Year ended</b>			<b>Three months ended</b>	
	<b>31 December</b>			<b>31 March</b>	
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2022</b>	<b>2023</b>
	<b>(Unaudited)</b>				
Loss attributable to owners of the Company for the year (RMB'000)	(196,431)	(296,537)	(241,967)	(83,467)	(47,241)
Weighted average number of ordinary shares in issue ('000)	123,945	124,240	124,240	124,240	124,240
Basic loss per share (RMB)	<b>(1.58)</b>	<b>(2.39)</b>	<b>(1.95)</b>	<b>(0.67)</b>	<b>(0.38)</b>

(b) Diluted loss per share

Diluted loss per share for the years ended 31 December 2020, 2021, 2022 and the three months ended 31 March 2023 were the same as the basic earnings per share as the Group incurred losses for the Relevant Period, the dilutive potential ordinary share (such as RSUs and options) were not included in the calculation of diluted loss per share because they are anti-dilutive.

The basic and diluted loss per share as presented above has not taken into account the proposed share subdivision pursuant to the shareholders' resolution dated 11 September 2023, because the proposed share subdivision has not become effective at the date of the prospectus.



NEUSOFT XIKANG HOLDINGS INC.

15 Property, plant and equipment

	Buildings	Electronic equipment	Office furniture and others	Assets under construction	Leasehold improvement	Total
<b>At 1 January 2020(Unaudited)</b>						
Cost	-	168,019	2,773	8,535	139,236	318,563
Accumulated depreciation	-	(122,761)	(2,472)	-	(109,240)	(234,473)
<b>Net book value</b>	<b>-</b>	<b>45,258</b>	<b>301</b>	<b>8,535</b>	<b>29,996</b>	<b>84,090</b>
<b>Year ended 31 December 2020</b>						
Opening net book amount	-	45,258	301	8,535	29,996	84,090
Additions(i)	78,197	8,467	382	7,008	1,519	95,573
Transfers	-	-	-	(8,583)	8,538	(45)
Disposal	-	(3,123)	(70)	-	(13,235)	(16,428)
Depreciation	(1,274)	(18,189)	(106)	-	(11,600)	(31,169)
Exchange differences	-	-	-	-	1	1
<b>Closing net book value</b>	<b>76,923</b>	<b>32,413</b>	<b>507</b>	<b>6,960</b>	<b>15,219</b>	<b>132,022</b>
<b>At 31 December 2020</b>						
Cost	78,197	163,166	3,040	6,960	133,603	384,966
Accumulated depreciation	(1,274)	(130,753)	(2,533)	-	(118,384)	(252,944)
<b>Net book value</b>	<b>76,923</b>	<b>32,413</b>	<b>507</b>	<b>6,960</b>	<b>15,219</b>	<b>132,022</b>
<b>Year ended 31 December 2021</b>						
Opening net book amount	76,923	32,413	507	6,960	15,219	132,022
Additions	-	11,211	694	2,866	832	15,603
Transfers	-	-	-	(68)	68	-
Disposal	(76,066)	(2,958)	(345)	(9,758)	(6,981)	(96,108)
Depreciation	(857)	(11,313)	(672)	-	(4,808)	(17,650)
Exchange differences	-	1	-	-	-	1
<b>Closing net book value</b>	<b>-</b>	<b>29,354</b>	<b>184</b>	<b>-</b>	<b>4,330</b>	<b>33,868</b>
<b>At 31 December 2021</b>						
Cost	2,131	174,383	3,399	-	127,524	307,437
Accumulated depreciation	(2,131)	(145,029)	(3,215)	-	(123,194)	(273,569)
<b>Net book value</b>	<b>-</b>	<b>29,354</b>	<b>184</b>	<b>-</b>	<b>4,330</b>	<b>33,868</b>

(i) In 2020, the Group purchase 100% shares of Neusoft Management Consulting (Shanghai) Co., Ltd. As the above transaction met the concentration test (Note 2.3), above acquisition is not a business combination.

NEUSOFT XIKANG HOLDINGS INC.

15 Property, plant and equipment(Continued)

	Buildings	Electronic equipment	Office furniture and others	Assets under construction	Leasehold improvement	Total
<b>Year ended 31 December 2022</b>						
Opening net book amount	-	29,354	184	-	4,330	33,868
Additions	-	6,866	6	831	274	7,977
Transfers	-	-	-	(831)	831	-
Disposal	-	(797)	(66)	-	(55)	(918)
Depreciation	-	(9,655)	(20)	-	(2,463)	(12,138)
<b>Closing net book value</b>	<b>-</b>	<b>25,768</b>	<b>104</b>	<b>-</b>	<b>2,917</b>	<b>28,789</b>
<b>At 31 December 2022</b>						
Cost	-	143,134	1,395	-	128,505	273,034
Accumulated depreciation	-	(117,366)	(1,291)	-	(125,588)	(244,245)
<b>Net book value</b>	<b>-</b>	<b>25,768</b>	<b>104</b>	<b>-</b>	<b>2,917</b>	<b>28,789</b>
<b>Three months ended 31 March 2023</b>						
Opening net book amount	-	25,768	104	-	2,917	28,789
Additions	-	111	-	-	-	111
Disposal	-	(573)	(10)	-	-	(583)
Depreciation	-	(2,281)	(5)	-	(606)	(2,892)
<b>Closing net book value</b>	<b>-</b>	<b>23,025</b>	<b>89</b>	<b>-</b>	<b>2,311</b>	<b>25,425</b>
<b>At 31 March 2023</b>						
Cost	-	138,688	1,205	-	128,505	268,398
Accumulated depreciation	-	(115,663)	(1,116)	-	(126,194)	(242,973)
<b>Net book value</b>	<b>-</b>	<b>23,025</b>	<b>89</b>	<b>-</b>	<b>2,311</b>	<b>25,425</b>
<b>Three months ended 31 March 2022 (Unaudited)</b>						
Opening net book amount	-	29,354	184	-	4,330	33,868
Additions	-	549	-	279	221	1,049
Disposal	-	(369)	(64)	-	(55)	(488)
Depreciation	-	(2,530)	(5)	-	(665)	(3,200)
<b>Closing net book value</b>	<b>-</b>	<b>27,004</b>	<b>115</b>	<b>279</b>	<b>3,831</b>	<b>31,229</b>
<b>At 31 March 2022 (Unaudited)</b>						
Cost	-	171,184	2,550	279	127,621	301,634
Accumulated depreciation	-	(144,180)	(2,435)	-	(123,790)	(270,405)
<b>Net book value</b>	<b>-</b>	<b>27,004</b>	<b>115</b>	<b>279</b>	<b>3,831</b>	<b>31,229</b>

NEUSOFT XIKANG HOLDINGS INC.

15 Property, plant and equipment(Continued)

Depreciation of property, plant and equipment has been charged to the consolidated statements of loss as follows:

	Year ended 31 December			Three months ended 31 March	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost of sales	18,309	8,745	6,430	1,664	1,326
Administrative expenses	7,829	4,147	2,059	383	715
Research and development expenses	1,212	1,002	551	203	64
Selling and marketing expenses	3,536	3,624	3,098	795	787
	<u>30,886</u>	<u>17,518</u>	<u>12,138</u>	<u>3,045</u>	<u>2,892</u>

16 Leases

(a) Amounts recognized in the consolidated balance sheets

	As at 1 January		As at 31 December		As at 31 March
	2020	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
<b>Right-of-use assets (i)</b>					
Buildings	131,891	100,206	47,098	52,271	54,820
<b>Lease liabilities</b>					
Current	33,311	31,128	34,718	26,510	21,374
Non-current	129,458	101,662	30,451	35,114	40,915
	<u>162,769</u>	<u>132,790</u>	<u>65,169</u>	<u>61,624</u>	<u>62,289</u>

The Group leases properties for own use and these lease liabilities were measured at net present value of the lease payments to be paid during the lease terms. Lease liabilities were discounted at incremental borrowing rates of the Group ranging from 4.75% to 5.225%.

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

	As at 31 December			As at 31 March	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
<b>Cost</b>					
At beginning of the year/period	249,835	237,723	147,800	147,800	142,412
Additions	120	18,654	29,232	-	13,203
Lease expiration	(2,645)	(17,221)	(28,844)	-	(839)
Disposal of Subsidiaries	-	(64,634)	-	-	-
Termination of lease contracts	(9,587)	(26,722)	(5,776)	-	(33,425)
At end of the year/period	<u>237,723</u>	<u>147,800</u>	<u>142,412</u>	<u>147,800</u>	<u>121,351</u>
<b>Accumulated depreciation</b>					
At beginning of the year/period	(117,944)	(137,517)	(100,702)	(100,702)	(90,141)
Depreciation charge for the year/period	(25,398)	(23,470)	(21,096)	(5,377)	(5,663)
Lease expiration	2,645	17,221	28,844	-	839
Disposal of Subsidiaries	-	25,727	-	-	-
Termination of lease contracts	3,180	17,337	2,813	-	28,434
At end of the year/period	<u>(137,517)</u>	<u>(100,702)</u>	<u>(90,141)</u>	<u>(106,079)</u>	<u>(66,531)</u>
<b>Net book amount</b>					
At end of the year/period	<u>100,206</u>	<u>47,098</u>	<u>52,271</u>	<u>41,721</u>	<u>54,820</u>

NEUSOFT XIKANG HOLDINGS INC.

16 Leases(Continued)

(b) Amounts recognized in the consolidated statements of comprehensive income

	Year ended			Three months ended	
	31 December			31 March	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Depreciation charge of right-of-use assets	25,398	23,470	21,096	5,377	5,663
Interest expense	8,723	4,357	2,301	695	703
Expense relating to short-term leases	4,479	1,530	5,293	31	1,094
The cash outflow for leases as operating activities	(4,825)	(2,969)	(4,603)	-	(29)
The cash outflow for leases as financing activities	(31,700)	(26,731)	(28,000)	(9,980)	(7,646)

17 Intangible assets

	Software RMB'000
<b>At 1 January 2020(Unaudited)</b>	
Cost	6,137
Accumulated depreciation	(2,582)
<b>Net book value</b>	<b>3,555</b>
<b>Year ended 31 December 2020</b>	
Opening net book amount	3,555
Additions	380
Disposal	(402)
Depreciation charge	(598)
<b>Closing net book value</b>	<b>2,935</b>
<b>At 31 December 2020</b>	
Cost	5,999
Accumulated depreciation	(3,064)
<b>Net book value</b>	<b>2,935</b>
<b>Year ended 31 December 2021</b>	
Opening net book amount	2,935
Additions	2,339
Disposal	(136)
Depreciation charge	(710)
<b>Closing net book value</b>	<b>4,428</b>
<b>At 31 December 2021</b>	
Cost	7,994
Accumulated depreciation	(3,566)
<b>Net book value</b>	<b>4,428</b>

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17 Intangible assets(Continued)

	Software RMB'ooo
<b>Year ended 31 December 2022</b>	
Opening net book amount	4,428
Additions	262
Disposal	(57)
Depreciation charge	(786)
<b>Closing net book value</b>	<b><u>3,847</u></b>
<b>At 31 December 2022</b>	
Cost	8,037
Accumulated depreciation	(4,190)
<b>Net book value</b>	<b><u>3,847</u></b>
<b>Three months ended 31 March 2023</b>	
Opening net book amount	3,847
Disposal	(63)
Depreciation charge	(188)
<b>Closing net book value</b>	<b><u>3,596</u></b>
<b>At 31 March 2023</b>	
Cost	7,919
Accumulated depreciation	(4,323)
<b>Net book value</b>	<b><u>3,596</u></b>
<b>Three months ended 31 March 2022(Unaudited)</b>	
Opening net book amount	4,428
Additions	181
Disposal	(56)
Depreciation charge	(194)
<b>Closing net book value</b>	<b><u>4,359</u></b>
<b>At 31 March 2022(Unaudited)</b>	
Cost	7,954
Accumulated depreciation	(3,595)
<b>Net book value</b>	<b><u>4,359</u></b>

- (a) Amortization expenses have been charged to profit or loss and presented in the consolidated statements of comprehensive income as follows:

	<b>Year ended 31 December</b>			<b>Three months ended 31 March</b>	
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2022</b>	<b>2023</b>
	<b>RMB'ooo</b>	<b>RMB'ooo</b>	<b>RMB'ooo</b>	<b>RMB'ooo</b>	<b>RMB'ooo</b>
Cost of sales	224	206	194	49	46
Administrative expenses	183	210	166	42	36
Research and development expenses	120	220	350	85	88
Selling and marketing expenses	71	74	76	18	18
	<u>598</u>	<u>710</u>	<u>786</u>	<u>194</u>	<u>188</u>

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18 Prepayments

	As at 1 January	As at 31 December			As at 31 March
	2020	2020	2021	2022	2023
	RMB'000 (Unaudited)	RMB'000	RMB'000	RMB'000	RMB'000
<b>Non-Current</b>					
- Prepayments for long-term assets	780	1,453	636	718	732
<b>Current</b>					
- Prepayments for short-term leases, heating and property service	236	634	1,042	1,615	366
- Advance payment to suppliers for inventories	1,801	3,877	2,636	1,251	1,662
- Prepayments for listing expenses	-	-	6,089	8,438	3,774
- Other	389	423	1,338	755	155
	<u>2,426</u>	<u>4,934</u>	<u>11,105</u>	<u>12,059</u>	<u>5,957</u>

19 Long-term trade receivables

	As at 1 January	As at 31 December			As at 31 March
	2020	2020	2021	2022	2023
	RMB'000 (Unaudited)	RMB'000	RMB'000	RMB'000	RMB'000
Long-term trade receivables from contracts with customers(i)					
- Third parties	-	-	44,078	77,182	51,814
- Less: allowance for impairment of long-term trade receivables	-	-	(5,318)	(2,328)	(4,140)
- Less: other current asset (Note 26)	-	-	(4,292)	(55,545)	(30,279)
	<u>-</u>	<u>-</u>	<u>34,468</u>	<u>19,309</u>	<u>17,395</u>

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

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

	As at 1 January	As at 31 December			As at 31 March
	2020	2020	2021	2022	2023
	RMB'000 (Unaudited)	RMB'000	RMB'000	RMB'000	RMB'000
- Up to 3 months	-	-	44,078	22,324	-
- 3 months to 1 year	-	-	-	14,481	22,617
- 1-2 years	-	-	-	40,377	29,197
- Less: allowance for impairment of long-term trade receivables	-	-	(5,318)	(2,328)	(4,140)
- Less: other current asset	-	-	(4,292)	(55,545)	(30,279)
Total	<u>-</u>	<u>-</u>	<u>34,468</u>	<u>19,309</u>	<u>17,395</u>

(b) Amortized cost of long-term trade receivables

Long-term trade receivables are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method.

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19 Long-term trade receivables(Continued)

(c) Impairment and risk exposure

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance based on historical experience of the Group and comparable companies for the long-term trade receivables.

On the basis as described in Note 2.11(d), the loss allowance for the long-term trade receivables as at 31 December 2021, 2022 and 31 March 2023 are determined as follows:

(i) As at 31 December 2021, the loss allowance of individually impaired long-term trade receivables is determined as follows:

	Current	1 year to 2 years past due	2 years to 3 years past due	3 years to 4 years past due	4 years to 5 years past due	More than 5 years past due	Total
<b>At 31 December 2021</b>							
Expected loss rate	12.1%	-	-	-	-	-	12.1%
Gross carrying amount – long-term trade receivables	44,078	-	-	-	-	-	44,078
<b>Loss allowance</b>	<b>(5,318)</b>	-	-	-	-	-	<b>(5,318)</b>

(ii) As at 31 December 2022, the loss allowance of individually impaired long-term trade receivables is determined as follows:

	Current	1 year to 2 years past due	2 years to 3 years past due	3 years to 4 years past due	4 years to 5 years past due	More than 5 years past due	Total
<b>At 31 December 2022</b>							
Expected loss rate	3.0%	-	-	-	-	-	3.0%
Gross carrying amount – long-term trade receivables	77,182	-	-	-	-	-	77,182
<b>Loss allowance</b>	<b>(2,328)</b>	-	-	-	-	-	<b>(2,328)</b>

(iii) As at 31 March 2023, the loss allowance of individually impaired long-term trade receivables is determined as follows:

	Current	1 year to 2 years past due	2 years to 3 years past due	3 years to 4 years past due	4 years to 5 years past due	More than 5 years past due	Total
<b>At 31 March 2023</b>							
Expected loss rate	8.0%	-	-	-	-	-	8.0%
Gross carrying amount – long-term trade receivables	51,814	-	-	-	-	-	51,814
<b>Loss allowance</b>	<b>(4,140)</b>	-	-	-	-	-	<b>(4,140)</b>

(iv) Long-term trade receivables as at 31 December 2021 was resulted from new credit arrangement in 2021 and due from new customers with credit term over one year. In 2021, there was no historical credit loss data of these new customers and the Company estimated expected credit loss rate of the Long-term trade receivables by reference to the expected credit loss rate of trade receivables as at 31 December 2021.

As at 31 December 2022, all such customers were paid timely according to the payment schedule, considering there was no actual credit loss occurred with the customers of long-term receivables during 2021 and 2022, the Company re-estimated expected credit loss rate of long-term trade receivables.

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19 Long-term trade receivables(Continued)

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

	As at 31 December			As at 31 March
	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000
- At beginning of the year/period	-	-	(5,318)	(2,328)
- (Provision for)/reversal of impairment of long-term trade receivables	-	(5,318)	3,264	(1,756)
- Other changes	-	-	(274)	(56)
At end of the year/period	-	(5,318)	(2,328)	(4,140)

20 Financial instruments by category

	Note	As at 1	As at 31 December			As at 31
		January	2020	2021	2022	March
		2020	RMB'000	RMB'000	RMB'000	2023
<b>Financial assets</b>						
Financial assets at amortized cost						
- Trade receivables	22	113,703	124,441	167,958	151,143	155,610
- Long-term trade receivables	19, 26		-	38,760	74,854	47,674
- Other receivables	21	15,982	38,694	43,660	31,766	32,125
- Cash and bank balances	25	414,938	392,176	364,908	351,764	276,485
		<u>544,623</u>	<u>555,311</u>	<u>615,286</u>	<u>609,527</u>	<u>511,894</u>
Financial assets at fair value						
- Wealth management products	24	33,380	27,690	-	-	-
		<u>578,003</u>	<u>583,001</u>	<u>615,286</u>	<u>609,527</u>	<u>511,894</u>

	Note	As at 1	As at 31 December			As at 31
		January	2020	2021	2022	March
		2020	RMB'000	RMB'000	RMB'000	2023
<b>Financial liabilities</b>						
Financial assets at amortized cost						
- Borrowings	35	261,167	310,988	390,050	509,700	509,640
- Trade payables	32	95,038	117,274	199,996	234,110	193,829
- Long-term trade payables		-	-	-	1,900	-
- Other payables and accruals excluding non-financial liabilities		139,981	120,038	129,526	118,216	114,860
- Lease liabilities	16	162,769	132,790	65,169	61,624	62,289
- Financial liability for redeemable rights	30	183,864	301,417	309,914	356,228	351,751
		<u>842,819</u>	<u>982,507</u>	<u>1,094,655</u>	<u>1,281,778</u>	<u>1,232,369</u>

The Group's exposure to various risks associated with the financial instruments is discussed in Note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.



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21 Other receivables

Other receivables include the following:

The Group	As at 1 January		As at 31 December		As at 31 March
	2020	2020	2021	2022	2023
	RMB'000 (Unaudited)	RMB'000	RMB'000	RMB'000	RMB'000
Payments on behalf of related parties	4,792	-	-	-	-
Receivables from third parties in relation to sales of smart healthcare products as an agent(c)	-	28,111	-	-	-
Deposits (a)	14,929	16,779	15,766	15,148	15,047
Payments on behalf of other company in relation to purchase of equipment	-	5,588	-	-	-
Advance to staff	2,438	2,727	2,515	1,576	1,674
Equity transfer receivables	2,500	2,500	30,130	30,130	30,130
Others	2,279	1,518	4,165	3,797	4,198
	<u>26,938</u>	<u>57,223</u>	<u>52,576</u>	<u>50,651</u>	<u>51,049</u>
Less: allowance for impairment of other receivables (b)	<u>(10,956)</u>	<u>(18,529)</u>	<u>(8,916)</u>	<u>(18,885)</u>	<u>(18,924)</u>
	<u>15,982</u>	<u>38,694</u>	<u>43,660</u>	<u>31,766</u>	<u>32,125</u>
The Company	As at 1 January		As at 31 December		As at 31 March
	2020	2020	2021	2022	2023
	RMB'000 (Unaudited)	RMB'000	RMB'000	RMB'000	RMB'000
Amount due from subsidiaries(d)					
- current	13,325	12,463	14,090	12,258	12,094
- non-current	887,891	206,190	204,917	220,026	217,862
Less: allowance for impairment of other receivables (b)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>901,216</u>	<u>218,653</u>	<u>219,007</u>	<u>232,284</u>	<u>229,956</u>

(a) Deposits consists primarily of security deposits for rental and projects.

(b) Impairment and risk exposure

Management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experiences.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- External credit rating (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counter party's ability to meet its obligation;
- actual or expected significant changes in the operating results of the counter party;
- significant increases in credit risk on other financial instruments of the same counter party;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements; and
- significant changes in the expected performance and behavior of the counter party, including changes in payment status of debtor in the Group and changes in operating results of the counter party.

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21 Other receivables(Continued)

- (c) The Group made the purchase order of smart healthcare products from the suppliers on behalf of its customers. The products are delivered from the suppliers to the customers directly without any discretion of the Group, but the total considerations of the products are collected from the customers and paid to the suppliers by the Group. So the Group records the receivables from the customers and payables to the suppliers once the products are delivered to the customers from the suppliers.
- (d) The balances mainly represented loans to the subsidiaries which were interest-bearing at fixed rate of 4.7% to 5.6% per annum.

Other receivables are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where other receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due.

On the basis as described in Note 2.11(d), the loss allowance for other receivables as at 31 December 2020, 2021, 2022 and 31 March 2022 and 2023 are determined as follows:

	Performing	Under-performing	Non-performing	Total
<b>Loss allowance at 1 January 2020</b>	4,073	-	6,883	10,956
Provision for loss	6,714	-	770	7,484
Other changes	89	-	-	89
<b>Loss allowance as at 31 December 2020</b>	<u>10,876</u>	<u>-</u>	<u>7,653</u>	<u>18,529</u>
	<b>Performing</b>	<b>Under-performing</b>	<b>Non-performing</b>	<b>Total</b>
<b>Loss allowance at 1 January 2021</b>	10,876	-	7,653	18,529
Reversal of loss	(3,254)	-	(589)	(3,843)
Write-offs	-	-	(5,583)	(5,583)
Other changes	(187)	-	-	(187)
<b>Loss allowance as at 31 December 2021</b>	<u>7,435</u>	<u>-</u>	<u>1,481</u>	<u>8,916</u>
	<b>Performing</b>	<b>Under-performing</b>	<b>Non-performing</b>	<b>Total</b>
<b>Loss allowance at 1 January 2022</b>	7,435	-	1,481	8,916
(Reversal of)/provision for loss	(2,229)	9,598	2,919	10,288
Write-offs	(160)	-	-	(160)
Other changes	(159)	-	-	(159)
<b>Loss allowance as at 31 December 2022</b>	<u>4,887</u>	<u>9,598</u>	<u>4,400</u>	<u>18,885</u>
	<b>Performing</b>	<b>Under-performing</b>	<b>Non-performing</b>	<b>Total</b>
<b>Loss allowance at 1 January 2023</b>	4,887	9,598	4,400	18,885
(Reversal of)/provision for loss	(202)	241	-	39
<b>Loss allowance as at 31 March 2023</b>	<u>4,685</u>	<u>9,839</u>	<u>4,400</u>	<u>18,924</u>
	<b>Performing</b>	<b>Under-performing</b>	<b>Non-performing</b>	<b>Total</b>
<b>Loss allowance at 1 January 2022</b>	7,435	-	1,481	8,916
(Reversal of)/provision for loss	(913)	-	1,186	273
Other changes	(180)	-	-	(180)
<b>Loss allowance as at 31 March 2022</b>	<u>6,342</u>	<u>-</u>	<u>2,667</u>	<u>9,009</u>
<b>(Unaudited)</b>				

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21 Other receivables(Continued)

The gross carrying amounts of other receivables is as follow:

	As at 1	As at 31 December			As at 31
	January	December			March
	2020	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
Performing	20,055	49,569	48,176	18,621	19,019
Underperforming	-	-	-	27,630	27,630
Non-performing	6,883	7,654	4,400	4,400	4,400
Write-off	-	-	5,583	160	-
Total gross other receivables	26,938	57,223	58,159	50,811	51,049
Less: Loss allowance	(10,956)	(18,529)	(8,916)	(18,885)	(18,924)
Less: Write-off	-	-	(5,583)	(160)	-
Other receivables net-off	15,982	38,694	43,660	31,766	32,125

22 Trade receivables

	As at 1	As at 31 December			As at 31
	January	December			March
	2020	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
Trade receivables from contracts with customers					
- Third parties	140,253	162,985	223,001	236,810	236,569
- Related parties	6,136	9,670	14,836	10,972	14,426
Less: allowance for impairment of trade receivables	(32,686)	(48,214)	(69,879)	(96,639)	(95,385)
	113,703	124,441	167,958	151,143	155,610

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

	As at 1	As at 31 December			As at 31
	January	December			March
	2020	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
- Up to 3 months	59,485	83,669	118,727	91,131	32,768
- 3 months to 1 year	53,964	26,230	37,267	37,510	78,440
- 1-2 years	10,013	35,318	33,171	53,334	81,213
- 2-3 years	1,189	4,606	23,648	20,793	14,852
- 3-4 years	1,218	1,094	2,768	20,999	19,614
- 4-5 years	750	1,218	532	2,156	2,212
- Over 5 years	19,770	20,520	21,724	21,859	21,896
	146,389	172,655	237,837	247,782	250,995
Less: allowance for impairment of trade receivables	(32,686)	(48,214)	(69,879)	(96,639)	(95,385)
Total	113,703	124,441	167,958	151,143	155,610

- (b) Fair values of trade receivables

Due to the short-term nature of the current receivables, their carrying amounts are considered to be approximately the same as their fair values.

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**22 Trade receivables(Continued)**

(c) Impairment and risk exposure

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

On the basis as described in Note 2.11(d), the loss allowance for trade receivables as at 1 January 2020, 31 December 2020, 2021 and 2022 and 31 March 2023 are determined as follows:

- (i)(a) As at 1 January 2020, the loss allowance of individually impaired trade receivables is determined as follows (unaudited):

Individual	Trade receivables	Expected credit loss rate	Loss allowance	Reason
Trade receivables	14,643	100%	(14,643)	The likelihood of recovery

- (i)(b) As at 1 January 2020, the loss allowance of trade receivables related to cloud healthcare services is determined as follows:

	No more than 1 year Current past due	1 year to 2 years past due	2 years to 3 years past due	3 years to 4 years past due	4 years to 5 years past due	More than 5 year Past due	Total
<b>At 1 January 2020 (Unaudited)</b>							
Expected loss rate	1.4%	2.0%	14.6%	100.0%	100.0%	100.0%	3.9%
Gross carrying amount							
– trade receivables	5,316	28,209	1,223	557	3	5	35,322
<b>Loss allowance</b>	(72)	(551)	(179)	(557)	(3)	(5)	(1,376)

- (i)(c) As at 1 January 2020, the loss allowance of trade receivables related to cloud hospital platform services and smart healthcare products is determined as follows:

	No more than 1 year Current past due	1 year to 2 years past due	2 years to 3 years past due	3 years to 4 years past due	4 years to 5 years past due	More than 5 year Past due	Total
<b>At 1 January 2020 (Unaudited)</b>							
Expected loss rate	7.1%	38.1%	80.5%	92.6%	100.0%	100.0%	17.3%
Gross carrying amount							
– trade receivables	79,733	8,790	632	1,215	745	5,309	96,424
<b>Loss allowance</b>	(5,632)	(3,347)	(509)	(1,125)	(745)	(5,309)	(16,667)

- (ii)(a) As at 31 December 2020, the loss allowance of individually impaired trade receivables is determined as follows:

Individual	Trade receivables	Expected credit loss rate	Loss allowance	Reason
Trade receivables	14,762	99%	(14,643)	The likelihood of recovery

- (ii)(b) As at 31 December 2020, the loss allowance of trade receivables related to internet medical services and health management services is determined as follows:

	No more than 1 year Current past due	1 year to 2 years past due	2 years to 3 years past due	3 years to 4 years past due	4 years to 5 years past due	More than 5 year Past due	Total
<b>At 31 December 2020</b>							
Expected loss rate	2.4%	4.9%	38.8%	100.0%	100.0%	100.0%	12.2%
Gross carrying amount							
– trade receivables	7,502	30,943	6,160	1,006	545	3	46,173
<b>Loss allowance</b>	(181)	(1,511)	(2,390)	(1,006)	(545)	(3)	(5,650)

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22 Trade receivables(Continued)

(c) Impairment and risk exposure(Continued)

(ii)(c) As at 31 December 2020, the loss allowance of trade receivables related to cloud hospital platform services and smart healthcare products is determined as follows:

	Current	1 year to 2 years past due	2 years to 3 years past due	3 years to 4 years past due	4 years to 5 years past due	More than 5 years Past due	Total
<b>At 31 December 2020</b>							
Expected loss rate	11.9%	29.1%	89.3%	100.0%	100.0%	100.0%	25.0%
Gross carrying amount – trade receivables	71,336	28,967	3,600	549	1,215	6,053	111,720
<b>Loss allowance</b>	<b>(8,470)</b>	<b>(8,420)</b>	<b>(3,214)</b>	<b>(549)</b>	<b>(1,215)</b>	<b>(6,053)</b>	<b>(27,921)</b>

(iii)(a) As at 31 December 2021, the loss allowance of individually impaired trade receivables is determined as follows:

Individual	Trade receivables	Expected credit loss rate	Loss allowance	Reason
Trade receivables	14,453	100%	(14,453)	The likelihood of recovery

(iii)(b) As at 31 December 2021, the loss allowance of trade receivables related to internet medical services and health management services is determined as follows:

	Current	No more than 1 year past due	1 year to 2 years past due	2 years to 3 years past due	3 years to 4 years past due	4 years to 5 years past due	More than 5 year Past due	Total
<b>At 31 December 2021</b>								
Expected loss rate	3.2%	3.3%	34.6%	100.0%	100.0%	100.0%	100.0%	7.7%
Gross carrying amount – trade receivables	23,413	18,163	2,710	1,105	51	63	18	45,523
<b>Loss allowance</b>	<b>(747)</b>	<b>(594)</b>	<b>(938)</b>	<b>(1,105)</b>	<b>(51)</b>	<b>(63)</b>	<b>(18)</b>	<b>(3,516)</b>

(iii)(c) As at 31 December 2021, the loss allowance of trade receivables related to cloud hospital platform services and smart healthcare products is determined as follows:

	Current	1 year to 2 years past due	2 years to 3 years past due	3 years to 4 years past due	4 years to 5 years past due	More than 5 years Past due	Total
<b>At 31 December 2021</b>							
Expected loss rate	13.9%	41.5%	57.3%	100.0%	100.0%	100.0%	29.2%
Gross carrying amount – trade receivables	114,418	30,461	22,543	2,717	469	7,253	177,861
<b>Loss allowance</b>	<b>(15,936)</b>	<b>(12,629)</b>	<b>(12,906)</b>	<b>(2,717)</b>	<b>(469)</b>	<b>(7,253)</b>	<b>(51,910)</b>

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22 Trade receivables(Continued)

(c) Impairment and risk exposure(Continued)

(iv)(a) As at 31 December 2022, the loss allowance of individually impaired trade receivables is determined as follows:

Individual	Trade receivables	Expected credit loss rate	Loss allowance	Reason
Trade receivables	46,451	41%	(19,075)	The likelihood of recovery

(iv)(b) As at 31 December 2022, the loss allowance of trade receivables related to internet medical services and health management services is determined as follows:

	No more than 1 year Current past due	1 year to 2 years past due	2 years to 3 years past due	3 years to 4 years past due	4 years to 5 years past due	More than 5 year Past due	Total
<b>At 31 December 2022</b>							
Expected loss rate	2.4%	3.1%	29.5%	100.0%	100.0%	100.0%	5.7%
Gross carrying amount – trade receivables	29,878	8,052	4,074	157	47	8	42,238
<b>Loss allowance</b>	(711)	(246)	(1,200)	(157)	(47)	(8)	(2,391)

(iv)(c) As at 31 December 2022, the loss allowance of trade receivables related to cloud hospital platform services and smart healthcare products is determined as follows:

	Current	1 year to 2 years past due	2 years to 3 years past due	3 years to 4 years past due	4 years to 5 years past due	More than 5 years Past due	Total
<b>At 31 December 2022</b>							
Expected loss rate	16.8%	54.2%	87.3%	97.5%	100.0%	100.0%	47.3%
Gross carrying amount – trade receivables	83,790	24,183	20,636	20,952	2,148	7,384	159,093
<b>Loss allowance</b>	(14,092)	(13,102)	(18,009)	(20,438)	(2,148)	(7,384)	(75,173)

(v)(a) As at 31 March 2023, the loss allowance of individually impaired trade receivables is determined as follows:

Individual	Trade receivables	Expected credit loss rate	Loss allowance	Reason
Trade receivables	39,058	46%	(17,908)	The likelihood of recovery

(v)(b) As at 31 March 2023, the loss allowance of trade receivables related to internet medical services and health management services is determined as follows:

	No more than 1 year Current past due	1 year to 2 years past due	2 years to 3 years past due	3 years to 4 years past due	4 years to 5 years past due	More than 5 year Past due	Total
<b>At 31 March 2023</b>							
Expected loss rate	1.9%	3.3%	29.5%	100.0%	100.0%	100.0%	5.6%
Gross carrying amount – trade receivables	19,486	18,011	3,795	176	17	58	41,552
<b>Loss allowance</b>	(379)	(587)	(1,118)	(176)	(17)	(58)	(2,344)

## NEUSOFT XIKANG HOLDINGS INC.

### 22 Trade receivables(Continued)

(c) Impairment and risk exposure(Continued)

(v)(c) As at 31 March 2023, the loss allowance of trade receivables related to cloud hospital platform services and smart healthcare products is determined as follows:

	Current	1 year to 2 years past due	2 years to 3 years past due	3 years to 4 years past due	4 years to 5 years past due	More than 5 years Past due	Total
<b>At 31 March 2023</b>							
Expected loss rate	15.5%	54.8%	89.5%	97.4%	100.0%	100.0%	44.1%
Gross carrying amount – trade receivables	91,633	34,890	14,676	19,597	2,154	7,435	170,385
<b>Loss allowance</b>	<b>(14,185)</b>	<b>(19,129)</b>	<b>(13,138)</b>	<b>(19,092)</b>	<b>(2,154)</b>	<b>(7,435)</b>	<b>(75,133)</b>

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

	Year ended 31 December			Three months ended 31 March	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
At beginning of the year/period (Provision for)/reversal of impairment of trade receivables	(32,686)	(48,214)	(69,879)	(69,879)	(96,639)
Trade receivables loss	(15,561)	(22,114)	(28,072)	821	1,242
Exchange differences	26	341	969	105	12
Other changes	7	108	4	(3)	-
At end of the year/period	-	-	339	339	-
	<u>(48,214)</u>	<u>(69,879)</u>	<u>(96,639)</u>	<u>(68,617)</u>	<u>(95,385)</u>

### 23 Inventories

	As at 1 January	As at 31 December			As at 31 March
	2020	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
Raw materials	12,531	12,662	18,306	12,604	16,482
Finished goods – at cost	807	924	8,332	9,818	10,168
Work in progress	3	6	2	-	-
	<u>13,341</u>	<u>13,592</u>	<u>26,640</u>	<u>22,422</u>	<u>26,650</u>
Less: allowance for impairment of inventories	<u>(10,831)</u>	<u>(4,787)</u>	<u>(4,754)</u>	<u>(3,969)</u>	<u>(4,119)</u>
	<u>2,510</u>	<u>8,805</u>	<u>21,886</u>	<u>18,453</u>	<u>22,531</u>

(i) Amounts recognized in profit or loss

Inventories recognized as cost of sales and services during the years ended 31 December 2020, 2021, 2022 and the three months ended 31 March 2023 amounted to approximately RMB 211.18 million, RMB 309.86 million, RMB 400.58 million and RMB 38.44 million, respectively.

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24 Financial assets at fair value through profit or loss

(a) Classification of financial assets at fair value through profit or loss

The Group classifies the following financial assets at fair value through profit or loss (FVPL):

- debt investments that do not qualify for measurement at amortised cost

Financial assets mandatorily measured at FVPL include the following:

	As at 1 January	As at 31 December			As at 31 March
	2020	2020	2021	2022	2023
	RMB'000 (Unaudited)	RMB'000	RMB'000	RMB'000	RMB'000
<b>Current assets</b>					
Investment in wealth management products (i)	33,380	27,690	-	-	-

- (i) The wealth management products (“WMP”) of the Company and the Group as at 31 December 2020 was issued by reputable banks in People’s Republic of China. The balance of WMP as at 31 December 2020 is non-principal protected with a floating interest rate, and can be withdrawn at any time.

The movements of WMP are as follows:

	Year ended December 31			Three months ended 31 March	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
At beginning of the year/period	33,380	27,690	-	-	-
Purchase	27,900	4,500	-	-	-
Redemption	(33,590)	(32,190)	-	-	-
At end of the year/period	27,690	-	-	-	-

(b) Amounts recognised in profit or loss

During the years/periods, the following losses were recognised in profit or loss:

	Year ended December 31			Three months ended 31 March	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Fair value gains on investments in wealth management products	-	-	-	-	-

(c) Risk exposure and fair value measurements

Information about the Group’s exposure to financial risk is provided in Note 3.1.



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25 Cash and cash equivalents

*The Group*

	As at 1 January	As at 31 December			As at 31 March
	2020	2020	2021	2022	2023
	RMB'000 (Unaudited)	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	414,938	392,176	364,908	351,764	276,485
less: restricted deposits	(641)	(495)	(171)	(1,016)	(982)
Cash and cash equivalents	<u>414,297</u>	<u>392,176</u>	<u>364,908</u>	<u>351,764</u>	<u>276,485</u>

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

	As at 1 January	As at 31 December			As at 31 March
	2020	2020	2021	2022	2023
	RMB'000 (Unaudited)	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank					
- USD	310,892	210,992	47,624	30,568	29,416
- HKD	83	58	581	35	32
- RMB	103,935	181,058	316,691	321,161	247,037
- EUR	-	68	7	-	-
- NIS	28	-	5	-	-
Total	<u>414,938</u>	<u>392,176</u>	<u>364,908</u>	<u>351,764</u>	<u>276,485</u>

*The Company*

	As at 1 January	As at 31 December			As at 31 March
	2020	2020	2021	2022	2023
	RMB'000 (Unaudited)	RMB'000	RMB'000	RMB'000	RMB'000
Cash and bank balances	309,116	59,335	38,051	29,285	28,166
less: restricted deposits	-	-	-	-	-
Cash and cash equivalents	<u>309,116</u>	<u>59,335</u>	<u>38,051</u>	<u>29,285</u>	<u>28,166</u>

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

	As at 1 January	As at 31 December			As at 31 March
	2020	2020	2021	2022	2023
	RMB'000 (Unaudited)	RMB'000	RMB'000	RMB'000	RMB'000
Cash at bank					
- USD	309,099	59,320	37,508	29,275	28,156
- HKD	8	6	534	1	1
- RMB	9	9	9	9	9
	<u>309,116</u>	<u>59,335</u>	<u>38,051</u>	<u>29,285</u>	<u>28,166</u>

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26 Other current assets

	As at 1	As at 31 December			As at 31
	January				March
	2020	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
Deductible input VAT	350	4,154	230	84	1,709
Long-term trade receivables within one year (Note 19)	-	-	4,292	55,545	30,279
Interest	-	-	-	201	-
	<u>350</u>	<u>4,154</u>	<u>4,522</u>	<u>55,830</u>	<u>31,988</u>

27 Share capital and share premium

	Number of ordinary shares	Nominal value of ordinary shares	Share premium
		RMB'000	RMB'000
<b>Issued:</b>			
At 1 January 2020(Unaudited)	132,313,040	867	1,650,768
Addition	10,312,221	73	278,728
Decrease	-	-	(270)
At 31 December 2020	<u>142,625,261</u>	<u>940</u>	<u>1,929,226</u>
Addition	-	-	-
Decrease	-	-	(572)
At 31 December 2021	<u>142,625,261</u>	<u>940</u>	<u>1,928,654</u>
Addition/decrease	-	-	-
At 31 December 2022	<u>142,625,261</u>	<u>940</u>	<u>1,928,654</u>
Addition/decrease	-	-	-
At 31 March 2023	<u>142,625,261</u>	<u>940</u>	<u>1,928,654</u>
At 1 January 2022	142,625,261	940	1,928,654
Addition/decrease	-	-	-
At 31 March 2022(Unaudited)	<u>142,625,261</u>	<u>940</u>	<u>1,928,654</u>

On May 12, 2011, the Company was incorporated in the Cayman Islands with an authorized share capital of USD50,000 divided into 50,000 ordinary shares of par value of USD1.00 each. Neusoft (HK) Limited and Smartwave Holdings Inc. held 70% and 30% of total equities of the Company, respectively.

On May 14, 2012, the Company split 50,000 ordinary shares to 50,000,000 ordinary shares of par value of USD0.001 each and reissued 1,000,000 ordinary shares of par value of USD0.001. Immediately after the share split and reissue, Neusoft (HK) Limited and Smartwave Holdings Inc. still held 70% and 30% of total equities of the Company, respectively.

The Company has completed round A investments in September 2015, with six investors. 49,300,000 ordinary shares of USD49,300 was issued to the round A investors at a price of USD2.94 per share for an aggregated consideration of approximately USD145 million (equivalent to RMB976 million). According to the investment agreement, some of the investors of round A investments were granted certain special rights, including director nomination rights, anti-dilution rights, customary rights of first refusal, co-sale rights, pre-emptive rights, information and inspection rights and redeemable (divestment) rights (Certain investors have the rights to request certain existing shareholders (excluded the Company) to purchase the shares issued to certain investors in round A investments in certain conditions).

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### 27 Share capital and share premium(Continued)

The Company has completed round B investments in December 2016, with two investors. 21,760,000 ordinary shares of USD21,760 were issued to the round B investors at a price of USD2.94 per share for an aggregated consideration of approximately USD64 million (equivalent to RMB445 million). According to the investment agreement, some of the investors of round B investments were granted certain special rights, including director nomination rights, anti-dilution rights, customary rights of first refusal, co-sale rights, pre-emptive rights, and information and inspection rights.

The Company has no contractual obligation to deliver cash or another financial asset to above certain investors, so the investment in round A and B are classified as equity.

The Company entered into an agreement with round C investments in December 2019, with three investors. In December 2019, 10,253,040 ordinary shares of USD10,253 were issued to the round C investors at a price of USD3.86 per share for an aggregated consideration of approximately USD30 million (equivalent to RMB227.20 million). In January 2020, 10,312,221 ordinary shares of USD10,312 were issued to the round C investors at the same price per share for an aggregated consideration of approximately USD50 million (equivalent to RMB278.80 million). According to the investment agreement, some of the investors of round C investments were granted certain special rights, including director nomination rights, anti-dilution rights, customary rights of first refusal, co-sale rights, pre-emptive rights, information and inspection rights and redeemable (divestment) rights. The redeemable rights of certain investor in round C investments was disclosed in Note 28 and Note 30.

### 28 Treasury shares

	Year ended 31 December		Three months ended 31 March		
	2020 RMB'000	2021 RMB'000	2022 RMB'000	2022 RMB'000	2023 RMB'000
At beginning of the year/period	247,607	368,913	368,913	368,913	368,913
Addition(ii)	121,306	-	-	-	-
At end of the year/period	<u>368,913</u>	<u>368,913</u>	<u>368,913</u>	<u>368,913</u>	<u>368,913</u>

- (i) In June 2016, 5,440,000 shares issued to employees under the RSUs scheme were held by KangRich Investments Limited and some other special vehicles ("2016 RSUs Scheme"), which were consolidated by the Group (Note 11). The Company has a repurchase obligation before initial public offerings as disclosed in Note 31, and such shares are treated as treasury shares, and the related liability was recognized in other payables (Note 33).
- (ii) Redeemable ordinary shares issued on December 27, 2019 and January 22, 2020 of 12,945,758 shares are treated as treasury shares, and the liability related to the redeemable rights was disclosed in Note 30.

## NEUSOFT XIKANG HOLDINGS INC.

## 29 Other reserves

<i>The Group</i>	Currency translation differences RMB'000	Others RMB'000	Total RMB'000
At 1 January 2020(Unaudited)	22,362	1,879	24,241
Share-based compensation(Note 31)	-	27,691	27,691
Currency translation differences	12,955	-	12,955
At 31 December 2020	<u>35,317</u>	<u>29,570</u>	<u>64,887</u>
At 1 January 2021	35,317	29,570	64,887
Share-based compensation(Note 31)	-	151,529	151,529
Currency translation differences	4,026	-	4,026
At 31 December 2021	<u>39,343</u>	<u>181,099</u>	<u>220,442</u>
At 1 January 2022	39,343	181,099	220,442
Share-based compensation(Note 31)	-	78,984	78,984
Currency translation differences	(14,448)	-	(14,448)
At 31 December 2022	<u>24,895</u>	<u>260,083</u>	<u>284,978</u>
At 1 January 2023	24,895	260,083	284,978
Share-based compensation(Note 31)	-	3,236	3,236
Currency translation differences	2,948	-	2,948
At 31 March 2023	<u>27,843</u>	<u>263,319</u>	<u>291,162</u>
At 1 January 2022	39,343	181,099	220,442
Share-based compensation(Note 31)	-	22,433	22,433
Currency translation differences	2,419	-	2,419
At 31 March 2022(Unaudited)	<u>41,762</u>	<u>203,532</u>	<u>245,294</u>
<i>The Company</i>	Currency translation differences RMB'000	Others RMB'000	Total RMB'000
At 1 January 2020(Unaudited)	21,877	2,106	23,983
Share-based compensation(Note 31)	-	28,208	28,208
Currency translation differences	14,965	-	14,965
At 31 December 2020	<u>36,842</u>	<u>30,314</u>	<u>67,156</u>
At 1 January 2021	36,842	30,314	67,156
Share-based compensation(Note 31)	-	153,560	153,560
Currency translation differences	4,041	-	4,041
At 31 December 2021	<u>40,883</u>	<u>183,874</u>	<u>224,757</u>
At 1 January 2022	40,883	183,874	224,757
Share-based compensation(Note 31)	-	79,176	79,176
Currency translation differences	16,209	-	16,209
At 31 December 2022	<u>57,092</u>	<u>263,050</u>	<u>320,142</u>
At 1 January 2023	57,092	263,050	320,142
Share-based compensation(Note 31)	-	2,870	2,870
Currency translation differences	(22,519)	-	(22,519)
At 31 March 2023	<u>34,573</u>	<u>265,920</u>	<u>300,493</u>
At 1 January 2022	40,883	183,874	224,757
Share-based compensation(Note 31)	-	22,754	22,754
Currency translation differences	645	-	645
At 31 March 2022(Unaudited)	<u>41,528</u>	<u>206,628</u>	<u>248,156</u>

## NEUSOFT XIKANG HOLDINGS INC.

### 30 Financial liability for redeemable rights

	<u>As at 1</u> <u>January</u>	<u>As at 31 December</u>			<u>As at 31</u> <u>March</u>
	<u>2020</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Non-current portion	183,864	301,417	309,914	356,228	351,751

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

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

#### Redeemable rights

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

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

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

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

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

### 31 Share-based payments

#### (a) Restricted shares treated as compound instrument ("2017 plan" and "2018 plan")

The Company's 2016 RSUs Scheme was approved by the Board of Directors on August 2016. Under the 2016 RSUs Scheme, the RSUs were granted to eligible employees in 2017, 2018 and 2021.

On 1 January 2017 and 1 January 2018, 181 and 160 eligible employees ("Grantees A" and "Grantees B") were granted 1,935,000 and 2,782,500 restricted shares of the Company respectively. The restricted shares will be fully vested if Grantees A and Grantees B continue work in the Group upon initial public offering. The Subscription price of the restricted shares is USD1.47 per ordinary share.

If Grantees A and Grantees B resigned within three-year after the grant day, the Group shall refund the investment from Grantees A and Grantees B. If Grantees A and Grantees B resign after three-year service before the initial public offering of the Company, the Group shall repurchase restricted stock at USD2.94. As such the Group has a repurchase obligation before initial public offerings.

**NEUSOFT XIKANG HOLDINGS INC.**

**31 Share-based payments(Continued)**

(a) Restricted shares treated as compound instrument (“2017 plan” and “2018 plan”)(Continued)

Under above plans, the difference between the grant date present value of the repurchase price at USD2.94 and the Subscription price at USD1.47 paid by Grantees A and Grantees B is treated as cash-settled share-based payment, and is recognized over the three-year service period after the grant date. The financing cost in connection with the present value of the repurchase price was recorded as interest expenses payables to eligible employees accordingly.

The fair value of the restricted shares has been valued to be USD2.94 and USD 3.12 per share on the grant day respectively, by an independent qualified valuer using Black-Scholes model. Key assumptions are set as below:

	2017 plan	2018 plan
Risk-free interest rate	1.71%	1.61%
Expected volatility	52.65%	50.04%
Discount rate	21%	20%

(b) Restricted shares in 2021 (2021 plan A)

On 1 January 2021, 36 eligible employees (“Grantees C”) were granted 1,164,500 restricted shares of the Company which are vested when Grantees C complete certain non-market performance condition, and cannot resign before the initial public offering of the Company. The Subscription price of the restricted shares is USD1.47 per ordinary share.

The fair value of the restricted shares granted on the grant date, have been valued to be USD4.39 per share, by an independent qualified valuer using Black-Scholes model. Key assumptions are set as below:

	2021 plan A
Risk-free interest rate	1.09%
Expected volatility	51.1%
Discount rate	17%

(c) Share options (“2020 plan” and “2021 plan B”)

On 1 January 2020 and 2021, 4,841,000 and 11,037,200 share options were granted to certain employees (“Grantees D”) of the Group at a consideration of USD2.94 per share. Under the employee incentive plan, Grantees D are granted options which only vest if certain service and performance condition are met. The share options shall be subject to vesting schedule of three years from the vesting commencement date, subject to Grantees D continuing to be an employee of the Group.

The fair values of the share options are USD2.50-2.55, and USD3.18-3.29 per share at the grant date in 2020 and 2021 respectively, which has been valued by an independent qualified valuer using back-solve method. Key assumptions are set as below:

	2020 plan	2021 plan B
Risk-free interest rate	2.06%	1.09%
Expected volatility	40.00%	51.11%
Discount rate	18%	17%

No options expired during the years ended December 31, 2020, 2021, 2022 and three months period ended 31 March 2022 and 2023.

**NEUSOFT XIKANG HOLDINGS INC.**

**31 Share-based payments(Continued)**

(d) Share options (“2021 plan C”)

On 1 July 2021, 1,384,700 share options were granted to certain employees (“Grantees E”) of the Group at a consideration of USD2.94 per share. Under the employee incentive plan, Grantees E are granted options which only vest if certain service and performance condition are met. The share options shall be subject to vesting schedule of Grantees E continuing to be an employee of the Group at the date of initial public offering.

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

	2021 plan C
Risk-free interest rate	1.5%
Expected volatility	53.4%
Discount rate	15%

No options expired during the years ended December 31, 2020, 2021, 2022 and three months period ended 31 March 2022 and 2023.

Above employee plan are carried out through certain special vehicle, which are controlled and consolidated by the Group, and the restrict ordinary shares held by such special vehicle were disclosed as treasury shares accordingly (Note 28).

(e) Expenses arising from share-based payment transactions

	<b>Year ended</b>			<b>Three months ended</b>	
	<b>31 December</b>			<b>31 March</b>	
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2022</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>				
2017 Plan	315	297	(51)	(24)	(50)
2018 Plan	6,416	552	(110)	(20)	(100)
2020 Plan	27,313	15,548	8,013	2,679	(1,142)
2021 Plan A	-	14,827	7,105	1,946	(407)
2021 Plan B	-	111,779	53,893	15,347	4,771
2021 Plan C	-	10,557	10,326	2,826	(202)
	<u>34,044</u>	<u>153,560</u>	<u>79,176</u>	<u>22,754</u>	<u>2,870</u>

As at 31 December 2020, 2021, 2022 and 31 March 2023, the accumulated expenses arising from share-based payment transactions amounting to RMB 30,313,000, RMB 183,873,000, RMB263,049,000 and RMB265,919,000, respectively are recognized in the share-based compensation reserve.

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32 Trade payables

Aging analysis of the trade payables at the end of each reporting period are as follows:

	<b>As at 1 January</b>	<b>As at 31 December</b>			<b>As at 31 March</b>
	<b>2020</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>RMB'000 (Unaudited)</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
- Up to 3 months	34,944	78,004	142,431	144,580	49,658
- 3 to 6 months	28,861	1,622	18,034	10,613	82,226
- 6 months to 1 year	13,550	2,204	22,838	26,838	27,853
- 1 to 2 years	7,880	18,892	14,192	40,463	24,661
- 2 to 3 years	9,706	6,772	1,517	9,354	9,028
- 3 to 4 years	5	9,683	467	1,391	-
- 4 to 5 years	92	5	439	354	324
- over 5 years	-	92	78	517	79
	<u>95,038</u>	<u>117,274</u>	<u>199,996</u>	<u>234,110</u>	<u>193,829</u>

- (i) The carrying amounts of trade payables are considered to be approximated to their fair values, due to their short-term nature.

33 Other payables and accruals

<i>The Group</i>	<b>As at 1 January</b>	<b>As at 31 December</b>			<b>As at 31 March</b>
	<b>2020</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>RMB'000 (Unaudited)</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Current</b>					
Others due to related parties	65,600	9,008	9,218	-	-
Payables to third parties in relation to sales of smart healthcare products as an agent	-	28,217	-	-	-
Payroll and welfare payables	27,605	42,293	46,759	36,600	33,325
Payables for purchase of property, plant and equipment	11,654	5,890	2,178	2,067	895
Tax payables	1,592	482	9,403	3,447	1,350
Payment to eligible employees (Note 31(a)(b)(c))	49,204	65,055	95,864	96,943	93,064
Short-term leases payables	3,374	2,451	1,064	2,112	2,276
Accrual expenses	5,101	3,710	6,787	7,022	5,436
Listing expenses	-	-	5,640	6,494	8,922
Others	5,425	6,154	9,240	3,578	4,267
<b>Non-Current</b>					
Payment to eligible employees (Note 31(a))	13,777	-	-	-	-
Others	-	300	-	-	-
	<u>183,332</u>	<u>163,560</u>	<u>186,153</u>	<u>158,263</u>	<u>149,535</u>



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33 Other payables and accruals(Continued)

<i>The Company</i>	As at 1	As at 31 December			As at 31
	January				March
	2020	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
<b>Current</b>					
Payment to eligible employees (Note 31(a))	15,917	37,747	36,041	39,370	38,845
Others	59	-	6,166	6,583	9,005
	<u>15,976</u>	<u>37,747</u>	<u>42,207</u>	<u>45,953</u>	<u>47,850</u>

34 Deferred income

	As at 1	As at 31 December			As at 31
	January				March
	2020	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
<b>Government grants</b>					
Income-related grants (a)	<u>32,127</u>	<u>15,704</u>	<u>11,898</u>	<u>6,680</u>	<u>6,880</u>
To be realized within 12 months	19,163	5,730	8,318	4,460	4,460
To be realized after more than 12 months	<u>12,964</u>	<u>9,974</u>	<u>3,580</u>	<u>2,220</u>	<u>2,420</u>
	<u>32,127</u>	<u>15,704</u>	<u>11,898</u>	<u>6,680</u>	<u>6,880</u>

- (a) The income-related grants are mainly subsidies received from the government for compensating the Group's research and development activities with regards to certain projects. The amount of government grants that credited to the consolidated statements of comprehensive loss is disclosed in Note 6.

35 Borrowings

	As at 1	As at 31 December			As at 31
	January				March
	2020	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
<i>Secured-</i>					
Guaranteed Bank borrowings(a)	261,167	310,988	-	-	-
<i>Unsecured(b)</i>	-	-	390,050	509,700	509,640
	<u>261,167</u>	<u>310,988</u>	<u>390,050</u>	<u>509,700</u>	<u>509,640</u>
Current	100,237	71,118	460	280	280
Non-current	160,930	239,870	389,590	509,420	509,360

- (a) Bank borrowings mature until 2025 and bear average coupons of 5.22%, 5.12%, 4.98% and 4.98% for the year ended 31 December 2020,2021,2022 and three months ended 31 March 2023 respectively.

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### 35 Borrowings(Continued)

(b) On 16 January 2020, the Group obtained a bank borrowing with a floating interest rate of Loan Prime Rate (LPR) plus 1.075%, amounting to RMB60 million which will be mature until 15 January 2023. The interest shall be paid quarterly, and the principal of RMB50,000 shall be repaid on 15 July 2020, 15 January 2021, 15 July 2021, 15 January 2022, and 15 July 2022 respectively. The remaining RMB59.95 million which shall be repaid on 15 January 2023 has been paid in 2022.

On 21 February 2020, the Group obtained a bank borrowing with a floating interest rate of Loan Prime Rate (LPR) plus 1.175%, amounting to RMB60 million which will be mature until 20 February 2023. The interest shall be paid quarterly, and the principal of RMB50,000 shall be repaid on 20 August 2020, 20 February 2021, 20 August 2021, 20 February 2022, and 20 August 2022 respectively. The remaining RMB59.95 million which shall be repaid on 20 February 2023 has been paid in 2022.

On 28 August 2020, the Group obtained a bank borrowing with a floating interest rate of Loan Prime Rate (LPR) plus 1%, amounting to RMB30 million which will be mature until 27 August 2023. The interest shall be paid quarterly, and the principal of RMB50,000 shall be repaid on 28 February 2021, 27 August 2021, 28 February 2022, 27 August 2022, and 28 February 2023 respectively. The remaining RMB29.95 million which shall be repaid on 27 August 2023 has been paid in 2022.

On 1 July 2021, the Group obtained a bank borrowing with a floating interest rate of Loan Prime Rate (LPR) plus 1.375%, amounting to RMB50 million which will be mature until 30 June 2024. The interest shall be paid quarterly, and the principal of RMB250,000 shall be repaid on 30 December 2021, 30 June 2022, 30 December 2022, 30 June 2023, and 30 December 2023 respectively. The remaining RMB49.75 million shall be repaid on 30 June 2024.

On 23 September 2021, the Group obtained a bank borrowing with a floating interest rate of Loan Prime Rate (LPR) plus 1.375%, amounting to RMB90 million which will be mature until 22 September 2024. The interest shall be paid quarterly, and the principal of RMB250,000 shall be repaid on 22 March 2022, 22 September 2022, 22 March 2023, 22 September 2023, and 22 March 2024 respectively. The remaining RMB89.75 million shall be repaid on 22 September 2024.

On 28 December 2021, the Group obtained a bank borrowing with a floating interest rate of Loan Prime Rate (LPR) plus 0.575%, amounting to RMB100 million which will be mature until 27 December 2024. The interest shall be paid quarterly, and the principal of RMB50,000 shall be repaid on 27 June 2022, 27 December 2022, 27 June 2023, 27 December 2023 and 27 June 2024 respectively. The remaining RMB99.95 million shall be repaid on 27 December 2024.

On 31 May 2022, the Group obtained a bank borrowing with a floating interest rate of Loan Prime Rate (LPR) plus 0.3%, amounting to RMB120 million which will be mature until 30 May 2025. The interest shall be paid quarterly, and the principal of RMB60,000 shall be repaid on 21 June 2022, 21 December 2022, 21 June 2023, 21 December 2023, 21 June 2024 and 21 December 2024 respectively. The remaining RMB199.94 million shall be repaid on 30 May 2025.

On 30 June 2022, the Group obtained a bank borrowing with a floating interest rate of Loan Prime Rate (LPR) plus 0.775%, amounting to RMB120 million which will be mature until 29 June 2025. The interest shall be paid quarterly, and the principal of RMB50,000 shall be repaid on 29 December 2022, 29 June 2023, 29 December 2023, 29 June 2024 and 29 December 2024 respectively. The remaining RMB199.95 million shall be repaid on 29 June 2025.

On 31 August 2022, the Group obtained a bank borrowing with a floating interest rate of Loan Prime Rate (LPR) plus 0.925%, amounting to RMB30 million which will be mature until 30 August 2025. The interest shall be paid quarterly, and the principal of RMB10,000 shall be repaid on 28 February 2023, 30 August 2023, 28 February 2024, 30 August 2024, and 28 February 2025 respectively. The remaining RMB29.95 million shall be repaid on 30 August 2025.

The bank borrowings guaranteed by Dalian Neusoft Holdings Co., Ltd. was released As at 31 May 2021.

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35 Borrowings(Continued)

(c) At the end of each reporting period, the group's borrowings were repayable as follows:

	As at 1 January	As at 31 December			As at 31 March
	2020	2020	2021	2022	2023
	RMB'000 (Unaudited)	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	100,237	71,118	460	280	280
Between 1 and 2 years	100,080	89,950	150,080	239,570	239,520
Between 2 and 5 years	60,850	149,920	239,510	269,850	269,840
	<u>261,167</u>	<u>310,988</u>	<u>390,050</u>	<u>509,700</u>	<u>509,640</u>

(d) Details of the group's exposure to risks arising from current and non-current borrowings are set out in Note 3.1.

36 Investments in subsidiaries

	As at 1 January	As at 31 December			As at 31 March
	2020	2020	2021	2022	2023
	RMB'000 (Unaudited)	RMB'000	RMB'000	RMB'000	RMB'000
Investments in subsidiaries	586,017	1,851,837	2,005,398	2,111,977	2,090,588
Less: allowance for impairment of investments in subsidiaries	-	-	-	-	-
	<u>586,017</u>	<u>1,851,837</u>	<u>2,005,398</u>	<u>2,111,977</u>	<u>2,090,588</u>

The details of the subsidiaries are disclosed in Note 11.

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37 Deferred income tax assets and liabilities

(a) The analysis of deferred income tax assets and deferred income tax liabilities (prior to any offset pursuant to net-off provisions) is as follows:

	As at 1	As at 31 December			As at 31
	January				March
	2020	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
Deferred income tax assets:					
- Deferred income tax assets to be recovered after more than 12 months	33,332	29,748	14,603	14,003	14,412
- Deferred income tax assets to be recovered within 12 months	-	-	-	-	-
	<u>33,332</u>	<u>29,748</u>	<u>14,603</u>	<u>14,003</u>	<u>14,412</u>
Deferred income tax liabilities:					
- Deferred income tax liabilities to be settled after more than 12 months	(32,978)	(25,065)	(11,788)	(13,081)	(13,719)
- Deferred income tax liabilities to be settled within 12 months	-	-	-	-	-
	<u>(32,978)</u>	<u>(25,065)</u>	<u>(11,788)</u>	<u>(13,081)</u>	<u>(13,719)</u>
	<u>354</u>	<u>4,683</u>	<u>2,815</u>	<u>922</u>	<u>693</u>

(b) The net movement on the deferred income tax account is as follows:

	Year ended			Three months ended	
	31 December			31 March	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
At beginning of the year/period	345	4,683	2,815	2,815	922
Credit/(charged) to income tax expense (Note 13)	4,313	(1,868)	(1,893)	(798)	(229)
Other	25	-	-	-	-
At end of the year/period	<u>4,683</u>	<u>2,815</u>	<u>922</u>	<u>2,017</u>	<u>693</u>

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37 Deferred income tax assets and liabilities(Continued)

(c) The gross movements in deferred income tax assets and deferred income tax liabilities during the year/period are as follows:

	Deferred income tax assets-provision for impairment loss	Deferred income tax assets-provision for inventories	Deferred income tax assets-RSUs and options	Deferred income tax assets-Lease liabilities	Deferred income tax assets-Tax losses	Deferred income tax liabilities-accelerated depreciation	Deferred income tax liabilities-right-of-use assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>As at 1 January 2020(Unaudited)</b>	1	71	-	33,260	-	(14)	(32,973)	345
Credited/(charged)to profit or loss	8	(15)	61	(8,146)	4,508	1	7,921	4,338
<b>As at 31 December 2020</b>	<u>9</u>	<u>56</u>	<u>61</u>	<u>25,114</u>	<u>4,508</u>	<u>(13)</u>	<u>(25,052)</u>	<u>4,683</u>
Credited/(charged)to profit or loss	122	(33)	1,800	(13,581)	(3,453)	-	13,277	(1,868)
<b>As at 31 December 2021</b>	<u>131</u>	<u>23</u>	<u>1,861</u>	<u>11,533</u>	<u>1,055</u>	<u>(13)</u>	<u>(11,775)</u>	<u>2,815</u>
(Charged)/credited to profit or loss	(11)	(23)	(1,861)	1,397	(102)	-	(1,293)	(1,893)
<b>As at 31 December 2022</b>	<u>120</u>	<u>-</u>	<u>-</u>	<u>12,930</u>	<u>953</u>	<u>(13)</u>	<u>(13,068)</u>	<u>922</u>
(Charged)/credited to profit or loss	(18)	-	-	391	36	-	(638)	(229)
<b>As at 31 March 2023</b>	<u>102</u>	<u>-</u>	<u>-</u>	<u>13,321</u>	<u>989</u>	<u>(13)</u>	<u>(13,706)</u>	<u>693</u>
<b>As at 1 January 2022</b>	<u>131</u>	<u>23</u>	<u>1,861</u>	<u>11,533</u>	<u>1,055</u>	<u>(13)</u>	<u>(11,775)</u>	<u>2,815</u>
(Charged)/credited to profit or loss	(16)	-	(1,861)	(1,647)	1,382	-	1,344	(798)
<b>As at 31 March 2022(Unaudited)</b>	<u>115</u>	<u>23</u>	<u>-</u>	<u>9,886</u>	<u>2,437</u>	<u>(13)</u>	<u>(10,431)</u>	<u>2,017</u>

NEUSOFT XIKANG HOLDINGS INC.

37 Deferred income tax assets and liabilities(Continued)

(d) Deferred income tax assets

	As at 1	As at 31 December			As at 31
	January				March
	2020	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
The balance comprises temporary differences attributable to:					
Provision for impairment loss	1	9	131	120	102
Lease liabilities	33,260	25,114	11,533	12,930	13,321
Tax losses	-	4,508	1,055	953	989
Provision for inventories	71	56	23	-	-
RSUs and options	-	61	1,861	-	-
Total deferred income tax assets	<u>33,332</u>	<u>29,748</u>	<u>14,603</u>	<u>14,003</u>	<u>14,412</u>
Set-off of income tax liabilities pursuant to set-off provision	<u>(32,664)</u>	<u>(24,588)</u>	<u>(11,272)</u>	<u>(12,814)</u>	<u>(13,230)</u>
Net deferred income tax assets	<u>668</u>	<u>5,160</u>	<u>3,331</u>	<u>1,189</u>	<u>1,182</u>

(e) Deferred income tax liabilities

	As at 1	As at 31 December			As at 31
	January				March
	2020	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
The balance comprises temporary differences attributable to:					
Right-of-use assets	32,973	25,052	11,775	13,068	13,706
Accelerated depreciation	14	13	13	13	13
Total deferred income tax liabilities	<u>32,987</u>	<u>25,065</u>	<u>11,788</u>	<u>13,081</u>	<u>13,719</u>
Set-off of income tax assets pursuant to set-off provision	<u>(32,664)</u>	<u>(24,588)</u>	<u>(11,272)</u>	<u>(12,814)</u>	<u>(13,230)</u>
Net deferred income tax liabilities	<u>323</u>	<u>477</u>	<u>516</u>	<u>267</u>	<u>489</u>

NEUSOFT XIKANG HOLDINGS INC.

38 Cash flow information

(a) Cash used in operations

	Year ended 31 December			Three months ended 31 March	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	0
Loss before income tax :	(203,021)	(292,847)	(238,308)	(83,985)	(46,531)
Adjustments for:					
-Depreciation and amortization	57,165	41,830	34,020	8,771	8,743
-Net losses/(gains) on disposal of subsidiaries and associates	4,972	(17,194)	(8,532)	(8,532)	-
-Net gains on disposal of Assets classified as held for sale	-	(744)	-	-	-
-Share-based compensation	34,044	153,560	79,176	22,754	2,870
-Other income - interest on wealth management products	(829)	(306)	-	-	-
-Other gains/(losses) on disposal of long-term assets	542	(2,864)	(2,368)	-	(223)
-Disposal of long-term assets	346	1	359	330	394
-Share of losses of associates	3,909	4,148	4,762	1,344	1,126
-Finance costs- net	43,155	35,103	38,069	8,685	5,896
-Foreign exchange losses/(gains)	19,623	(1,709)	12,733	(510)	(1,957)
Change in working capital :					
-Inventories	12,603	(23,183)	(19)	3,559	(6,173)
-Provisions	24,139	23,591	35,866	2,349	347
-Other operating assets	(64,598)	(94,631)	(87,126)	(35,638)	3,605
-Other operating liabilities	49,858	90,725	55,826	(55,961)	(23,913)
Cash used in operations	(18,092)	(84,520)	(75,542)	(136,834)	(55,816)

(b) Net debt reconciliation

	As at 1 January	As at 31 December			As at 31 March
	2020	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)			0	
Cash and cash equivalents	414,297	391,681	364,737	350,748	275,503
Liquid investments	33,380	27,690	-	-	-
Borrowings	(317,567)	(310,988)	(390,050)	(509,700)	(509,640)
Lease liabilities	(162,769)	(132,790)	(65,169)	(61,624)	(62,289)
Financial liability for redeemable rights	(183,864)	(301,417)	(309,914)	(356,228)	(351,751)
Net debt	(216,523)	(325,824)	(400,396)	(576,804)	(648,177)
Cash and liquid investments	447,677	419,371	364,737	350,748	275,503
Gross debt	(664,200)	(745,195)	(765,133)	(927,552)	(923,680)
Net debt	(216,523)	(325,824)	(400,396)	(576,804)	(648,177)

NEUSOFT XIKANG HOLDINGS INC.

38 Cash flow information(Continued)

(b) Net debt reconciliation(Continued)

	<b>Liabilities from financing activities</b>			
	<b>Borrowings</b>	<b>Leases</b>	<b>Financial instruments with redeemable rights</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Net debt as at 01/01/2020 (Unaudited)</b>	(317,567)	(162,769)	(183,864)	(664,200)
Proceeds from bank borrowings	(150,000)	-	-	(150,000)
Repayments of bank borrowings	100,169	-	-	100,169
Proceeds from shareholders' borrowings	56,400	-	-	56,400
Payments of lease liabilities	-	31,700	-	31,700
New leases	-	(120)	-	(120)
Financial instruments with redeemable rights	-	-	(121,306)	(121,306)
Interest accrued (Note 10)	-	(8,723)	(15,834)	(24,557)
Foreign exchange adjustments	10	-	19,587	19,597
Termination of lease contracts	-	7,122	-	7,122
<b>Net debt as at 31/12/2020</b>	<b>(310,988)</b>	<b>(132,790)</b>	<b>(301,417)</b>	<b>(745,195)</b>
Proceeds from bank borrowings	(240,804)	-	-	(240,804)
Repayments of bank borrowings	161,040	-	-	161,040
Proceeds from shareholders' borrowings	706	-	-	706
Payments of lease liabilities	-	26,731	-	26,731
New leases	-	(12,218)	-	(12,218)
Interest accrued (Note 10)	-	(4,357)	(15,562)	(19,919)
Foreign exchange adjustments	(4)	-	7,065	7,061
Termination of lease contracts	-	57,465	-	57,465
<b>Net debt as at 31/12/2021</b>	<b>(390,050)</b>	<b>(65,169)</b>	<b>(309,914)</b>	<b>(765,133)</b>
Proceeds from bank borrowings	(270,000)	-	-	(270,000)
Repayments of bank borrowings	150,170	-	-	150,170
Disposal of investments in subsidiaries	180	-	-	180
Payments of lease liabilities	-	28,000	-	28,000
New leases	-	(29,232)	-	(29,232)
Interest accrued (Note 10)	-	(2,301)	(17,162)	(19,463)
Foreign exchange adjustments	-	-	(29,152)	(29,152)
Rent reduction due to COVID-19	-	1,018	-	1,018
Termination of lease contracts	-	6,060	-	6,060
<b>Net debt as at 31/12/2022</b>	<b>(509,700)</b>	<b>(61,624)</b>	<b>(356,228)</b>	<b>(927,552)</b>



NEUSOFT XIKANG HOLDINGS INC.

38 Cash flow information(Continued)

(b) Net debt reconciliation(Continued)

	<b>Liabilities from financing activities</b>			
	<b>Borrowings</b>	<b>Leases</b>	<b>Financial instruments with redeemable rights</b>	<b>Total</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
<b>Net debt as at 01/01/2023</b>	(509,700)	(61,624)	(356,228)	(927,552)
Repayments of bank borrowings	60	-	-	60
Payments of lease liabilities	-	7,646	-	7,646
New leases	-	(13,203)	-	(13,203)
Interest accrued (Note 10)	-	(703)	(274)	(977)
Foreign exchange adjustments	-	-	4,751	4,751
Termination of lease contracts	-	5,595	-	5,595
<b>Net debt as at 31/03/2023</b>	<b>(509,640)</b>	<b>(62,289)</b>	<b>(351,751)</b>	<b>(923,680)</b>
<b>Net debt as at 01/01/2022</b>	<b>(390,050)</b>	<b>(65,169)</b>	<b>(309,914)</b>	<b>(765,133)</b>
Repayments of bank borrowings	80	-	-	80
Disposal of investments in subsidiaries	180	-	-	180
Payments of lease liabilities	-	9,980	-	9,980
Interest accrued (Note 10)	-	(695)	(4,011)	(4,706)
Foreign exchange adjustments	-	-	1,337	1,337
Termination of lease contracts	-	545	-	545
<b>Net debt as at 31/03/2022 (Unaudited)</b>	<b>(389,790)</b>	<b>(55,339)</b>	<b>(312,588)</b>	<b>(757,717)</b>

39 Commitments

(a) Lease commitments

The Group's future aggregate minimum lease payments due under short-term leases (which are exempted from recognizing the related right-of-use assets and lease liabilities) are as follows:

	<b>As at 31 December</b>			<b>As at 31 March</b>
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
Within 1 year	4,249	92	3	-

## NEUSOFT XIKANG HOLDINGS INC.

### 40 Transactions with non-controlling interests

On 1 June 2020, the Group acquired an additional 8% equity of Dalian Xikang Health Management Consulting Co., Ltd. (“Dalian Xikang”). Dalian Xikang became the wholly owned subsidiary of the group.

On 24 August 2021, Taiyuan Xikang Cloud Hospital management Co., Ltd. (“Taiyuan Xikang”) became a wholly owned subsidiary of the Group through the withdrawal of non-controlling interests.

The effect on the equity during the year/period is summarized as follows:

	Year ended			Three months ended	
	31 December			31 March	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)				
Carrying amount of non-controlling interests acquired	3,230	(572)	-	-	-
Consideration paid to non-controlling interests	3,500	-	-	-	-
Excess of consideration paid recognized in the transactions with non-controlling interests reserve within equity	270	572	-	-	-

### 41 Disposal/liquidation of subsidiaries

In 2020, the Group also disposed four subsidiaries, including Handan Xikang Cloud Hospital Management Co., Ltd, Handan Xikang Hospital Co., Ltd., and Changsha Xikang Healthcare Management Co., Ltd. and Changsha Xikang Cloud Hospital Co., Ltd.

To streamline the Group’s business operations, the Group disposed seven subsidiaries to Jiangsu Lixin Technology Development Co., Ltd. in 2021, including Chongqing Xikang Health Technology Co., Ltd., Dalian Xikang Health Management Consulting Co., Ltd., Dalian Neusoft Xikang Comprehensive Outpatient Department Co., Ltd., Hefei Baohe Xikang Comprehensive Clinic Co., Ltd., Beijing Neusoft Xikang Health Management Co., Ltd., Shanghai Lingang Xikang Cloud Hospital Co., Ltd., Fuzhou Xikang Health Examination Centre Co., Ltd..

These seven subsidiaries contributed the revenue of RMB 15.38 million and RMB 6.71 million to the Group and the net loss of RMB 9.40 million and RMB 4.86 million and to the Group for the years ended 31 December 2020 and 2021, respectively after adjusting for consolidation eliminations.

On 20 April 2021, Jiangsu Lixin Technology Development Co., Ltd. entered into an investment agreement with Neusoft Xikang Healthcare Technology Co., Ltd. and Neusoft Management Consulting (Shanghai) Co., Ltd. and subscribed for 51% equity interests of Neusoft Management Consulting (Shanghai) Co., Ltd. through capital increase of RMB 98.41 million.

The Group liquidated two insignificant subsidiaries, including Heli Investments Co., Ltd. and Shanghai Kangji Investments Center (Limited Partnership) in June and September 2021 respectively.

The Group liquidated three insignificant subsidiaries, including Guangzhou Xikang Health Technology Co., Ltd., Guangzhou Haizhu XiKang Clinic Co., Ltd. and Hainan XiKang Health Management Co., Ltd. in February, January and August 2022 respectively. Moreover, on January 2, 2022, the Group transferred 68.55% equity interest in Aerotel Medical Systems (1998) Limited to Aerotel Ltd. As at the date of transfer, Aerotel Medical Systems (1998) Limited had a net liabilities of RMB11.6 million, and the Group paid USD219,999 as the consideration to Aerotel Ltd. After this transaction, Aerotel Ltd. will bear all debts and any legal liability of Aerotel Medical Systems (1998) Limited that have occurred and are likely to occur in future.

NEUSOFT XIKANG HOLDINGS INC.

41 Disposal/liquidation of subsidiaries(Continued)

The consideration received and the net assets of the disposed subsidiaries at the date of disposal and the net assets of liquidation subsidiaries were as follows:

	Year ended 31 December			Three months ended 31 March	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	15,395	98,899	127	127	-
Right-of-use assets	-	38,907	-	-	-
Intangible assets	223	314	-	-	-
Inventory	-	388	1,606	1,606	-
Trade receivables	162	5,238	902	902	-
Other receivables and prepayments	1,094	12,831	424	424	-
Cash and cash equivalents	927	19,786	42	42	-
Short-term borrowing	-	-	(180)	(180)	-
Trade payables	(289)	(284)	(721)	(721)	-
Contract liabilities	2	(951)	-	-	-
Lease liabilities	-	(49,544)	-	-	-
Other payables and accruals	(112)	(12,593)	(12,127)	(12,127)	-
Net assets	17,402	112,991	(9,927)	(9,927)	-
Non-controlling interests	(8,537)	-	-	-	-
	8,865	112,991	(9,927)	(9,927)	-
(Loss)/gain on disposal of subsidiaries	(5,039)	17,194	8,532	8,532	-
Consideration	3,826	130,185	(1,395)	(1,395)	-

Net inflow of cash and cash equivalents in respect of disposal/liquidation of subsidiaries:

	Year ended 31 December			Three months ended 31 March	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash considerations received/(paid) during the year	2,375	3,070	(1,395)	(1,395)	-
Less: Cash and cash equivalents disposed	(927)	(19,786)	(42)	(42)	-
Net cash inflow on disposal/liquidation of a subsidiaries	1,448	(16,716)	(1,437)	(1,437)	-
Return of investments to non-controlling interests upon liquidation of subsidiaries	-	-	-	-	-
Net proceeds/(payments) from disposal of subsidiaries	1,448	(16,716)	(1,437)	(1,437)	-

NEUSOFT XIKANG HOLDINGS INC.

42 Statements of changes in equity of the Company

	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Total
	RMB'000		RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2020 (Unaudited)</b>	867	1,653,342	(183,864)	23,983	89,153	1,583,481
<b>Comprehensive income</b>						
Profit for the year	-	-	-	-	7,351	7,351
Currency translation differences	-	-	-	14,965	-	14,965
<b>Transactions with owners</b>						
Contributions from shareholders	73	278,728	(121,306)	-	-	157,495
Share-based payments	-	-	-	28,208	-	28,208
<b>Balance at 31 December 2020</b>	940	1,932,070	(305,170)	67,156	96,504	1,791,500
<b>Balance at 1 January 2021</b>	940	1,932,070	(305,170)	67,156	96,504	1,791,500
<b>Comprehensive income</b>						
Loss for the year	-	-	-	-	(31,781)	(31,781)
Currency translation differences	-	-	-	4,041	-	4,041
<b>Transactions with owners</b>						
Share-based payments	-	-	-	153,560	-	153,560
<b>Balance at 31 December 2021</b>	940	1,932,070	(305,170)	224,757	64,723	1,917,320

## NEUSOFT XIKANG HOLDINGS INC.

## 42 Statements of changes in equity of the Company(Continued)

	Share capital	Share premium	Treasury shares	Other reserves	Retained earnings	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2022</b>	940	1,932,070	(305,170)	224,757	64,723	1,917,320
<b>Comprehensive loss</b>						
Loss for the year	-	-	-	-	(32,902)	(32,902)
Currency translation differences	-	-	-	16,209	-	16,209
<b>Transactions with owners</b>						
Share-based payments	-	-	-	79,176	-	79,176
<b>Balance at 31 December 2022</b>	940	1,932,070	(305,170)	320,142	31,821	1,979,803
<b>Balance at 1 January 2023</b>	940	1,932,070	(305,170)	320,142	31,821	1,979,803
<b>Comprehensive income</b>						
Loss for the period	-	-	-	-	(7,271)	(7,271)
Currency translation differences	-	-	-	(22,519)	-	(22,519)
<b>Transactions with owners</b>						
Share-based payments	-	-	-	2,870	-	2,870
<b>Balance at 31 March 2023</b>	940	1,932,070	(305,170)	300,493	24,550	1,952,883

## NEUSOFT XIKANG HOLDINGS INC.

## 42 Statements of changes in equity of the Company(Continued)

	<u>Share capital</u> RMB'000	<u>Share premium</u> RMB'000	<u>Treasury shares</u> RMB'000	<u>Other reserves</u> RMB'000	<u>Retained earnings</u> RMB'000	<u>Total</u> RMB'000
<b>Balance at 1 January 2022</b>	940	1,932,070	(305,170)	224,757	64,723	1,917,320
<b>Comprehensive income</b>						
Loss for the period	-	-	-	-	(12,289)	(12,289)
Currency translation differences	-	-	-	645	-	645
<b>Transactions with owners</b>						
Share-based payments	-	-	-	22,754	-	22,754
<b>Balance at 31 March 2022 (Unaudited)</b>	<u>940</u>	<u>1,932,070</u>	<u>(305,170)</u>	<u>248,156</u>	<u>52,434</u>	<u>1,928,430</u>

## NEUSOFT XIKANG HOLDINGS INC.

### 43 Related party transactions

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

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

#### (a) Names and relationships with related parties

<u>Name of related party</u>	<u>Nature of relationship</u>
Neusoft Group Co., Ltd. ("Neusoft Corporation")	Shareholder
Dalian Neusoft Holdings Co., Ltd. ("Neusoft Holdings")	Shareholder
PICC Property and Casualty Company Limited. ("PICC P&C")	Shareholder
Neusoft Group (Dalian) Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Group (Beijing) Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Group (Shanghai) Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Group (Guangzhou) Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Group (Hainan) Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Group (Nanchang) Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Group (Changchun) Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Group (Yichang) Co. Ltd	Subsidiary of Neusoft Corporation
Tianjin Binhai Certificate Authority Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Medical Industrial Park Development Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Xinxiang Big Health Industry Information Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Group (Lanzhou) Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Group (Nanning) Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Group (Hohhot) Co. Ltd	Subsidiary of Neusoft Corporation
Hanfeng Intelligent Medical Collaborative Innovation Intelligent Research Institute (Liaoning) Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Group Nanjing Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Group Chongqing Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Cloud Technology Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Cloud Technology (Shenyang) Co. Ltd	Subsidiary of Neusoft Corporation
Shenyang Neusoft System Integration Technology Co. Ltd	Subsidiary of Neusoft Corporation
Shandong Neusoft System Integration Co. Ltd	Subsidiary of Neusoft Corporation
Xian Neusoft System Integration Co. Ltd	Subsidiary of Neusoft Corporation
Chengdu Neusoft System Integration Co. Ltd	Subsidiary of Neusoft Corporation
Wuhan Neusoft Information Technology Co. Ltd	Subsidiary of Neusoft Corporation
Shenyang Daily Digital Advertising Communication Co. Ltd	Subsidiary of Neusoft Corporation
Tianjin Zhiyi Technology Co., Ltd	Subsidiary of Neusoft Corporation
Shenyang Neusoft Traffic Information Technology Co. Ltd	Subsidiary of Neusoft Corporation
Shenzhen Neusoft Software Co. Ltd	Subsidiary of Neusoft Corporation
Hunan Neusoft Software Co. Ltd	Subsidiary of Neusoft Corporation
Hebei Neusoft Software Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Group (Shandong) Information Technology Co. Ltd	Subsidiary of Neusoft Corporation
Yichang Neusoft Ruiyun Education Technology Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Hanfeng Medical Technology Co. Ltd	Subsidiary of Neusoft Corporation
Dandong Smart City Operation Co. Ltd	Subsidiary of Neusoft Corporation
Shenyang Neusoft Property Management Co. Ltd	Subsidiary of Neusoft Corporation
Living Space (Shanghai) Data Technology Service Co., Ltd	Subsidiary of Neusoft Corporation
Living Space (Shenyang) Data Technology Service Co., Ltd	Subsidiary of Neusoft Corporation
Guangzhou Neusoft Technology Business Incubator Co. Ltd	Subsidiary of Neusoft Corporation
Shenyang Neusoft Intelligent Medical Technology Research Institute Co. Ltd	Subsidiary of Neusoft Corporation
Shenyang Neusoft Xinglin Intelligent Medical Enterprise Management Co. Ltd	Subsidiary of Neusoft Corporation

## NEUSOFT XIKANG HOLDINGS INC.

### 43 Related party transactions(Continued)

#### (a) Names and relationships with related parties(Continued)

Name of related party	Nature of relationship
Hebei Shugang Technology Co. Ltd	Subsidiary of Neusoft Corporation
Ruichi Electric Equipment (Dalian) Electric System Co., Ltd	Subsidiary of Neusoft Corporation
Neusoft Ruichi Automotive Technology (Shanghai) Co., Ltd	Subsidiary of Neusoft Corporation
Neusoft Ruichi Automotive Technology (Dalian) Co., Ltd	Subsidiary of Neusoft Corporation
Neusoft Ruichi Automotive Technology (Shenyang) Co., Ltd	Subsidiary of Neusoft Corporation
Ruichi New Energy Power System (Wuhan) Co., Ltd	Subsidiary of Neusoft Corporation
Ruicida New Energy Automotive Technology (Beijing) Co., Ltd	Subsidiary of Neusoft Corporation
Ruicida New Energy Vehicle Technology (Shenyang) Co., Ltd	Subsidiary of Neusoft Corporation
Ruicida New Energy Automobile Technology Co., Ltd	Subsidiary of Neusoft Corporation
NEUSOFT JAPAN CO.LTD	Subsidiary of Neusoft Corporation
Tianjin Neusoft Software Co., Ltd.	Subsidiary of Neusoft Corporation
Neusoft Group (Wuhan) Co., Ltd.	Subsidiary of Neusoft Corporation
Dalian Neusoft Zhixing Technology Co., Ltd.	Subsidiary of Neusoft Corporation
Liaoning Boying Technology Co., Ltd.	Subsidiary of Neusoft Corporation
Neusoft Group (Yantai) Co., Ltd.	Subsidiary of Neusoft Corporation
Hangzhou Neusoft Software Co., Ltd.	Subsidiary of Neusoft Corporation
Neusoft Group (Xuzhou) Co., Ltd.	Subsidiary of Neusoft Corporation
Dalian Qixian Zhiyuan Technology Research Institute Co. Ltd.	Subsidiary of Neusoft Corporation
Neusoft Group (Heilongjiang) Co., Ltd.	Subsidiary of Neusoft Corporation
Neusoft Group (Ningbo) Co., Ltd.	Subsidiary of Neusoft Corporation
Shenyang Neusoft System Integration Engineering Co. Ltd	Subsidiary of Neusoft Holdings
Shanghai Sirui Information Technology Co., Ltd	Subsidiary of Neusoft Holdings
Pu'er Jinggu Yunshe Hotel Co., Ltd	Subsidiary of Neusoft Holdings
Beijing Srui Information Technology Co., Ltd	Subsidiary of Neusoft Holdings
Dalian Srui Information Technology Co., Ltd	Subsidiary of Neusoft Holdings
Shenyang Srui Information Technology Co., Ltd	Subsidiary of Neusoft Holdings
Dalian Neusoft Hetang Technology Co. Ltd	Subsidiary of Neusoft Holdings
Liaoning Neusoft Venture Capital Co. Ltd	Subsidiary of Neusoft Holdings
Dalian Neusoft Software Park Industrial Development Co. Ltd	Subsidiary of Neusoft Holdings
Nanjing Neusoft Talent Training Center	Subsidiary of Neusoft Holdings
Dalian Neusoft Software Personnel Training Center	Subsidiary of Neusoft Holdings
Shenyang Neusoft Software Talent Training Center	Subsidiary of Neusoft Holdings
Dalian Ruidao Yibo Education Information Technology Co., Ltd	Subsidiary of Neusoft Holdings
Guangzhou Neusoft Software Talent Vocational Training School	Subsidiary of Neusoft Holdings
Qinhuangdao Neusoft University of Entrepreneurship	Subsidiary of Neusoft Holdings
Dalian Xikang Yunshe Hotel Management Co., Ltd	Subsidiary of Neusoft Holdings
Pu'er Ximeng Yunshe Hotel Co., Ltd	Subsidiary of Neusoft Holdings
Dalian Neusoft Education Technology Group Co. Ltd	Subsidiary of Neusoft Holdings
Chengdu Neusoft University	Subsidiary of Neusoft Holdings
Guangdong Neusoft University	Subsidiary of Neusoft Holdings
Dalian Neusoft University of Information	Subsidiary of Neusoft Holdings
Dalian Xikang Yunshe Development Co., Ltd. (i)	Subsidiary of Neusoft Holdings
Chengdu Neusoft Information Technology Development Co. Ltd	Subsidiary of Neusoft Holdings
Dalian Neusoft Industry Management Service Co. Ltd	Subsidiary of Neusoft Holdings
Shanghai Ruixiang Information Technology Co., Ltd	Subsidiary of Neusoft Holdings
Dalian Neusoft Thinking Technology Development Co., Ltd.	Subsidiary of Neusoft Holdings
Dalian Neusoft Electronic Publishing House Co. Ltd	Subsidiary of Neusoft Holdings
Dalian Yunguan Information Technology Co. Ltd	Subsidiary of Neusoft Holdings
Hainan Yunshe Hotel Management Co., Ltd	Subsidiary of Neusoft Holdings
Dalian High Tech Zone Neusoft Training School Co. Ltd	Subsidiary of Neusoft Holdings
Guangdong Ruidao Co-Create Technology Co., Ltd	Subsidiary of Neusoft Holdings



## NEUSOFT XIKANG HOLDINGS INC.

### 43 Related party transactions(Continued)

#### (a) Names and relationships with related parties(Continued)

Name of related party	Nature of relationship
Shenyang Neusoft Ruidao Education Service Co. Ltd	Subsidiary of Neusoft Holdings
Dalian Neusoft Ruichuang Technology Development Co. Ltd	Subsidiary of Neusoft Holdings
Qingdao Neusoft Ruidao Education Information Technology Co. Ltd	Subsidiary of Neusoft Holdings
Beijing Neusoft Yuetong Software Technology Co. Ltd	Subsidiary of Neusoft Holdings
Qiqin Technology (Beijing) Co. Ltd	Subsidiary of Neusoft Holdings
Dalian Neusoft Holding Ruikang Medical Management Co. Ltd.	Subsidiary of Neusoft Holdings
Beijing Neusoft Medical Equipment Co. Ltd	Subsidiary of Neusoft Medical
Neusoft Medical Technology Co. Ltd	Subsidiary of Neusoft Medical
Shanghai Neusoft Medical Technology Co. Ltd	Subsidiary of Neusoft Medical
Neusoft Wittmann Biological Technology (Nanjing) Co. Ltd	Subsidiary of Neusoft Medical
Neusoft Wittmann Biological Technology (Shenyang) Co. Ltd	Subsidiary of Neusoft Medical
Shenyang Neusoft Medical System Import & Export Co. Ltd	Subsidiary of Neusoft Medical
Shenyang Neusoft Zhirui Radiotherapy Technology Co. Ltd	Subsidiary of Neusoft Medical
Shenyang Neusoft Spectral Magnetic Resonance Technology Co. Ltd	Subsidiary of Neusoft Medical
Shenyang Neusoft Pestone Medical System Co. Ltd	Subsidiary of Neusoft Medical
Shanghai Neusoft Medical Equipment Co. Ltd	Subsidiary of Neusoft Medical
PICC Life Insurance Co. Ltd	Subsidiary of PICC P&C
PICC Health Insurance Co. Ltd	Subsidiary of PICC P&C
Huaxia Bank Co. Ltd	Subsidiary of PICC P&C
Dandong jinhai building business service Co. Ltd	Subsidiary of Jinhai Group
Jinke Property Group Co. Ltd.	Parent of Associates
Changsha HuiRen Healthcare Management Co., Ltd.	Parent of Associates
Liaoning Jinhai Real Estate Development Group Co., Ltd. (hereinafter referred to as "Jinhai Group")	Parent of Associates
Hangzhou Lanxi Chengyuan Medical Outpatient Department Co. Ltd	Subsidiary of Associates
Chongqing Jinke Kejian Real Estate Co. Ltd	Subsidiary of Associates
Lanxi Healthcare Management Group Co., Ltd.	Subsidiary of Associates
Neusoft Management Consulting (Shanghai) Co., Ltd. (ii)	Associate
Shenyang Advanced Medical Equipment Technology Incubation Center Co. Ltd	A company significant influenced by key management personnel
Neusoft Medical System Co. Ltd ("Neusoft Medical")	Same key managers
Silk Road neusoft technology Co. Ltd	Subsidiary of Neusoft Corporation
Neusoft Ruichi Automotive Technology (Wuhan) Co. Ltd	Subsidiary of Neusoft Corporation
Shenyang Neusoft Medical Imaging Diagnosis Center Co. Ltd	Subsidiary of Neusoft Medical
Changchun Neusoft Medical Imaging Diagnosis Co., Ltd.	Subsidiary of Neusoft Medical
Foshan Nanhai Neusoft Information Technology Development Co. Ltd	Subsidiary of Neusoft Holdings
Hangzhou Lanxi Health Management Co. Ltd	Subsidiary of Joint Venture
Hangzhou Lanxi Meiling Medical Clinic Co. Ltd	Subsidiary of Joint Venture
(i) On 17 February 2020, the Group entered into an investment agreement with Dalian Yunshe and the Group subscribed for 11.83% equity interests of Dalian Yunshe. (Note 12)	
(ii) Neusoft Management Consulting (Shanghai) Co., Ltd. was controlled by the company from July 2020. As at 31 December 2021, the Group's interest in Neusoft Management Consulting (Shanghai) Co., Ltd. decreased from 100% to 49%, and Neusoft Management Consulting (Shanghai) Co., Ltd. became an associate of the Group. (Note 12)	

NEUSOFT XIKANG HOLDINGS INC.

43 Related party transactions(Continued)

(b) Significant transactions with related parties

(i) Purchases medical consumable and smart healthcare products

	Year ended 31 December			Three months ended 31 March	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Neusoft Corporation and its subsidiaries	806	3,236	907	-	-
Neusoft Medical and its subsidiaries	2,207	1,764	1,519	333	330
	<u>3,013</u>	<u>5,000</u>	<u>2,426</u>	<u>333</u>	<u>330</u>

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

	Year ended 31 December			Three months ended 31 March	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Neusoft Corporation and its subsidiaries	8,113	4,829	7,671	1,214	191
Neusoft Medical and its subsidiaries	4,718	4,555	2,091	181	711
Neusoft Holdings and its subsidiaries	258	264	277	66	-
Associates, its parents and its subsidiaries	122	122	-	-	-
	<u>13,211</u>	<u>9,770</u>	<u>10,039</u>	<u>1,461</u>	<u>902</u>

(iii) Purchases of fixed assets

	Year ended 31 December			Three months ended 31 March	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Neusoft Corporation and its subsidiaries	96,436	-	-	-	-
Neusoft Medical and its subsidiaries	1,212	8,187	890	-	-
	<u>97,648</u>	<u>8,187</u>	<u>890</u>	<u>-</u>	<u>-</u>

(iv) Purchases of right-of-use assets

	Year ended 31 December			Three months ended 31 March	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Neusoft Corporation and its subsidiaries	-	11,022	-	-	-
Neusoft Medical and its subsidiaries	-	654	-	-	-
	<u>-</u>	<u>11,676</u>	<u>-</u>	<u>-</u>	<u>-</u>

NEUSOFT XIKANG HOLDINGS INC.

43 Related party transactions(Continued)

(b) Significant transactions with related parties(Continued)

(v) Purchase of patented technology

	Year ended			Three months ended	
	31 December			31 March	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000

Neusoft Corporation and its subsidiaries	-	1,132	-	-	-
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(vi) Sales of cloud hospital platform service

	Year ended			Three months ended	
	31 December			31 March	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000

Neusoft Corporation and its subsidiaries	895	3,825	2,306	490	2,850
Associates, its parents and its subsidiaries	-	-	42	-	-
Neusoft Holdings and its subsidiaries	-	220	-	-	-
	895	4,045	2,348	490	2,850

(vii) Sales of internet medical services

	Year ended			Three months ended	
	31 December			31 March	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000

Neusoft Medical and its subsidiaries	575	2,795	5,311	989	2,539
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(viii) Sales of health management services

	Year ended			Three months ended	
	31 December			31 March	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000

Neusoft Corporation and its subsidiaries	4,794	4,958	5,009	119	471
Neusoft Holdings and its subsidiaries	1,675	430	701	-	50
PICC P&C and its subsidiaries	1,727	100	136	27	12
Associates, its parents and its subsidiaries	1,156	770	429	6	7
Neusoft Medical and its subsidiaries	524	581	635	7	67
Related parties controlled or significant influenced by key management personnel	35	-	-	-	-
	9,911	6,839	6,910	159	607

NEUSOFT XIKANG HOLDINGS INC.

43 Related party transactions(Continued)

(b) Significant transactions with related parties(Continued)

(ix) Sales of smart healthcare services

	Year ended 31 December			Three months ended 31 March	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Neusoft Corporation and its subsidiaries	4,014	5,806	1,842	-	1
Neusoft Holdings and its subsidiaries	187	199	-	-	-
	<u>4,201</u>	<u>6,005</u>	<u>1,842</u>	<u>-</u>	<u>1</u>

(x) Interest Expenses

	Year ended 31 December			Three months ended 31 March	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Aerotel Ltd.	340	421	-	-	-

(xi) Lease expenses and property service

	Year ended 31 December			Three months ended 31 March	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Associates, its parents and its subsidiaries	939	784	790	184	184
Neusoft Medical and its subsidiaries	241	207	-	-	-
Neusoft Holdings and its subsidiaries	90	-	-	-	-
Neusoft Corporation and its subsidiaries	20	2,158	1,215	731	303
	<u>1,290</u>	<u>3,149</u>	<u>2,005</u>	<u>915</u>	<u>487</u>

(xii) Disposal of equity

	Year ended 31 December			Three months ended 31 March	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Associates, its parents and its subsidiaries	2,550	-	-	-	-

(xiii) Acceptance of guarantees

	Year ended 31 December			Three months ended 31 March	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Neusoft Holdings and its subsidiaries	310,910	-	-	-	-

NEUSOFT XIKANG HOLDINGS INC.

43 Related party transactions(Continued)

(c) Year/period ended balances with related parties

	As at 1	As at 31 December			As at 31
	January	2020	2021	2022	March
	2020	2020	2021	2022	2023
	RMB'oo	RMB'ooo	RMB'ooo	RMB'ooo	RMB'ooo
	0				
	(Unaudited)				
<b>Amount due from related party – trade receivables</b>					
<b>Trade</b>					
Neusoft Corporation and its subsidiaries	5,182	8,418	13,632	8,774	10,392
Neusoft Holdings and its subsidiaries	772	466	136	470	519
Associates, its parents and its subsidiaries	137	336	520	369	301
PICC and its subsidiaries	45	257	87	-	-
Neusoft Medical and its subsidiaries	-	193	461	1,359	3,214
	<u>6,136</u>	<u>9,670</u>	<u>14,836</u>	<u>10,972</u>	<u>14,426</u>
<b>Amount due from related party – contract assets</b>					
<b>Trade</b>					
Neusoft Corporation and its subsidiaries	<u>265</u>	<u>778</u>	<u>409</u>	<u>294</u>	<u>190</u>
<b>Amount due from related party – other receivables</b>					
<b>Trade</b>					
Related parties with the same key management	4,792	-	-	-	-
Associates, its parents and its subsidiaries	100	110	100	10	10
Neusoft Corporation and its subsidiaries	-	3	552	1,101	1,103
Neusoft Medical and its subsidiaries	-	-	-	259	9
	<u>4,892</u>	<u>113</u>	<u>652</u>	<u>1,370</u>	<u>1,122</u>
<b>Amount due from related party – prepayments</b>					
<b>Trade</b>					
Neusoft Medical and its subsidiaries	33	339	272	41	19
Neusoft Corporation and its subsidiaries	<u>12</u>	<u>119</u>	<u>84</u>	<u>84</u>	<u>115</u>
	<u>45</u>	<u>458</u>	<u>356</u>	<u>125</u>	<u>134</u>
<b>Amount due to related party – trade payables</b>					
<b>Trade</b>					
Neusoft Corporation and its subsidiaries	1,655	9,819	10,954	13,738	12,203
Neusoft Medical and its subsidiaries	378	370	409	1,331	1,064
Related parties with the same key management	307	181	-	-	-
Neusoft Holdings and its subsidiaries	-	20	-	-	-
	<u>2,340</u>	<u>10,390</u>	<u>11,363</u>	<u>15,069</u>	<u>13,267</u>
<b>Amount due to related party – other payables</b>					
<b>Trade</b>					
Neusoft Corporation and its subsidiaries	13,172	5,646	828	828	231
Associates, its parents and its subsidiaries	2,627	3,492	5,798	1,973	142
Neusoft Medical and its subsidiaries	14	294	114	41	181
Neusoft Holdings and its subsidiaries	<u>57,021</u>	<u>49</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>72,834</u>	<u>9,481</u>	<u>6,740</u>	<u>2,842</u>	<u>554</u>
<b>Non-trade</b>					
Aerotel Ltd.	<u>9,200</u>	<u>9,008</u>	<u>9,218</u>	<u>-</u>	<u>-</u>

The directors of the Company expect to settle in full the non-trade amounts due to related party prior to the Listing.

NEUSOFT XIKANG HOLDINGS INC.

43 Related party transactions(Continued)

(c) Year/period ended balances with related parties(Continued)

	As at 1	As at 31 December			As at 31
	January	2020	2021	2022	March
	2020	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)					
<b>Amount due to related party – contract liabilities</b>					
<b>Trade</b>					
Associates, its parents and its subsidiaries	-	1,191	44	159	159
Neusoft Corporation and its subsidiaries	66	226	-	45	383
PICC and its subsidiaries	71	138	15	106	79
Neusoft Holdings and its subsidiaries	14	15	44	2	1
Neusoft Medical and its subsidiaries	18	-	-	25	-
	<u>169</u>	<u>1,570</u>	<u>103</u>	<u>337</u>	<u>622</u>
<b>Amount due to related party – right-of-use assets</b>					
<b>Trade</b>					
Associates, its parents and its subsidiaries	4,140	3,600	3,060	1,703	1,277
Neusoft Corporation and its subsidiaries	11,682	3,367	17,114	7,810	6,333
Neusoft Medical and its subsidiaries	-	-	617	399	345
	<u>15,822</u>	<u>6,967</u>	<u>20,791</u>	<u>9,912</u>	<u>7,955</u>
<b>Amount due to related party – lease liabilities</b>					
<b>Trade</b>					
Associates, its parents and its subsidiaries	6,098	6,424	6,591	4,048	2,853
Neusoft Corporation and its subsidiaries	17,262	4,923	13,945	8,090	6,778
Neusoft Medical and its subsidiaries	-	-	623	434	385
	<u>23,360</u>	<u>11,347</u>	<u>21,159</u>	<u>12,572</u>	<u>10,016</u>

(d) Key management personnel compensation

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

	Year ended			Three months ended	
	31 December			31 March	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)					
Wages, salaries and bonuses	6,880	9,273	6,855	800	971
Pension costs - defined contribution plans	103	258	377	69	100
Other social security costs	113	222	219	42	56
Housing benefits	153	164	196	37	51
Share-based compensation	10,528	47,988	30,595	6,293	2,540
	<u>17,777</u>	<u>57,905</u>	<u>38,242</u>	<u>7,241</u>	<u>3,718</u>

NEUSOFT XIKANG HOLDINGS INC.

44 Benefits and interests of directors

(a) Directors' emoluments

Directors' emoluments for the Relevant Period are set out as follows:

	Note	Wages, salaries and bonuses RMB'000	Pension costs - defined contribution plans RMB'000	Social security costs RMB'000	Housing benefits RMB'000	Share-based compensation expenses RMB'000	Total RMB'000
For the year ended 31 December 2020							
Liu Jiren	(i)	-	-	-	-	-	-
Lu Zhaoxia	(ii)	-	-	-	-	-	-
Wang Nan	(iii)	-	-	-	-	-	-
Zong Wenhong	(iv)	2,480	22	30	31	3,918	6,481
Li Wanshou	(v)	-	-	-	-	-	-
Yuan Bing	(vi)	-	-	-	-	-	-
Chen Lianyong	(vii)	-	-	-	-	-	-
		<u>2,480</u>	<u>22</u>	<u>30</u>	<u>31</u>	<u>3,918</u>	<u>6,481</u>
For the year ended 31 December 2021							
Liu Jiren	(i)	-	-	-	-	-	-
Lu Zhaoxia	(ii)	-	-	-	-	-	-
Wang Nan	(iii)	-	-	-	-	-	-
Zong Wenhong	(iv)	2,780	58	69	35	15,123	18,065
Yuan Bing	(vi)	-	-	-	-	-	-
Chen Lianyong	(vii)	-	-	-	-	-	-
		<u>2,780</u>	<u>58</u>	<u>69</u>	<u>35</u>	<u>15,123</u>	<u>18,065</u>
For the year ended 31 December 2022							
Liu Jiren	(i)	-	-	-	-	-	-
Lu Zhaoxia	(ii)	-	-	-	-	-	-
Wang Nan	(iii)	-	-	-	-	-	-
Zong Wenhong	(iv)	2,350	92	45	39	9,654	12,180
Yuan Bing	(vi)	-	-	-	-	-	-
Pu Chengchuan	(viii)	-	-	-	-	-	-
Chen Lianyong	(vii)	-	-	-	-	-	-
		<u>2,350</u>	<u>92</u>	<u>45</u>	<u>39</u>	<u>9,654</u>	<u>12,180</u>
For the three months ended 31 March 2023							
Liu Jiren	(i)	-	-	-	-	-	-
Lu Zhaoxia	(ii)	-	-	-	-	-	-
Wang Nan	(iii)	-	-	-	-	-	-
Zong Wenhong	(iv)	230	24	11	10	750	1,025
Pu Chengchuan	(viii)	-	-	-	-	-	-
Chen Lianyong	(vii)	-	-	-	-	-	-
		<u>230</u>	<u>24</u>	<u>11</u>	<u>10</u>	<u>750</u>	<u>1,025</u>
For the three months ended 31 March 2022(Unaudited)							
Liu Jiren	(i)	-	-	-	-	-	-
Lu Zhaoxia	(ii)	-	-	-	-	-	-
Wang Nan	(iii)	-	-	-	-	-	-
Zong Wenhong	(iv)	230	22	11	9	2,520	2,792
Yuan Bing	(vi)	-	-	-	-	-	-
Chen Lianyong	(vii)	-	-	-	-	-	-
		<u>230</u>	<u>22</u>	<u>11</u>	<u>9</u>	<u>2,520</u>	<u>2,792</u>

**NEUSOFT XIKANG HOLDINGS INC.**

**44 Benefits and interests of directors(Continued)**

(a) Directors' emoluments(Continued)

- (i) Mr. Liu Jiren was appointed as a director with effect from 15 July 2011.
- (ii) Ms. Lu Zhaoxia was appointed as a director with effect from 15 July 2011.
- (iii) Ms. Wang Nan was appointed as a director with effect from 18 November 2015.
- (iv) Ms. Zong Wenhong was appointed as a director with effect from 27 December 2019.
- (v) Mr. Li Wanshou was appointed as a director with effect from 18 November 2015 and resigned on 26 May 2021.
- (vi) Mr. Yuan Bing was appointed as a director with effect from 28 October 2019 and resigned on 30 December 2022.
- (vii) Mr. Chen Lianyong was appointed as a director with effect from 27 December 2019.
- (viii) Mr. Pu Chengchuan was appointed as a director with effect from 30 December 2022.
- (ix) Non-executive directors of the Company do not get remuneration from the Company.

(b) Directors' retirement and termination benefits

No retirement or termination benefits have been paid to the Company's directors during the Relevant Period.

(c) Consideration provided to third parties for making available directors' services

No consideration was provided to third parties for making available directors' services during the Relevant Period.

(d) Information about loans, quasi-loans and other dealings in favor of directors, bodies corporate controlled by or entities connected with directors

There were no loans, quasi-loans and other dealings in favor of directors, controlled bodies corporate by and connected entities with such directors during the Relevant Period.

(e) Directors' material interests in transactions, arrangements or contracts

No other significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Relevant Period.



**NEUSOFT XIKANG HOLDINGS INC.**

**44 Benefits and interests of directors(Continued)**

(f) Five highest paid individuals

For the years ended 31 December 2020, 2021, 2022 and three months ended 31 March 2022 and 2023, the five individuals whose emoluments were the highest in the Group include 1, 1, 1 and 1 director, whose emoluments are reflected in the analysis presented in Note (a). The emoluments payable to the remaining individuals were as follows:

	Year ended 31 December			Three months ended 31 March	
	2020	2021	2022	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Salaries	4,400	6,492	4,505	570	741
Share-based compensation expenses	6,610	32,866	20,941	3,773	1,790
Social security costs, housing benefits and other employee benefits	286	482	616	106	162
	<u>11,296</u>	<u>39,840</u>	<u>26,062</u>	<u>4,449</u>	<u>2,693</u>

The remaining highest paid individuals fell within the following bands:

Emolument bands	Year ended 31 December			Three months ended 31 March	
	2020	2021	2022	2022	2023
	(Unaudited)				
Nil to HKD 500,000	-	-	-	-	-
HKD 500,001 – HKD 1,000,000	-	-	-	1	4
HKD 1,000,001 – HKD 1,500,000	-	-	-	2	-
HKD 1,500,001 – HKD 2,000,000	-	-	-	1	-
HKD 2,000,001 – HKD 2,500,000	1	-	-	-	-
HKD 2,500,001 – HKD 3,000,000	1	-	-	-	-
Over HKD 3,000,000	2	4	4	-	-
	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>	<u>4</u>

**45 Dividends**

No dividend has been paid or declared by the Company or the companies now comprising the Group during each of the years ended 31 December 2020, 2021, 2022 and three months ended 31 March 2023.

**46 Contingencies**

The Group did not have any material contingent liabilities as of 31 December 2020, 2021, 2022 and 31 March 2023.

**47 Subsequent events**

(a) Share option

On 1 April 2023, 3,442,000 share options were granted to certain employees of the Group at a consideration of USD2.94 per share. Under the employee incentive plan, above grantees are granted options which only vest if certain service and performance condition are met. The total expenses arising from the share options would be amounting to RMB 69.2 million over the vesting period.

**NEUSOFT XIKANG HOLDINGS INC.**

**47 Subsequent events(Continued)**

**(b) Capital Reduction**

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

**(c) Share subdivision**

Pursuant to the shareholders' resolution dated 11 September 2023, each of the existing issued and unissued shares of the Company with a par value US\$0.001 each will be sub-divided into 5 shares of par value of US\$0.0002 each, which has not become effective at the date of the prospectus.